ALLIANCE GLOBAL GROUP, INC.

7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City
Metro Manila, Philippines

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Alliance Global Group, Inc. will be held on **15 SEPTEMBER 2015** at **9:00 a.m.** at the Grand Ballroom, Eastwood Richmonde Hotel, Orchard Road, Eastwood City, Bagumbayan, Quezon City, Philippines, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on 16 September 2014
4. Report of Management for Year 2014
5. Appointment of Independent Auditors
6. Ratification of Acts of the Board of Directors, Board Committees, and Officers
7. Election of Directors
8. Other matters
9. Adjournment

Stockholders of record as of 10 August 2015 will be entitled to notice of, and to vote at, the Annual Meeting.

Makati City, Metro Manila, Philippines, 11 August 2015.

DOMINIC V. ISBERTO
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [/] Definitive Information Statement

2. Name of Registrant as specified in its charter: **ALLIANCE GLOBAL GROUP, INC.**

3. Province, country or other jurisdiction of incorporation or organization:
   METRO MANILA, PHILIPPINES

4. SEC Identification Number: **ASO93-7946**

5. BIR Tax Identification Code: **003-831-302-000**

6. Address of Principal Office:
   7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines

7. Registrant's telephone number, including area code: **(632) 709-2038 to 41**

8. Date, time and place of the meeting of security holders:
   15 September 2015, 9:00 AM
   Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road
   Eastwood City Bagumbayan, Quezon City, Philippines

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **24 August 2015**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock	**10,269,827,979**

12. Are any or all of registrant's securities listed in a Stock Exchange?
    Yes
    Disclose the name of such Stock Exchange: **Philippine Stock Exchange**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY

SAMPLE ONLY
PROXY

The undersigned shareholder(s) of **ALLIANCE GLOBAL GROUP, INC.** (the "Company") hereby appoint/s ____ or in his absence, the Chairman of the Annual Shareholders' Meeting, as proxy of the undersigned shareholder(s) at the Annual Meeting of Shareholders scheduled on 15 September 2015 at 9:00 in the morning at the Grand Ballroom, Eastwood Richmonde Hotel, Orchard Road, Eastwood City, Bagumbayan, Quezon City and/or at any postponement or adjournment thereof, and/or any annual shareholders' meeting of the Company, which appointment shall not exceed five (5) years from date hereof.

The undersigned shareholder(s) hereby direct/s the said proxy to vote all shares on the agenda items set forth below as expressly indicated by marking the same with [√] or [X]:

ITEM NO.	**SUBJECT**	**ACTION**		
		FOR	AGAINST	ABSTAIN
3	Approval of the Minutes of the Annual Meeting of Stockholders held on 16 September 2014			
5	Appointment of Independent Auditors			
6	Ratification of Acts of the Board of Directors, Board Committees and Officers			
7	Election of Directors			
	Andrew L. Tan			
	Kingson U. Sian			
	Katherine L. Tan			
	Winston S. Co			
	Kevin Andrew L. Tan			
	Sergio Ortiz-Luis, Jr. - Independent Director			
	Alejo L. Villanueva, Jr. - Independent Director			

______________________	______________________	______________________	__________
PRINTED NAME OF SHAREHOLDER	SIGNATURE OF SHAREHOLDER/ AUTHORIZED SIGNATORY	NUMBER OF SHARES TO BE REPRESENTED	DATE

This proxy should be received by the Corporate Secretary not later than **04 September 2015**.

This proxy when properly executed will be voted in the manner as directed herein by the shareholder. If no direction is made, the proxy will be voted for the election of all nominees and for the approval of all matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement.

A shareholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the shareholder attends the meeting in person and expressed his intention to vote in person.

This proxy does not need to be notarized. (Partnerships, Corporations and Associations must attach certified resolutions thereof designating Proxy/Representative and Authorized Signatories.)

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of annual meeting of security holders.

Date & time: 15 September 2015, 9:00 AM
Place: Grand Ballroom, Eastwood Richmonde Hotel, 17 Orchard Road, Eastwood City, Bagumbayan, Quezon City, Philippines
Principal office: 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines

Approximate date on which the Information Statement is first to be sent or given: 24 August 2015

The Company is not soliciting proxies. We are not asking for a proxy. Neither are you required to send us a proxy.

Item 2. Dissenter's Right of Appraisal

There are no matters to be acted upon or proposed corporate action in the agenda for the annual meeting of stockholders that may give rise to possible exercise by a dissenting stockholder of its appraisal rights under Title X of the Corporation Code of the Philippines.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: (1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (2) in case the Company decides to invest funds in another corporation or business or for any purpose outside of the primary purpose for which it was organized; (3) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets; and (4) in case of merger or consolidation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. **A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right**. Failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand until either the abandonment of the corporate action in question or the purchase of the dissenting shares by the Company, all rights accruing to the dissenting shares shall be suspended, except the stockholder's right to receive payment of the fair value thereof. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If the fair value is not determined within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third to be chosen jointly by the Company and the stockholder). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. Upon payment by the Company of the awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No officer or director at any time since the beginning of last fiscal year, or nominee for election as director, or associate of any of these persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(b) No director has informed the Company in writing of his/her intention to oppose any matter to be acted upon at the Annual Stockholders' Meeting ("Meeting").

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Each of the 10,269,827,979 common shares outstanding as of 10 August 2015 shall be entitled to one vote with respect to all matters to be taken up during the Meeting.

(b) All stockholders of record as of 10 August 2015 are entitled to notice of, and to vote at, the Meeting either in person or by proxy. The Company is not soliciting your proxy.

(c) All stockholders shall have cumulative voting rights with respect to the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(d) Security Ownership of Certain Record and Beneficial Owners and Management:

Security Ownership of Holders of more than 5% of the Company's Voting Securities as of 31 July 2015:

Title Of Class	*Name and Address of Record Owner &Relationship w/ Issuer*	*Beneficial Owner & Relationship w/ Record Owner*	*Citizenship*	*No. of Shares*	*Percent Owned*
Common	THE ANDRESONS GROUP, INC.[1] 6th Floor The World Centre Building, 330 Sen. Gil Puyat Ave., Makati City It is solely a stockholder of issuer.	Andrew L. Tan, Chairman of the Board, is authorized to appoint proxy to vote for the shares	Filipino	4,016,078,294	39.11%
Common	THE HONGKONG AND SHANGHAI BANKING CORP LTD.[2] 30/F Discovery Suites, ADB Avenue, Ortigas Center, Pasig City No relationship with issuer.	Rose Tantoco, SVP, or Nilo Dicen, VP, of Securities Services is authorized to appoint proxy to vote for the shares	Non-Filipino	1,683,866,938	16.40%

[1] Includes shares lodged with PCD.
[2] HSBC is a participant of the PCD Nominee Corporation. According to them, no other client or account beneficially owned 5% or more of AGI shares.

Common	YORKSHIRE HOLDINGS, INC.[3] 28/F The World Centre 330 Sen. Gil Puyat Avenue Makati City, Metro Manila It is solely a stockholder of issuer.	Andrew L. Tan, Chairman of the Board, is authorized to appoint proxy to vote for the shares	Filipino	1,583,459,842	15.42%
Common	DEUTSCHE BANK AG MANILA BRANCH – Clients [4] 26/F Ayala Tower One, Ayala Ave., Makati City No relationship with issuer.	Soledad Velasco, Head – Securities and Custody Operations, or Carlos Dela Torre, Deputy Head, is authorized to appoint proxy to vote for the shares.	Non-Filipino	1,174,335,021	11.43%

Security Ownership of Directors and Management as of 31 July 2015:

Title of Class	*Name of Beneficial Owner*	*Citizenship*	*Nature of Beneficial Ownership*	*Amount and Nature of Record Ownership*	*Percent Owned*
Common	Andrew L. Tan	Filipino	Direct	63,684,350	0.62%
Common	Sergio R. Ortiz-Luis, Jr.	Filipino	Direct	1	0.00%
Common	Kingson U. Sian	Filipino	Direct	5,001,100	0.04%
Common	Winston S. Co	Filipino	Direct	2,728	0.00%
Common	Katherine L. Tan	Filipino	Direct	1	0.00%
Common	Alejo L. Villanueva, Jr.	Filipino	Direct	1	0.00%
Common	Kevin Andrew L. Tan	Filipino	Direct	1	0.00%
Common	Dina D. Inting	Filipino	Direct	2,758	0.00%
Common	Dominic V. Isberto	Filipino	Direct	0	0.00%
Common	Rolando D. Siatela	Filipino	Direct	0	0.00%
Directors and Executive Officers as a Group				68,690,940	0.67%

There are no indirect beneficial ownership of the named Directors and Officers.

Voting Trust Holders of 5% or More
The Company has no knowledge of persons holding more than 5% of its voting securities under a voting trust or similar agreement.

Change in Control
The Company has no knowledge of any arrangements among stockholders that may result in a change in control of the Company.

Item 5. Directors and Executive Officers

Incumbent
The following are the incumbent directors and executive officers of the Company:

Name	**Age**	**Citizenship**	**Present Position**
Andrew L. Tan	66	Filipino	Chairman of the Board and Chief Executive Officer
Sergio R. Ortiz-Luis, Jr.	72	Filipino	Vice-Chairman of the Board/Independent Director

[3] Includes direct and indirect beneficial ownership through Altavision Resources, Inc., Asiagroup Holdings, Inc., Globaland Holdings, Inc., Grand Belair Holdings, Inc., and Le Bristol Holdings, Inc.
[4] DEUTSCHE BANK is a participant of the PCD Nominee Corporation. According to them, no other client or account beneficially owned 5% or more of AGI shares.

Kingson U. Sian	54	Filipino	President and Chief Operating Officer
Winston S. Co	57	Filipino	Director
Katherine L. Tan	64	Filipino	Director and Treasurer
Kevin Andrew L. Tan	35	Filipino	Director
Alejo L. Villanueva, Jr.	74	Filipino	Independent Director
Dina D. Inting	55	Filipino	First Vice President for Finance, Compliance Officer and Corporate Information Officer
Dominic V. Isberto	40	Filipino	Corporate Secretary
Rolando D. Siatela	54	Filipino	Asst. Corporate Secretary

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All incumbent directors were elected during the annual meeting of stockholders held on 16 September 2014 and will hold office for one (1) year and/or until their successors are elected and qualified.

Background

Andrew L. Tan
Mr. Tan, 66 years old, Filipino, has served as Director since 2003 and *Chairman of the Board and Chief Executive Officer* since September 2006. Previously, he was *Vice-Chairman of the Board* from August 2003 to September 2006. He pioneered the live-work-play-learn model in the real estate development through the Company's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry, food and beverage, and quick service restaurants industries. He also holds positions in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Emperador Inc.	Chairman and CEO	Aug 2013	May 18, 2015	2
Megaworld Corporation	Chairman & President	Aug 1989	June 19, 2015	26
Travellers International Hotel Group, Inc.	Director	July 2008	June 18, 2015	7
Global-Estate Resorts, Inc. (subsidiary of Megaworld)	Chairman	January 2011	June 25, 2015	4
Empire East Land Holdings, Inc. (subsidiary of Megaworld)	Chairman	July 1994	June 09, 2015	21

Mr. Tan is concurrently the Chairman of the Board and President of Megaworld Land, Inc., Megaworld Globus Asia, Inc., Megaworld Newport Property Holdings, Inc., Mactan Oceanview Properties and Holdings, Inc., Richmonde Hotel Group International Limited, The Bar Beverage, Inc. and Yorkshire Holdings, Inc. He is also the Chairman of Alliance Global Group Cayman Islands, Inc., Alliance Global Brands, Inc., Emperador Distillers, Inc., , Suntrust Properties, Inc., Adams Properties, Inc., Consolidated Distillers of the Far East, Inc., and Townsquare Development, Inc. and sits in the boards of Eastwood Cyber One Corporation, Megaworld Cayman Islands, Inc., Forbes Town Properties & Holdings, Inc., Gilmore Property Marketing Associates, Inc., Megaworld Central Properties, Inc., Raffles & Company, Inc., , The Andresons Group, Inc. He is also the Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation and a Director and Treasurer of Andresons Global, Inc. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

Sergio R. Ortiz-Luis, Jr.
Mr. Ortiz-Luis, Jr., 72 years old, Filipino, has served as *Vice Chairman* and *Independent Director* since September 2007. He is the President of Philippine Exporters Confederation, Inc. ("PHILEXPORT") and Honorary Chairman-Treasurer of the Philippine Chamber of Commerce & Industry. He is concurrently the Vice-Chairman of the Export Development Council, and a member of the board of the Employer's Confederation of the Philippines, Philippine Estate, Manila Exposition Complex, Inc., Holy Angel Memorial Park and Philippine International Trading Corp., Calapan Ventures, Inc. and Jolliville Holdings Corporation. He is also an Independent Director of Forum Pacific, Inc. He was a past President of the Rotary Club of Greenmeadows, Quezon City, a Senator of the Philippine Jaycee Senate, and a member of the League of Corporate Foundation and the Council of Advisers of the Philippine National Police. Mr. Ortiz-Luis, Jr. has broad experience in business management/administration and in the export sector. He obtained his Bachelor of Arts and Bachelor of Science in Business Administration and Masters of Business Administration from the De La Salle College and was awarded Honorary Doctorates in Humanities and Business Technology by the Central Luzon State University and Eulogio Rodriguez Institute of Science and Technology, respectively.

Kingson U. Sian
Mr. Sian, 54 years old, Filipino, has served as *President* and *Chief Operating Officer* of the Company since February 2007. He also holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Director	Aug 2013	May 18, 2015	2
Megaworld Corporation	Director/Executive Director	Apr 2007	June 19, 2015	8
Travellers International Hotel Group, Inc.	Director and President	June 2008	June 18, 2015	6
	Chief Executive Officer	Oct 2014	Oct 2014	

He is concurrently President and Director of Forbestown Properties Holdings, Inc., and Eastwood Cyber One Corporation and a Director of Alliance Global Group Cayman Islands, Inc. He is also Chairman and President of Prestige Hotels & Resorts, Inc. and is the Chief Operating Officer of Megaworld Land, Inc. Mr. Sian was formerly a Vice President of FBP Asia Ltd/First Pacific Bank in Hongkong from 1990 to 1995 and, prior to that, was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. He graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Master's Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Winston S. Co
Mr. Co, 57 years old, Filipino, has served as *Director* since 1998. He previously served as Vice Chairman of the Board from November 1999 to August 2003 and Chairman from June 1998 to October 1999. He holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Emperador Inc.	President and Director	Aug 2013	May 18, 015	2

His field of expertise is in finance and marketing of consumer products. He is concurrently Chairman and President of New Town Land Partners, Inc. and Chairman of Anglo Watsons Glass, Inc. He is also a Director and President of Emperador Distillers, Inc., and a Director of Alliance Global

Brands, Inc., Forbes Town Properties & Holdings, Inc., McKester Pik-Nik International Limited, Raffles & Company, Incorporated, and The Bar Beverage, Inc. and Senior Vice President of The Andresons Group, Inc. Mr. Co is a Magna Cum Laude graduate of Jose Rizal College with a Bachelor of Science in Commerce. He is a member of the Philippine Association of National Advertisers and Philippine Marketing Association.

Katherine L. Tan
Ms. Tan, 64 years old, Filipino has served as *Director* and *Treasurer* since February 2007. She also holds positions in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Emperador Inc.	Director and Treasurer	Aug 2013	May 18, 2015	2
Megaworld Corporation	Director	Aug 1989	June 19, 2015	26
	Treasurer	Aug 1989	June 1995	6

She is concurrently Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc., Director and President of The Andresons Group, Inc., Consolidated Distillers of the Far East, Inc., and Raffles & Company, Inc., and Director and Treasurer of Alliance Global Brands, Inc., Yorkshire Holdings, Inc., New Town Land Partners, Inc., and Emperador Distillers, Inc. Ms. Tan graduated from St. Scholastica's College with a degree in Nutrition.

Kevin Andrew L. Tan
Mr. Tan, 35 years old, Filipino, has served as a *Director* since 20 April 2012. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Global-Estate Resorts, Inc.	Director	June 24, 2014	June 25, 2015	1
Empire East Land Holdings, Inc.	Director	June 09, 2015	June 09, 2015	0

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

Alejo L. Villanueva, Jr.
Mr. Villanueva, 74 years old, Filipino, has served as an *Independent Director* since August 2001. He also holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Independent Director	Aug 2013	May 18, 2015	2
Empire East Land Holdings, Inc.	Independent Director	June 2007	June 09, 2015	8
Suntrust Home Developers, Inc.	Independent Director	Oct 2012	Nov 2014	2

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

Dina D. Inting
Ms. Inting, 55 years old, Filipino, has served as First Vice President for Finance since January 1996 and at present its Compliance Officer and Corporate Information Officer. She holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Compliance Officer and Corporate Information Officer	Aug 2013	May 18, 2015	2

She is currently director of Progreen Agricorp, Inc. She gained an extensive experience in the fields of audit, comptrollership, treasury, finance, branch operations and personnel management from her previous employments. She is a Cum Laude graduate of Bachelor of Science in Commerce major in Accounting, Honors Program, at the Philippine College of Commerce (Polytechnic University of the Philippines), holds a certificate in Organizational Development from the Ateneo de Manila University, and is a Certified Public Accountant.

Dominic V. Isberto
Mr. Isberto, 40 years old, Filipino, has served as Corporate Secretary since September 2007. He also holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Global-Estate Resorts, Inc.	Corporate Secretary and Assistant Corporate Information Officer	Jan 2011	June 25, 2015	4
Emperador Inc.	Corporate Secretary	Aug 2013	May 18, 2015	2

He is also the Corporate Secretary of Twin Lakes Corporation, Eastwood City Estates Association, Inc., Suntrust Properties, Inc. and Fil-Estate Properties, Inc. He is currently a Senior Assistant Vice President for Corporate Management of Megaworld Corporation, where he is responsible for negotiation, preparation and review of lease agreements for office and retail tenants, the preparation and review of joint venture and sale and purchase agreements for the acquisition of property, loan agreements, and other corporate contracts and agreements, and directly handles legal cases. Mr. Isberto has experience in litigation and banking and corporate law. He has a degree in Management Engineering from the Ateneo de Manila University and obtained his Bachelor of Laws degree from the University of the Philippines.

Rolando D. Siatela
Mr. Siatela, 54 years old, Filipino, has served as Assistant Corporate Secretary since August 2002. He also holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Suntrust Home Developers, Inc.	Corporate Secretary and Corporate Information Officer	May 2006	Nov 2014	8
Megaworld Corporation	Assistant Corporate Secretary	Oct 2006	June 19, 2015	9
Global-Estate Resorts, Inc.	Assistant Corporate Secretary	Jan 2011	June 25, 2015	4
Emperador Inc.	Assistant Corporate Secretary	Aug 2013	May 18, 2015	2

He is a member of the board of Asia Finest Cuisine, Inc. and also serves as Corporate Secretary of Oceanic Realty Group International, Inc., ERA Real Estate, Inc. and ERA Real Estate Exchange, Inc., and as Documentation Officer of Megaworld Foundation, Inc. He is at present an Assistant Vice President for Corporate Management in Megaworld Corporation. He was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc. and served as Assistant Corporate Secretary and Chief Administrative Officer of The Andresons Group, Inc.

Procedure for Nomination and Election of Independent Directors
Pursuant to Article II, Section 2 of the Company's By-Laws (amended as of July 20, 2005 by the Board of Directors and as of August 26, 2005 by the Stockholders), the nomination and election of independent directors shall be conducted in accordance with SRC Rule 38.

SRC Rule 38 provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Nomination Committee shall pre-screen the nominees and prepare a final list of candidates.
3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.
4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its By-laws, subject to pertinent laws, rules and regulations of the Commission.
6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.
7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The Company is required to have at least two (2) independent directors in its Board of Directors, who are each independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company. An independent director should have at least one (1) share of the Company's common stock, a college graduate or has been engaged or exposed to the business for at least five (5) years, and possesses integrity/probity and assiduousness. Pursuant to SEC Memorandum Circular 9-2011, an Independent Director can serve for five (5) consecutive years to be counted from January 2012, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which his position was relinquished or terminated. After completion of the 5-year service period, an Independent Director shall be ineligible for election as such in the same company unless he has undergone a "cooling off" period of 2 years after which he can be re-elected in the same company and serve for another 5 consecutive years. A person who has served as Independent Director for 10 years in the same company shall be perpetually barred from being elected as an Independent Director in the same company, without prejudice to being elected in other companies outside of the business conglomerate. There shall be no limit in the number of covered companies that a person may be elected as Independent Director, except in business conglomerates where he can be elected to only five (5) companies of the conglomerate, *i.e.*, parent company, subsidiary or affiliate.

Nominees
Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Nomination Committee composed of Alejo L. Villanueva, Jr. as Chairman and Kevin Andrew L. Tan and Winston S. Co as members accept nominees to the Board of Directors, including nominees for independent directors. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees for members of the Board of Directors:

1. Andrew L. Tan
2. Sergio R. Ortiz-Luis, Jr. – Independent Director
3. Kingson U. Sian
4. Katherine L. Tan
5. Winston S. Co
6. Kevin Andrew L. Tan
7. Alejo L. Villanueva, Jr. – Independent Director

This year's nominees for directors include two persons who qualify as independent directors. The President, Mr. Kingson U. Sian, nominated the incumbent Independent Director, Mr. Sergio R. Ortiz-Luis, Jr., for another term, while Mr. Winston S. Co nominated the other incumbent Independent Director, Mr. Alejo L. Villanueva, Jr., for another term. Messrs. Sian and Ortiz-Luis, Jr. and Co and Villanueva, Jr. are not related by consanguinity or affinity up to the fourth civil degree. The Nomination Committee reviewed the qualifications of Messrs. Ortiz-Luis, Jr. and Villanueva, Jr. and they do not possess any of the disqualifications enumerated under the law and in the Code of Corporate Governance (Their respective profiles are presented on the preceding pages). Having found them duly qualified, the Nomination Committee endorsed the nomination of Messrs. Sergio R. Ortiz-Luis, Jr. and Alejo L. Villanueva, Jr. as candidates for Independent Directors for the ensuing year.

Disagreements with the Company
No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Significant Employees
The Company does not have significant employees, *i.e.*, persons who are not executive officers but expected to make significant contribution to the business.

Family Relationships
Chairman/CEO Andrew L. Tan is married to Treasurer/Director Katherine L. Tan and Director Kevin Andrew L. Tan is their son. Kevin Andrew L. Tan also serves as Director of listed companies Empire East Land Holdings, Inc. and Global-Estate Resorts, Inc. while another son, Kendrick Andrew L. Tan, is a Director of listed company Emperador Inc. and Corporate Secretary and Executive Director of Emperador Distillers, Inc. Both siblings are also currently serving as directors of Emperador Distillers, Inc., Anglo-Watsons Glass, Inc., Newtown Land Partners, Inc., and Yorkshire Holdings, Inc.

Involvement in Legal Proceedings
The Company has no knowledge of any of the following events that occurred during the past five (5) years up the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as director, or executive officer:

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

commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

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

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

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

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

Item 6. Compensation of Directors and Executive Officers

Name and Principal Position
Andrew L. Tan, Chairman and Chief Executive Officer
Sergio R. Ortiz-Luis, Jr., Vice Chairman and Independent Director
Kingson U. Sian, President and Chief Operating Officer
Katherine L. Tan, Treasurer
Winston S. Co, Director
Kevin Andrew L. Tan, Director
Alejo L. Villanueva, Jr., Independent Director
Dina D. Inting, FVP-Finance
Dominic V. Isberto, Corporate Secretary
Rolando T. Siatela, Asst. Corporate Secretary

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. No compensation was received from AGI, the holding company, and neither will there be for 2015, except for an allowance for Mr. Kingson U. Sian which started in February 2007. In 2013 and 2014, directors received a total of Php525,000 each year as per diem, and for 2015 the same amount is expected to be paid.

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

Under the Plan, the Company shall initially reserve for exercise of stock options up to approximately three percent (3%) of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Stock options may be granted within ten (10) years from the adoption of the Plan and may be exercised within seven (7) years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company’s shares for nine (9) months immediately preceding the date of grant. The options shall vest within three (3) years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three (3) year period. The Company shall receive cash for the stock options.

An Option Holder may exercise in whole or in part his vested Option provided, that, an Option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said Option’s Life Cycle. As of this time, the Company cannot determine if options can be exercised with less than forty percent (40%) of the total price of the shares so purchased. The Company does not provide or arrange for loans to enable to qualified participant to exercise their options.

Based on the following list of Options granted, all of the 2011 Options have vested as of December 2014 and two thirds of the 2013 Options has vested as of March 2015 but, as of today, no vested options have been exercised.

Name	Number of Outstanding Options	Date Issued	Exercise Price
Andrew L. Tan	21,000,000	19 December 2011	Php9.175
	48,000,000	14 March 2013	Php12.9997
Kingson U. Sian	15,000,000	19 December 2011	Php9.175
Winston S. Co	10,500,000	19 December 2011	Php9.175
	3,000,000	14 March 2013	Php12.9997
Kevin Andrew L. Tan	6,000,000	14 March 2013	Php12.9997
All above-named officers	103,500,000		
All other grantees as a group unnamed	2,100,000		
TOTAL	105,600,000		

Item 7. Independent Public Accountants

Punongbayan & Araullo (P&A), upon recommendation by the Audit Committee of the Board of Directors composed of Alejo L. Villanueva as Chairman and Sergio R. Ortiz-Luis, Jr. and Andrew L. Tan as members, was re-appointed by the stockholders as the principal external auditors for the years 2014 and 2013, and is again being recommended to the stockholders for re-election as the Company's principal external auditors for the year 2015. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors are approved by the Company after approval by the stockholders of the engagement and prior to the commencement of each audit season.

In compliance with SRC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years or less. Mr. Leonardo D. Cuaresma, Jr. was the lead engagement partner from 2009 to 2011. Ms. Mailene Sigue-Bisnar was the lead engagement partner for 2012- 2014 and will again be for the ensuing year.

Representatives of Punongbayan & Araullo are expected to be present at the Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

External audit fees and services
The respective fees billed by P&A for each of the last two fiscal years totaled P2,040,000 and P1,815,000 for the audit of 2014 and 2013 annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.

Tax fees and all other fees
Other than the foregoing, there were no separate tax fees billed and no other products and services provided by P&A for the last two fiscal years.

All the above services have been approved by the Company, upon recommendation of the Audit Committee composed of Alejo L. Villanueva as Chairman and Sergio R. Ortiz-Luis, Jr. and Andrew L. Tan as members. The selection of external auditors and approval of external audit fees and services is made on the basis of credibility, professional reputation, accreditation with the Securities and Exchange Commission, and affiliation with a reputable foreign partner. The fees of the external auditors are approved by the Company after approval by the stockholders of the engagement and prior to the commencement of each audit season.

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

Information Incorporated by Reference
Financial Statements of the Company and its subsidiaries as of 31 December 2014 and 2013 and Interim Financial Statements of the Company and its subsidiaries as of 31 March 2015, as well as the Management's Discussion and Analysis of Operations and Financial Condition for the corresponding periods are included in the Company's Management Report and are incorporated herein by reference.

C. OTHER MATTERS

Item 8. Action with Respect to Reports

The minutes of the annual meeting of stockholders held on 16 September 2014 will be submitted to the stockholders for approval. The Minutes will refer to the adoption of stockholder's resolutions pertaining to the following matters:

1. Approval of Minutes of the Previous Annual Meeting
2. Appointment of External Auditors
3. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management
4. Election of Directors

The approval or disapproval of the Minutes will constitute merely an approval or disapproval of the correctness of the minutes but will not constitute an approval or disapproval of the matters referred to in the Minutes.

Item 9. Other Proposed Action

The stockholders will be asked to ratify all resolutions of the Board of Directors, Board Committees, and acts of Management adopted during the period covering 01 January 2014 up to the date of this meeting. These include, among others, the appointment of officers in the corporation, opening and maintenance of bank accounts and other bank transactions, approval and issuance of financial statements, declaration of cash dividend, appointment of proxies and nominees, designation of authorized contract signatories and representatives, appointment of attorneys-in-fact, and other similar activities of the Company.

Item 10. Voting Procedures

Vote Required
In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be elected at least two (2) independent directors in the Company's board of directors.

For all other matters proposed to be acted upon, the vote of a majority of the outstanding capital stock will be required for approval.

Method of Counting of Votes
Each holder of common share will be entitled to one (1) vote with respect to all matters to be taken up during the Meeting; provided, that in the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided further, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including at least two (2) independent directors. In the event that the number of nominees to the board of directors exceeds the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors does not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed during the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

UNDERTAKING

The Company undertakes to provide without charge to a stockholder a copy of the Annual Report on SEC Form 17-A upon written request addressed to Ms. Dina Inting, First Vice President for Finance and Corporate Information Officer, at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Quezon City on 11 August 2015.

ALLIANCE GLOBAL GROUP, INC.

By:

DINA D. INTING
First Vice President for Finance and
Corporate Information Officer

MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20
INCLUDING FINANCIAL INFORMATION FOR FIRST QUARTER OF 2015

General Nature and Scope of Business

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

Incorporated on October 12, 1993, AGI began operations in 1994 as a glass-container manufacturer after it acquired a glass manufacturing plant in Canlubang, Laguna. AGI initially listed its shares in the Philippine Stock Exchange ("PSE") in 1999; after which in the same year, it obtained approval from the Securities and Exchange Commission ("SEC") to broaden its primary business and become a holding company. Immediately, the Company began its diversification into the food and beverage and real estate industries, and, in 2005, into the quick-service restaurant business. In 2007, it reorganized to consolidate businesses controlled by Dr. Andrew L. Tan and family ("Tan family"), specifically in the distilled spirit manufacturing and property development. In 2008, the Company entered into integrated tourism development, with gaming activities, by partnering with a leading multinational leisure, entertainment and hospitality group. In 2011, AGI expanded its integrated tourism estate development outside of Metro Manila, particularly in the Calabarzon and Visayan regions. In 2013, the Group started expanding its spirits manufacturing business abroad as it acquired vineyard lands and assets in Spain while in 2014, the Group marched into a new territory with the acquisition of the 5th largest manufacturer of Scotch whisky in the world.

The Tan family beneficially owns a majority interest in AGI.

*a.2. **Subsidiaries***

<u>EMPERADOR INC.</u>

Emperador Inc. ("EMP" or "Emperador") is a publicly-listed domestic holding company which, through its subsidiaries, operates an integrated business of manufacturing, bottling, and distributing distilled spirits and other alcoholic beverages. Through Emperador Distillers, Inc. ('EDI"), EMP has established its identity in the Philippine alcoholic beverage business with the steady growth and production of high quality liquor. EDI, the Philippine's largest liquor company and the world's largest brandy producer, has a product portfolio that consist of its own brands as well as licensed products. Through the recently acquired Whyte and Mackay Group Limited ("WMG" or "Whyte and Mackay") of United Kingdom, EMP has entered the global Scotch whisky business. WMG has a rich heritage of a Scottish spirits company, which is the fifth largest Scotch whisky business in the world, and its products are distributed in over 50 countries.

EMP was incorporated on November 26, 2001 and first listed its shares on the PSE on December 19, 2011. It served as a platform for EDI to go public in 2013. In August to September 2013, AGI, EDI and EMP, which is substantially a shell company at this time, entered into a series of transactions whereby AGI acquired majority control over EMP and EMP acquired full ownership of EDI. EMP's acquisition of EDI from AGI is accounted for similar to a reverse acquisition of a non-operating shell company, wherein the legal subsidiary, which is EDI, is deemed as the acquirer and the legal parent, which is EMP, is deemed as the acquired. EMP is thus treated as a continuation of EDI's business. EMP has 20 billion authorized capital stock, 16.2 billion of which are issued and outstanding as of

December 31, 2014. Its consolidated total assets amounted to P99.6 billion as of December 31, 2014.

EDI is a leading manufacturer and distributor of distilled spirits. It produces three principal brands, namely, Emperador Brandy, Generoso Brandy and The BaR flavored alcoholic beverage (gin, vodka, tequila), and distributes Ernest & Julio Gallo wines in the Philippines. EDI was incorporated on June 6, 2003 and sold to AGI by The Andresons Group, Inc. ("TAGI") and the Tan family on February 16, 2007. EDI increased its authorized capital stock of 22 billion, of which 12.5 billion shares is outstanding and held by EMP as of December 31, 2014.

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

Emperador procures its new bottles from *Anglo Watsons Glass, Inc.* ("AWG"), a wholly-owned domestic subsidiary of EDI, which caters principally to EDI's requirements. AWG operates a glass container manufacturing plant in Laguna on a 24-hour shift. AWG was incorporated on July 22, 1999 to handle the spun-off glass container manufacturing business of AGI, and EDI acquired it from AGI in June 2012. AWG has P405,750,000 authorized capital stock, fully subscribed and paid up capital as at end-2014.

In 2013, Emperador embarked on acquisitions in Spain which include the Bodega San Bruno, the San Bruno trademark, vineyards, and sizable inventory of high-quality well-matured brandy from Gonzalez Byass S.A., one of the largest and oldest liquor and wine conglomerate in Spain. Under a supply agreement with Gonzalez Byass, the Emperador Deluxe Spanish Edition is produced and bottled in Spain and started selling in the Philippines in March 2013. In 2014, Gonzales Byass agreed to give Emperador 50% participation in Bodega Las Copas, a fully integrated brandy production company that it owns. The Spanish investments and operations are all under Grupo Emperador Spain, a wholly-owned subsidiary of Emperador Asia Pte Ltd who is, in turn, wholly owned by Emperador International Limited ("EIL"), an investment and holding company incorporated in the British Virgin Islands on December 13, 2006. Both EMP and EDI have investments in EIL that account to 100%. The Spain group owns vineyard estates in Toledo and in Madrid. The main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real.

On October 31, 2014, Whyte and Mackay Group Limited ("WMG" or "Whyte and Mackay") and subsidiaries were folded into the Emperador group, as a deal signed on May 9, 2014 between Emperador UK Limited ("EUK") and United Spirits (Great Britain) Limited, an indirect wholly-owned subsidiary of United Spirits Limited ("USL") of India, was completed for an enterprise value of £430 million. USL (the world's largest spirits company by volume) was forced to put Whyte and Mackay up on sale because of UK anti-trust concerns, when London-based Diageo Plc (the world's leading premium drinks manufacturer) gained controlling interest in USL. EUK is wholly-owned by Emperador Holdings (GB) Limite which is in turn wholly-owned by EIL.

Whyte and Mackay is the fifth largest Scotch whisky manufacturer in the world with a history of more than 170 years and ownership of some of the most iconic Scotch brands in the industry, including British luxury brand 'The Dalmore Single Highland Malt', 'Jura Premium Single Malt', and 'Whyte & Mackay Blended Scotch Whisky'. The products are distributed in more than 50 countries mainly in Europe and North America, with strong presence in the global travel retail space. WMG, the immediate parent and smallest consolidating group, was incorporated on August 7, 2001 in Scotland. The main trading entity and a wholly owned subsidiary is Whyte and Mackay Limited ("WML"), incorporated on January 20, 1927 in Scotland, the principal activity of which is the production, marketing and distribution of distilled potable alcoholic drinks which include Scotch whisky, vodka, liqueurs and other alcoholic drinks. The other two active wholly-owned entities are Whyte and Mackay Warehousing Ltd. ("WMW"), incorporated in Scotland, and Whyte and Mackay Americas Ltd, LLC ("WMA"), incorporated in the United States of America. WMW's principal activity is the warehousing and blending of bulk whisky for related and third party customers while WMA, a direct subsidiary of WML, was formed to handle Whyte and Mackay's business portfolio in US market. There are forty-one dormant companies within WMG Group that have been retained for branding purposes.

On December 4, 2014, with the completion of the Whyte and Mackay acquisition as a condition precedent to its entry, Singapore sovereign wealth fund GIC Private Ltd. ("GIC"), through its private equity arm, Arran Investment Pte. Ltd. ("Arran") initially invested P17.6 billion in the Company split into 70%-equity and 30%-equity-linked securities debt ("ELS"), which is convertible to equity between 2 to 7 years, plus an option to acquire more EMP shares. Through this initial investment, Arran acquired 7% ownership interest in EMP and AGI's 88% was diluted to 81%. Whyte and Mackay is headquartered in Glasgow and has significant malt and grain production capability from its four malt distilleries and one large grain distillery. It also has a leased bottling facility.

MEGAWORLD CORPORATION

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

It was incorporated on August 24, 1989. While initially MEG builds only high-end residential condominiums and commercial properties on a stand-alone basis, in 1996, it began to focus on the mixed-used communities in response to the demand for lifestyle convenience of having quality residences in close proximity to office and leisure facilities, primarily for the middle-income market. Its first venture under this set-up is Eastwood City in Quezon City, which is the country's first cyberpark. It now has several community townships across Metro Manila, Cebu, Iloilo and Davao plus residential condominium projects in Metro Manila. MEG also engages in other property related activities such as project design, construction oversight and property management. It owns and operates the Richmonde Hotel Ortigas in Pasig City and Eastwood Richmonde Hotel in Quezon City through a wholly-owned subsidiary, *Prestige Hotels & Resorts, Inc*. Megaworld has P40.2 billion authorized capital stock and P32.4 billion paid-up capital (both common and preferred stock) as of end-2014. Its consolidated total assets amounted to 221.0 billion as of December 31, 2014.

From 46% effective ownership interest in MEG in 2007, AGI increased its effective ownership interest in MEG thereafter through purchases in the market, exercise of stock rights and warrants, and subscription to new shares. By end-2014, AGI holds 67% effective interest in MEG.

In June 2014, in a move to consolidate all its real estate businesses under MEG, and to enable MEG to focus on the real estate business, AGI sold its stake in Global-Estate Resorts, Inc. to MEG and MEG, in turn, sold its shares in Travellers International Hotel Group, Inc. to AGI. Megaworld's acquisition of GERI also signaled its official entry to the country's tourism industry.

Global-Estate Resorts, Inc. ("GERI"), formerly Fil-Estate Land, Inc., a real estate domestic company incorporated on May 18, 1994, went public in November 1995. It is one of the leading property developers and is engaged in the horizontal development of residential subdivision lots, integrated residential, golf and other leisure-related properties, integrated tourism estates development and vertical development of mixed-use towers. With its prime land bank located strategically in key tourist spots outside Metro Manila, with a large portion of which in Sta. Barbara in Iloilo, Tagaytay

City, Laurel and Nasugbu in Batangas, and Boracay, GERI is well-positioned to set new standards in the country's tourism industry. It has P20 billion authorized capital stock, P10.986 billion of which was subscribed and paid-up as of December 31, 2014. Total assets reported as at end-2014 amounted to P33.6 billion.

AGI acquired 60% interest in GERI in January 2011. With the capital infusion, GERI was able to pay its interest-bearing loans and pursue its development plans. In 2013, GERI doubled its authorized capital stock, of which Megaworld subscribed to 25% of the said increase; this together with indirect holdings translates to Meg's 24.7% beneficial ownership in GERI at end-2013. In June 2014, in a move to consolidate all its real estate businesses under MEG, and to enable MEG to focus on the real estate business, AGI sold its stake in GERI to MEG and MEG, in turn, sold its shares in Travellers to AGI. As at end-2014, Megaworld holds 80.4% of GERI.

Empire East Landholdings, Inc. ("Empire East" or "ELI"), a publicly-listed domestic company under the Megaworld group, was incorporated on July 15, 1994. It specializes in multi-cluster condominium projects and multi-phase subdivision developments in key locations in Metro Manila and Laguna. Laguna Bel-Air is ELI's flagship township project while Pioneer Woodland's is its first transit-oriented development in Mandaluyong City.

Suntrust Properties, Inc. ("SPI"), incorporated on November 14, 1997, develops master-planned self-sustaining residential communities in Cavite and Laguna and condominiums in Metro Manila that provide affordable homes for the low- to moderate-income families. The developments that focus on space-saving and functionality features include Gentri Heights, Sherwood Hills, Riva Bella in Cavite; Sta. Rosa Heights, Sta. Rosa Hills and The Mandara in Laguna; Suntrust Adriatico Gardens, Parkview and Treetop Villas in Manila. In March 2011, MEG acquired 50% majority interest in SPI. In 2013, MEG acquired 100% ownership by buying out the minority interests of Empire East and another related party.

Megaworld is continuously cited by award-giving bodies for excellence in corporate governance, investor relations, and financial performance. More recently in 2014, it garnered awards for Asia's Best CEO and Best Investor Relations from Corporate Governance Asia's Asian Excellence Awards; Gold award from The Asset Corporate Awards, Best in Asia from the Corporate Governance Asia's 10th Recognition Awards, Asia's Best Employer Brand Awards, and the IAIR Best Company for Leadership in Property Development in the Philippines.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC.

Travellers International Hotel Group, Inc. ("Travellers" or "RWM"), a publicly-listed company since November 5, 2013, is the developer and operator of Resorts World Manila, the first integrated leisure and resort in the Philippines that combines privately-operated gaming facilities with hotel, retail, dining, entertainment and other leisure amenities. The Company was awarded one of the first licenses issued by the Philippine Amusement and Gaming Corporation (PAGCOR) in June 2008 to construct and operate integrated leisure and gaming facilities to an international standard with the goal of enhancing tourism in the Philippines, in two sites. Resorts World Manila, the first site to be completed, opened in August 2009. Construction works in the second site, Bayshore City Resorts World ("BCRW"), commenced in October 2014.

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

Travellers has P10 billion authorized capital stock (common and preferred shares), of which P1.68 billion is outstanding as at end-2014. AGI's ownership interest is accounted through direct holding of 25.12% and indirect holdings through its subsidiaries Megaworld, First Centro, Inc. and Adams Properties, Inc. ("Adams") which hold 1.84%, 4.49% and 22.47%, respectively, of Travellers' outstanding common shares. Adams holds 83.3% of outstanding preferred shares. Travellers has consolidated total assets of P63.9 billion as at end-2014.

GOLDEN ARCHES DEVELOPMENT CORPORATION

Golden Arches Development Corporation ("GADC") is a domestic corporation engaged in the operations and franchising of quick service restaurant business under the McDonald's brand in the Philippines and in accordance with the master franchise agreement with McDonald's Corporation ("MCD"), a company incorporated in Delaware and with principal offices in Illinois, USA. GADC was incorporated on July 16, 1980. It has P99.44 million authorized and paid up common capital stock, 49% of which is held by AGI and the rest by its founder, Mr. George Yang and his family. Its consolidated total assets amounted to P12.7 billion at end-2014.

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

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

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

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

b. **Business Description**

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

*b.1.**Principal Products Or Services And Their Markets***

EMPERADOR

Emperador Brandy is the first brandy label launched in 1990. Prior to its introduction, the Philippine spirits industry was dominated by longstanding and well-established gin and rum manufacturers. Through dynamic marketing and by establishing a reputation for product quality, EDI created demand for brandy in the Philippine spirits market following the launch of Emperador Brandy. The Company believes that the 'Emperador' brand, which is marketed as a premium brand, has been the market leader among brandies in the Philippines in terms of sales volume since 1990. In 2010, EDI introduced the first light brandy, Emperador Light, to capture the taste preferences of Filipino consumers. In 2013, with the introduction of Emperador Deluxe, EDI becomes the first to bring an imported liquor brand produced entirely in Spain that focuses on the Philippine market. In addition, EDI's flavored vodka, gin and tequila products under 'The BaR' brand were the first flavored vodka, gin and tequila beverages to be produced by a Philippine company. EDI produces brandy products that had more than 94% share of the Philippine brandy market in terms of sales volume (source: AC Nielsen Retail Audit Report full year 2014).

Emperador Brandy, at 72 proof, targets the relatively mature consumers 25 years old and above and is marketed in 1 liter, 1.5 liters, 750 ml and 375 ml bottles. Emperador Light, at 55 proof of extra smooth full body in 350ml, 500 ml, 750 ml and 1-liter bottles, currently comprises more than 90% of the Group's alcoholic beverage sales. Emperador Brandy has won recognition as a trusted brand and has been recognized as the number one selling brandy in the world in terms of volume sold.

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

The BaR, the country's first flavored alcoholic beverage brand, was soft launched in November 2008 (grand launch in April 2009). The BaR is marketed as a ready-to-serve flavored alcoholic beverage with low alcohol content. The gin comes in lemon-and-lime flavor while the vodka comes in orange, apple and strawberry flavors. In 2012, The BaR Cocktails Margarita line was launched. The BaR products target a younger demographic, specifically, the 18 to 24 year old age bracket.

Generoso Brandy was launched in 2006 as an extension of Emperador Brandy.

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

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

Emperador products are sold throughout the Philippines.

Scotch whisky is Scotland's leading indigenous product and is now established as the leading international spirit drink, making it one of Britain's most important exports. It is a distilled spirit made (distilled and matured) in Scotland only. Most whiskies mature far longer than the legal minimum of three years, and the maturation period varies for different whiskies. The age statement on a bottle reflects the amount of time the youngest whisky in that bottle has spent maturing in a cask. Whyte and Mackay offers Single Malt and Blended Scotch whiskies, liqueurs and vodkas, under the following key brands:

The Dalmore Single Malt Scotch Whisky sits at the apex of the category in which it competes. It is positioned as super premium and luxury brand. The Dalmore's 'To The Brave' proposition is built on a heritage that is rooted in the saving of King Alexander III of Scotland from being gored by a raging stag with a single arrow in 1263 by an ancestor of Mackenzie clan. The grateful king granted him the right to bear a stag's head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag's head with twelve points to its antlers, signifying a 'royalty'. The Mackenzie family ran the Dalmore distillery from the mid 1800's until Whyte and Mackay took over. It is considered the most revered single malt whisky in the world and is renowned for rare editions that have sold for industry redefining prices, including the most expensive bottle ever sold in a retail store.

Jura Single Malt Scotch Whisky is a premium Scotch whisky that is considered an accessible single malt whisky. It is produced at the only distillery on the Isle of Jura, a very remote island off the west coast of Scotland. This brand is built upon a captivating island environment that has two distinct sides, the wild, rugged west and the temperate east. Jura's uncommon nature is reinforced by the split production of both peated and unpeated malt whiskies in the same distillery, reflecting the two sides of the island. The Jura Rare collection offers one or two vintages every year, supported by a story, while the super premium Milestones offers a new release every few years.

The Whyte & Mackay blended Scotch whisky brand was recently repackaged and the brand will enjoy a new communication campaign this year to reinforce its unique Triple Maturation process that delivers a smoother, richer taste.

Fettercairn comes from Fettercairn distillery which was founded in 1824 and acquired by WMG in 1973. The arch and the unicorn are two symbols that are heavily associated with Fettercairn malts.

Liquers are alcoholic beverages made from a distilled spirit that has been flavored with fruit, cream, herbs, spices, flowers or nuts and bottled with added sugar or other sweetener. They are typically quite sweet, usually not aged for long but may have resting periods to allow flavors to marry. In this category belongs 'Glayva', a liqueur made from a blend of aged Scotch whiskies, a selected range of spices, Mediterranean tangerines, cinnamon, almonds and honey. It has a deep golden colour and a distinctive flavor.

Vladivar Vodka is a brand of vodka distilled in the UK. It is a Pure Grain, triple distilled, charcoal filtered vodka. Originally made in Warrington by the G & J Greenall distillery, the brand was sold in 1990 to Whyte and Mackay and is today bottled in Scotland.

John Barr, Cluny and Claymore are positioned for mass market.

MEGAWORLD

The Group's pioneering "live-work-play-learn" concept for integrated mixed-use communities, or commonly known as townships in the Philippines, has enabled it to complete 342 buildings with a total area of 6.4 million sqm over the past 25 years. "Townships" integrate lifestyle convenience of having high quality residences in close proximity to office, commercial, educational, and leisure and entertainment facilities. The strategy is to lease all commercial and retail properties and sell all residential units. In 2014, the Group launched five townships covering almost 1,000 ha of land, bringing the total number of townships by end-2014 to fifteen (15). These 15 townships are as follows:

1. Eastwood City is Megaworld's first community township development on approximately 18 hectares of land in Quezon City, Metro Manila. It holds the distinction of being the Philippines' first cyberpark, which provides offices with the infrastructure to support BPO and other technology-driven businesses on a 24-hour basis. The residential towers are designed according to a specific theme and style. The leisure and entertainment zone consists of Eastwood Mall, Eastwood Richmonde Hotel and Eastwood Citywalk, a dining and entertainment hub, Eastwood Citywalk 2, an amusement center with a cinema complex, a billiard and bowling center, and restaurants and specialty shops. The Eastwood Richmonde Hotel is adjacent to the Eastwood Mall.

2. Forbes Town Center is located on 5 hectares of land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, the Manila Polo Club and the prestigious Forbes Park residential subdivision. Upon completion, Forbes Town Center is expected to consist of residential, retail and entertainment properties. Once completed, the residential zone is expected to consist of 13 towers comprising the Forbeswood Heights, Bellagio, Forbeswood

Parklane, and 8 Forbes Town Road condominium projects. The leisure and entertainment zone is devoted to bars, restaurants and specialty shops which are designated to complement the residential buildings in this development as well as the surrounding office areas in Bonifacio Global City.

3. The McKinley Hill is located on approximately 50 hectares of land in Fort Bonifacio, Taguig, Metro Manila. McKinley Hill consists of office, residential, retail, educational, entertainment and recreational centers. The residential zone consists of subdivision lots for low-density single-detached homes and low-rise (5 or 6-storey) garden villa clusters. The office properties will include the McKinley Hill Cyberpark which is a PEZA-designated IT special economic zone. The leisure and entertainment zone is expected to have a Venetian theme and to consist of bars, restaurants, specialty shops, cinemas and sports complex. Three international schools, the Chinese International School, the Korean International School and Enderun College, a hotel management institution affiliated with *Les Roches* of Switzerland, will initially comprise the "learn" component of the township. McKinley Hill is likewise home to the British Embassy which relocated on a 1.2 hectare property and Korean Embassy which is located on a 5,800 square meter site within the development.

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

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

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

5. Uptown Bonifacio is a community development on a 15.4 hectare property in the northern district of Fort Bonifacio, Taguig. It comprised a residential portion in the northern part of Fort Bonifacio, and a portio for mixed-use on a parcel of land owned by NAPOLCOM. Uptown Bonifacio is under a joint venture arrangement with the BCDA and NAPOLCOM. It was accredited by PEZA as a special economic zone, making it the first cyberpark in the area.
6. McKinley West is a development on a 34.5 hectare portion of the Joint United States Military Authority Group (JUSMAG) property owned by BCDA and located across from McKinley Hill in Taguig, Metro Manila. The development of McKinley West into a mixed-use project is another venture undertaking with the BCDA. McKinley West's masterplan highlights a luxurious blend of

a modern business district and posh residential enclaves. The township will also have direct access to McKinley Hill.

7. The Mactan Newtown is located on a 28.8 hectare property near Shangri-La Mactan Resort and Spa in Mactan, Cebu. It is expected on completion to have high-tech offices, a retail center, residential villages, leisure facitlites and beach front resort. The Mactan Newtown is conferred with PEZA special economic zone status. It is approximately 10 minutes away from the Mactan Cebu International Airport, the Philippine's second largest airport.

8. Iloilo Business Park is on a 72 hectare property in Mandurriao, Iloilo, site of the old Iloilo airport. It is expected to bring Megaworld's pioneering township concept to the Western Visayas. The entire project was registered as a special economic zone with the government, which will allow it to benefit from a tax holiday period as well as other incentives for investors.

9. Woodside City, envisioned as an "environment-friendly" mixed-use development, will rise on a 12.3 hectare property along C-5 in Pasig City. A main "green" feature of the township is the approximately 1,000 trees that will be planted around the development which will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. The company is also constructing Leadership in Energy and Environmental Design (LEED)-registered office buildings in the township. Among the first to rise are three sustainable office towers. Among the other 'green' features of Woodside City include rainwater catchment facility that will utilize rainwater and grey water for flushing and landscape irrigation; a network of bicycle lanes inside the township; and wide tree-lined sidewalks. Aside from office towers, the township will also feature residential condominiums, a lifestyle mall, retail and commercial strips, open parks and a transport hub. The first tower will be launched by 2015 and will be completed by 2017.

10. Davao Park District is the Group's first township development in Mindanao, specifically on an 11-hectare property along S.P. Dakudao Loop in Lanang, Davao City which used to be the Lanang Golf and Country Club. The township is envisioned to the Mindanao's new central business district. Aside from office towers, it will also feature themed residential condominiums that will be built by Suntrust. It will also have a lifestyle mall, commercial and retail strips, and a school. The first office tower to rise is the iconic 15-storey Davao Finance Center, which is due for completion by 2016. The first tower in One Lakeshore Drive, a 4-tower condominium cluster, started selling in 2014.

11. Suntrust Ecotown, an ongoing project under Suntrust, will sit on a 350-ha land in Tanza, Cavite and will be the first mixed-use development with an industrial park in the country. It is positioned to be the major hub for world-class light to medium export-oriented industries, residential, commercial and institutional establishments in the south. The industrial park is the country's first to be accredited by PEZA with lifestyle amenities.

12. Boracay Newcoast, an ongoing project under GERI, sits on a 150- ha of land in the northeast side of Boracay Island. It occupies 14% of the island and is surrounded by Fairways and Bluewater, the first and only golf course in the island. Positioned to be the next hip, world-class side of Boracay, it will be home to four international hotels, a Santorini-inspired boutique hotel district, an Ibiza-inspired commercial district, a residential village, luxury condominiums and upscale villas.

13. Twin Lakes, an ongoing project under GERI, is a European-inspired integrated tourism estate on a 1,300 ha of land with its own vineyard on the rolling terrains of Tagaytay, overlooking the famous Taal Lake. The estate will be home to themed residential villages, luxury

condominiums, hotels and spa, a retirement community, schools, commercial and retail hubs as well as sports and leisure facilities.

14. Southwoods City is located on 561- ha property on the boundaries of Carmona, Cavite and Binan, Laguna. It is envisioned to be a central business district south of Manila that is surrounded by a golf course. It will be home to residential villages, residential condominiums, office towers, a mall, and commercial and retail centers.

15. Alabang West will rise on a 62-ha prime property in Alabang and will integrate a Beverly Hills-themed lifestyle concept into its commercial and residential developments. It is conveniently accessible through the major access points of the South Luzon Expressway- Alabang Exit and the upcoming Daang Hari Exit.

Megaworld has completed 342 buildings with a total area of 6.4 million sqm over the past 25 years. In 2014, the MEG Group completed 16 residential projects and 5 BPO office towers with retail components. Total gross leasable area as of end-2014 is 861 thousand sqm – 62 thousand sqm of which is for offices and 240 thousand sqm for commercial.

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

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

1. The Sonoma is the second township project outside Metro Manila. It is a 50-hectare horizontal development in Sta. Rosa, Laguna that features Asian Modern-inspired homes. The community is clustered around a five-star clubhouse complete with luxurious swimming pools, open courts, function rooms and other facilities, all of which are now operational and functional. Turnover is on-going for its 4 phases-- Enclave, Country Club, Pavilion and Esplanade. The community will also have a commercial strip called 1433 West Row that will feature high-end shops, restaurants and other establishments.

2. The Cambridge Village is a 37-tower large-scale mid-rise community on an 8-hectare property along East Bank Road in Pasig-Cainta area. Most of the towers are ready for occupancy and sold out, while the final towers of the Central Park phase are in full-swing construction.

3. The Rochester is a tropical-inspired urban resort community at Elisco Road, San Joaquin, Pasig City. Its 10 mid-to-high rise towers set on a 3-hectare enclave will have Asian Modern architectural design and wide spaces, providing a complete urban escape close to nature. Garden Villas 1 and 2 have been turned over in 2014 and its residents enjoy the clubhouse, pools and court. The sold-out Breeze Tower is on the final stages of construction and is expected to be finished by the end of 2015.

4. San Lorenzo Place is a luxurious 4-tower high-rise development along EDSA corner Chino Roces Avenue, Makati City. It will have an upscale shopping mall at the podium level which will be directly connected to MRT-3 Magallanes Station. Its prime TOD lifestyle concept resulted in excellent sales take-up of the first three towers. Tower 4 has been turned over in 2014, Towers 1 will be finished by the end of 2015 while Tower 2 has reached significant completion.

Excavation works for the final tower, Tower 3, has just started. The amenities at the 6th level, such as swimming pool, tennis court, fitness gym, jogging paths, gardens, function room, daycare center and clubhouse, will complete the high-end and stylish Makati CBD lifestyle experience of its residents.

5. Pioneer Woodlands is a TOD with 6 high-rise towers set along EDSA and Pioneer Street in Mandaluyong City. Residents of Towers 1 and 2 enjoy quick access to MRT-3 via a direct platform link to Boni station. The 3rd tower, Woodland Park 1, is already sold-out and for turnover by the end of 2015. Recreational amenities will be located at the 5th level of the podium of the Woodland Park Towers.

6. Little Baguio Terraces is a TOD mid-rise condominium along Aurora Boulevard and N. Domingo Street, San Juan City. The community is walking distance to LRT-2 J. Ruiz and Gilmore stations, providing unbeatable access to the University Belt in Manila and the Katipunan area. Towers 1 and 4 have been turned over while Towers 3 and 2 are nearing completion. All towers are nearly sold-out. Residents can enjoy recreational amenities and facilities at the 3rd level of the podium.

7. Kasara Urban Resort Residences is ELI's innovation for high-end resort type of living in the heart of the city, in a 1.8-hectare property in Brgy. Ugong, Pasig City. Kasara, which is a Sanskrist word for "lake", is composed of 6 high-rise towers that boasts of its lake-inspired swimming which is now completed and functional. Eventually, there will be more water features including infinity pools, waterfalls from the 4th level, and other resort-style amenities such as open courts, playground, fitness gym, jogging paths, and vast greenery. Towers 1 and 2 are in full-swing construction and are both sold out while the foundation works have been started for Towers 3 and 5.

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

9. Mango Tree Residences is an exclusive two-tower high-rise community situated along M. Paterno and J. Ledesma Streets in San Juan City. It will have an on-stilts concept where the ground level will have vast landscaped gardens, grand drop-off area, hotel-type amenities, and glass-walled lobbies. Natural mango trees will be preserved at the perimeter of the 3,000-square meter property to give an authentic feel of nature. Currently, the property has been converted to a luxurious European-inspired garden and events venue to draw prospective buyers.

10. Covent Garden is two-tower development located along Santol Street Extension in Santa Mesa, Manila. It will provide its future residents an urban sanctuary, complete with refreshing amenities. Its proximity to LRT-2 V. Mapa station and other transportation hubs make it an excellent choice for investors who prefer to lease out condominium units to University Belt students and professors.

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

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

1. Sta. Rosa Height, Sta. Rosa Hills, Suntrust Sentosa, The Mandara, and Suntrust Verona are horizontal residential developments in Eastern Cavite and Laguna.
2. Governor Hills, Gentri Heights, Suntrust Rivabella, Cybergreens, Sunrise Hills, and Cyberville are horizontal community developments in Western Cavite.

3. Adriatico Gardens, Suntrust Parkview, UN Gardens, Suntrust Solana, Suntrust Treetop Villas are condominium projects in Manila and Mandaluyong areas.
4. Suntrust Shanata, Suntrust Asmara, Suntrust Amadea and Capitol Plaza are condominium projects in Quezon City.
5. Suntrust Kirana is a condominium project in Pasig City.
6. Sienna Hills is a Meditteranean-inspired subdivision in Lipa City, Batangas.
7. Suntrust 88 Gibraltar is a condominium project in Baguio City. This Mediterranean-inspired development is strategically located in front of Mines View Park.
8. Davao Park District is a township development in Davao City. (See under townships)
9. Suntrust Ecotown is a township development in Tanza, Cavite. (See under townships)

GERI has a diversified portfolio of integrated tourism estates development; horizontal residential subdivision lots and residential/commercial complexes; residential communities integrated with golf, resort and other leisure related and commercial complexes; residential; and business parks. These include:

1. Boracay Newcoast is the first and only tourism estate development with world-class resort offerings in the northeast side of Boracay. It sits on 150-hectare of land and will house a private residential village, specialty boutique hotels, shop houses and a massive commercial center called Newcoast Station and international hotel brands. Its Fairways & Bluewater Newcoast, a premier luxury eco-friendly vacation hotel, has over 250 well-appointed guestrooms, each with a spectacular view of an 18-hole par-72 golfcourse, the only one in the island. Fairways &Bluewater features three private white sand beach coves.

2. Twin Lakes is the first and only vineyard resort community in the Philippines, located in the rolling terrains of Tagaytay overlooking the world-famous Taal Lake. The master-planned integrated tourism estate that sits on a 1,182-hectare property will feature real vineyard and chateaus, residential condominiums and villages, hotels, golf course, nature park as well as commercial and retail hubs. The Vineyard, a 69-hectare mixed-used phase will host a hotel and resort, sports club and spa, culinary school, residential condominiums and a traditional wine chateau for aging the vintage produce – all with the views of the vineyard and man-made twin lakes.

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

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

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

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

7. Sta. Barbara Heights is a vast township rising on a 170-hectare property beside the Sta. Barbara Golf Course, known as Asia's oldest golf course, located in Sta. Barbara, Iloilo. It will be home to residential villages, condominiums, office towers, a mall, and commercial and retail centers.

8. Southwoods City is a 561-hectare mixed-use development with golf-course situated on the boundaries of Biñan, Laguna and Carmona, Cavite. (See under townships)

9. Alabang West os a 62-hectare residential and commercial development in Las Piñas City. (See under townships)

TRAVELLERS

Resorts World Manila ("RWM"), Travellers' first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one grand arena, a one-stop non-stop destination. It is strategically located within Newport City, adjacent to the Villamor golf course, and is across the Ninoy Aquino International Airport-Terminal 3 ("NAIA-3") in Pasay City, Metro Manila and approximately five kilometers away from each of NAIA Terminal 1 ("NAIA-1") and NAIA Terminal 2 ("NAIA-2") and directly linked to highways leading to Makati City. RWM is a 24-hour, one-stop, world-class leisure and entertainment facility within Newport City. It features a themed shopping and entertainment center and hotels.

RWM features the upscale Newport Mall (90 retail stores and food-and-beverage outlets with a mix of high-end boutiques and mass market option), the four-screen Newport Cinemas (24 hours on weekends), three-storey gaming facilities, the 1,500-seat Newport Performing Arts Theater (a majestic venue for concerts, plays, musicals and exclusive productions), the Genting Club (a members-only lifestyle club, with a private gaming area, dining options and other fabulous lifestyle features), an office space (which features a training academy and a 400-seat capacity call center) and hotels. The gaming facilities and casino opened in August 2009, with an aggregate area of 13,167 square meters. As at the end of 2014, RWM has 127 VIP tables, 169 mass tables, 1,868 slot machines and 210 electronic game units.

The three hotels currently in operation at RWM are the five-star 342-room Marriott Hotel Manila, the seven-star 172-all-suites Maxims Hotel, and the mid-range 712-room Remington Hotel which opened in October 2009, November 2010 and November 2011, respectively. Construction works are now ongoing for expansion of existing hotels and facilities and of two new hotels, the Hilton Manila and the Sheraton Hotel Manila.

GADC

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

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

Pik-Nik

Pik-Nik is an all-American fresh-fried potato snack line than includes Shoestring Potatoes, Fabulous Fries, Ketchup Fries, Less Salt, Sea Salt and Vinegar, and other delicious potato snacks manufactured and distributed internationally from USA by a wholly-owned subsidiary of AGI. Pik-Nik is the market leader in shoestring potato snack in the USA and is made with no preservatives or artificial ingredients. The products are packed in resealable, foil-lined canisters so they stay fresh and crunchy right to the bottom of the can. These canisters, along with the specialized ingredients and production process, give the products excellent shelf life. Pik-Nik also has Cheese Curls, Cheese Balls, and French Fried Onions. Pik-Nik has been in the market for more than 75 years since it was first introduced in the USA in the 1930s in San Jose, California. Pik-Nik is being manufactured in the USA and sold both in the USA and abroad, with Philippine distribution under EDI.

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

EMP
A small volume of Emperador products is exported to the Middle East and Taiwan in response to the demand of the Filipino communities living and working in the region.

Whyte and Mackay's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value. The Group operates in the UK and increasingly in international markets, including the Travel Retail sector. More than 80% of WMG sales come from UK and other European countries and the balance represents export sales to India, Asia, Africa, USA and other countries.

MEG
Real estate products are also being marketed internationally (see b.3. below) in North America, Europe, Asia and the Middle East through various brokers. Foreign sales contributed approximately 18%, 17.5%, and 12.1% to Megaworld's consolidated sales and revenues in 2014, 2013, and 2012, respectively.

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

Pik-Nik
Pik-Nik products are being sold locally in USA and exported to other countries at a ratio of approximately 53%-47%. The domestic volume in the USA expanded by 6% in 2014 because of Sea Salt and Vinegar shoestrings and Cheese Balls which are gaining popularity. Midwest is still strongest market for sticks in the US, followed closely by Southeast and Texas. International sales increased by 13% only as exports were affected by the port congestion in Oakland, California.

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

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

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

The WMG business has a strong, international Route to Market. In UK, a dedicated sales team covers all trade channels and customers. It also has a dedicated Global Travel Retail team which manages its brands in a channel that is critical for single malt whisky equity building and sales. In other markets Whyte and Mackay has established a network of distribution partners that represents the brands in each territory. The goal is to develop long term partnerships with the strongest local distributor in each market, with selection driven by the strength and commitment to the channels representing the biggest opportunities in each case.

MEG

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

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

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

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

GERI's products are distributed to a wide range of clients through its in-house marketing company which acts as its marketing arm.

Travellers

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

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

- Direct sales - that comprises of three levels to provide clients with full service: (i) traditional sales, (ii) a business development team and (iii) in-house VIP host services.
- Indirect sales through junkets – from the well-established relationships of Genting Group, to source high-end players in different regions.
- Indirect sales through travel and tour operators – these accredited operators create group travel packages with discounts, to bring in guests in RWM as part of their itineraries, and in return, receive commissions.
- City shuttles - free, convenient, hassle-free shuttle transport for member-players and member-consumers to RWM. The key locations within Metro Manila are Eastwood, Makati, Quezon Avenue, Taguig, Parañaque, Binondo, Malate, Muntinlupa and others.

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

GADC
McDonald's products are sold through McDonald's restaurants nationwide. There are 457 restaurants nationwide as of end-2014, 54% of which are owned by GADC while 46% are franchised. Fifty-three new restaurants opened in 2014. The highest concentration is in NCR, followed by Southern Tagalog region. In selected areas, McDonald's products could be ordered and delivered round the clock through its "Dial8 McDo" telephone service. There are 306 restaurants that are open 24/7 (24 hours every day).

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

EMP
Scotch whisky products of Whyte and Mackay are now in Emperador product portfolio. Scotch whisky is Scotland's leading indigenous product and is now established as the leading international spirit drink, making it one of Britain's most important exports. It is a distilled spirit made (distilled and matured) in Scotland only from cereals, water and yeast. Most whiskies mature far longer than the legal minimum of three year, and the maturation period varies for different whiskies. The age statement on a bottle reflects the amount of time the youngest whisky in that bottle has spent maturing in a cask. WMG offers Single Malt and Blended Scotch whiskies, liquers and vodkas.

Emperador intends to make use of and improve on the Whyte and Mackay's channels to market across the world.

MEG
Megaworld expands township portfolio across the country. Five townships were launches last year and another five will be launches in 2015. The 5 new townships will have a total land area of around 400 ha and will be located in Luzon, Visayas, and Mindanao. The two townships in Visayas have been announced to be in Bacolod, Negros Occidental with a total land area of 84 has. These are The Upper East and Northhill.

The Group is set to launch 22 residential projects in Metro Manila, Laguna, Batangas, Boracay, Iloilo and Bacolod. Also, 3 hotel towers in Boracay Newcoast, 10 office towers in McKinley West, McKinley Hill, Eastwood City, Woodside City, Davao Park District and Southwoods City, and 3 malls and commercial centers across its townships all over the country.

Travellers
Several new hotels and other gaming and non-gaming attractions are currently being developed at RWM. Phase 2 of RWM is expected to include a grand ballroom and convention center (the "Marriott Grand Ballroom"), as well as an annex to the current Marriott Manila Hotel (the "Marriott West Wing"), while Phase 3 is expected to feature two new hotels, the Hilton Manila and the Sheraton Hotel Manila, as well as an extension to Maxims Hotel. The Marriott Grand Ballroom will formally open its doors to the public in July 2015 and Marriott West Wing of Phase 2 is expected to be completed by early part of 2016. Phase 3 is projected to be turned over by the end of 2017. The construction of the Hilton Manila and Sheraton Hotel Manila and the expansion of Maxims Hotel will be accompanied by an increase in both gaming and non-gaming facilities. More attractions will also be introduced and suited for the family.

Construction works in BCRW commenced in October 2014.

GADC
New McDonald's product variations and promotions are introduced every now and then which normally last for limited time only, and this is part of the normal business promotions. Along with its expansion in 2014, McDonald's delighted its customers with new menu items and improved favorites. The much-loved, specially seasoned, golden, crispy Twister Fries returned for a limited time. Catering to Filipinos' love for bacon, McDnald's gave its signature Cheeseburger some new crunch with the new Bacon Cheeseburger and Bacon Cheeseburger Deluxe, perfect pairing with Twister Fries. The best-selling Chicken McDo is given an improved tasted which is mc-mc-mc-masarap. Cheesy mashed potato and Mac n Cheese were also introduced. The BFF Burger Bundles and the BFF Chicken Bundles allowed group of 3 or 4 to customize bundle offers. With the new BFF Fries and Coca-Cola drinks, these are big enough to share with the group. The BFF Fries and McFloat combo is also made available.

The McDo PH App which was launched in 2014 made delivery even more accessible. It allows customers to locate stores and stay updated on the latest offers from McDonald's.

Pik-Nik introduced the 4-oz shoestring potatoes in bags in November 2013 to target drug stores, convenience stores and dollar stores – a growing channel for salty snacks. In 2014, it has changed labels on its Original items highlighting "GMO Free", which means no genetically modified ingredients were used.

*b.5. **Competition***

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

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

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

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

WMG, on the other hand, faces competition from several international companies as well as local and regional companies in the countries in which it operates. Competitors use brand strength together with price and product range to compete. The major Scotch whisky brand owners are Diageo, Pernod Ricard, William Grant and Bacardi who are all materially larger than WMG. WMG can effectively compete as they have differentiated brands which consumers can choose over others. WMG management monitors market prices on an on-going basis and takes steps to safeguard the overall competitive position.

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

MEG

The real estate market in Metro Manila is principally split between the BPO office market and the residential market. The group competes with other property investment, development, leasing and property holding companies to attract buyers and tenants for its properties in Metro Manila. The principal bases of competition in the real estate development business are location, product, price, financing, execution, completion, quality of construction, brand and service. The group believes it has several competitive advantages in each of these categories due to the prime locations of its properties, innovative projects, a reputation for high quality designs, affordable pre-sales financing, after-sales service and a consistent track record of completion. MEG is the number one residential condominium developer in terms of number of units completed as of 2013 and units to be completed up to 2018 based on all projects launched as of third quarter 2013. This represents about 17% of the market. In terms of total aggregate saleable area of those projects launched and to be completed in the same period, it represents 14% of the market with a total saleable area of about 1.62 million square meters. The group attributes its strong residential sales to two main factors – the popularity of its live-work-play-learn communities in Metro Manila and its proven track record of delivering more than 320 buildings to its customers over the last two decades.

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

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

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

In particular, there are facilities already built or under construction by three developers other than the Company that have been granted provisional licenses by PAGCOR in Entertainment City, one of which has already opened. These three other companies similarly partnered with international resorts and gaming companies – Henry Sy's SM-consortium has Melco Crown Entertainment Ltd. of billionaires James Packer and Lawrence Ho (Macau); Gokongwei group has Tiger Entertainment Resort of Kazuo Okada (Japanese); Enrique Razon's Bloomberry Resorts Corporation In addition, Resorts World Bayshore will be developed in Entertainment City by Travellers' co-licensee, Resorts World Bayshore City, Inc. (RWBCI).

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

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

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

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

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

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

The Invergordon grain distillery uses maize largely sourced from France and occasionally from Eastern Europe, and malted barley largely sourced from Scotland and occasionally from England and mainland Europe. Water is supplied from England largely but there are several sources available. There are no envisaged issues with on-going supply for any of its raw materials.

The four malt distilleries are supplied with malt from various maltsters in Scotland and occasionally England and mainland Europe. Yeast is supplied largely from Scotland but there are several sources available as well. Supply can occasionally come from mainland England. All four distilleries have long established water abstraction rights from close by rivers, streams and springs. These can be occasionally affected short term by dry warm weather.

WMG sources its bottles from three European suppliers who have sufficient capacity to meet growth expectations. Secondary packaging is sourced from suppliers in Europe and China that are carefully selected to meet the quality and demand needs of the business.

Whyte and Mackay have long term sound relationships with its packaging suppliers to meet the current business requirements. Pricing agreements are in place with all suppliers.

MEG

The group has a broad base of suppliers from where it sources its construction materials and is not, and does not plan to be, dependent on any one or a limited number of suppliers. Principal construction materials are steel and cement which are commodities that are readily available in the market from a number of sources.

Travellers

Travellers has a large base of contractors and suppliers that provide construction, engineering and consulting services, and is not dependent on any one contractor or supplier. In 2014, the five largest suppliers – Systech Lighting & Controls, Inc., RGB Ltd., Joint Venture Audio Visual Lighting, Inc., Global Matrix Concept Group, and Total Data Central Solution, Inc. - accounted for 30.8% of total purchases for the year.

GADC

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

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

Financial Statements

The audited annual consolidated financial statements ("CFS") and unaudited interim consolidated financial statements for the second quarter of 2015 (per filing under SEC 17Q), as required by SRC Rule 68, as amended, are attached.

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

The interim consolidated financial statements have been prepared in accordance with PFRS and Philippine Accounting Standard 34, Interim Financial Reporting. These do not include all of the information required for full annual consolidated financial statements, and thus should be read in conjunction with the CFS as at and for the year ended December 31, 2014. The accounting policies and methods used in the interim financial statements are consistent with those applied in December 31, 2014 CFS.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, after elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and these are presented at cost as deduction in the consolidated statements of changes in equity. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital. The financial statements of subsidiaries are prepared for the same accounting period as the parent company, using consistent accounting policies. The consolidated financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

Management's Discussion and Analysis of Operation

Key Performance Indicators

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

				Growth	
In Million Pesos	2014	2013	2012	*2014*	*2013*
REVENUES[1]	**125,405**	**123,379**	**102,134**	1.6%	20.8%
Non-recurring Gain	525	3,669			
Before Non-recurring Gain	124,880	119,710	102,134	4.3%	17.2%
NET PROFIT[1]	**21,110**	**23,055**	**20,494**	-8.4%	12.5%
Non-recurring Gain	215	3,653			
Before Non-recurring Gain	20,895	19,402	20,494	7.7%	-5.3%
NET PROFIT TO OWNERS OF AGI[1]	**13,246**	**17,218**	**13,910**	-23.1%	23.8%
Non-recurring Gain	215	3,653			
Before Non-recurring Gain	13,031	13,565	13,910	-3.9%	-2.5%
TOTAL ASSETS	409,619	332,400	272,211	23.2%	22.1%
CURRENT ASSETS	220,869	197,690	152,316	11.7%	29.8%
CURRENT LIABILITIES	92,541	50,585	45,196	82.9%	11.9%
Net profit rate	16.8%	18.7%	20.1%		
Recurring NP rate	16.7%	16.2%			

NP Attributable to parent	10.6%	14.0%	13.6%
Recurring NP attributable to parent	10.4%	11.3%	
Return on investment/assets	5.2%	6.9%	7.5%
Current ratio	2.39x	3.91x	3.37x
Quick ratio	1.40x	2.62x	2.15x

[1]Non-recurring gains in 2013 refer to the P764 million gain from acquisition of a realty corporation by MEG and the P2,905 million income realized by AGI from the offering of EMP shares, or P2,889 million net of P16 million stock transaction tax. In 2014, these refer to P520.2 million gain from acquisition and deconsolidation of subsidiaries of MEG and P4.6 million from acquisitions of GADC, with P310.0 million one-time expenses on acquisition by EMP.

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

Results of Operations by Subsidiary Groups:

b.1. ***Results Of Operations***

By Subsidiary groups:

	MEG	EMP	RWM	GADC	GERI	Others	TOTAL
2014							
Revenues	53,029	31,950	31,713	18,748			
Interco	-12,213	0	-41	0			
Consolidated	**40,816**	**31,950**	**31,672**	**18,748**		**2,219**	**125,405**
% contribution	32.5%	25.5%	25.3%	14.9%		1.8%	100.0%
Costs and expenses	28,354	23,842	26,192	17,640			
Interco	-9	-18	-81	0			
Consolidated	**28,345**	**23,824**	**26,111**	**17,640**		**2,849**	**98,769**
Net profit	21,555	6,204	5,445	798			
Interco	-12,205	18	40	0			
Consolidated	**9,350**	**6,222**	**5,485**	**798**		**-745**	**21,110**
% contribution	44.3%	29.5%	26.0%	3.8%		-3.5%	100.0%
Net profit to owners	**5,941**	**5,072**	**2,596**	**389**		**-752**	**13,246,**
% contribution	44.9%	38.3%	19.6%	2.9%		-5.7%	100.0%
2013							
Revenues	35,348	29,865	32,913	15,977	1,759		
Interco	-230	0	0	0	0		
Consolidated	**35,118**	**29,865**	**32,913**	**15,977**	**1,759**	**7,747**	**123,379**
% contribution	28.5%	24.2%	26.7%	12.9%	1.4%	6.3%	100%
Costs and expenses	23,748	21,960	30,107	14,744	1,305		
Interco	412	-17	-33	0	-14		
Consolidated	**24,160**	**21,943**	**30,074**	**14,744**	**1,291**	**2,755**	**94,967**
Net profit	9,035	5,831	2,740	788	341		
Interco	-649	16	33	0	14		
Consolidated	**8,386**	**5,847**	**2,773**	**788**	**355**	**4,906**	**23,055**
% contribution	36.4%	25.4%	12.0%	3.4%	1.5%	21.3%	100%
Net profit to owners	**5,254**	**5,271**	**1,178**	**387**	**224**	**4,904**	**17,218**
% contribution	30.5%	30.6%	6.8%	2.3%	1.3%	28.5%	100%
2012							
Revenues	30,551	23,594	31,850	13,924	1,384		
Interco	-3,012	0	0	0	0		
Consolidated	**27,539**	**23,594**	**31,850**	**13,924**	**1,384**	**3,843**	**102,134**
% contribution	27.0%	23.1%	31.2%	13.6%	1.4%	3.7%	100%
Costs and expenses	20,887	16,765	25,047	12,899	1,066		

Interco	-2,105	-13	-103	0	0		
Consolidated	**18,782**	**16,752**	**24,944**	**12,899**	**1,066**	**2,574**	**77,017**

	MEG	EMP	RWM	GADC	GERI	Others	TOTAL
Net profit	7,412	5,000	6,734	694	264		
Interco	-908	13	103	0	0		
Consolidated	**6,504**	**5,013**	**6,837**	**694**	**264**	**1,182**	**20,494**
% contribution	31.7%	24.5%	33.4%	3.4%	1.3%	5.7%	100%
Net profit to owners	**3,722**	**5,013**	**3,470**	**336**	**188**	**1,181**	**13,910**
% contribution	26.8%	36.0%	25.0%	2.4%	1.3%	8.5%	100%
Year-on-year Change							
2014							
Revenues	16.2%	7.0%	-3.8%	17.3%		-71.4%	1.6%
Costs and expenses	17.3%	8.6%	-13.2%	19.6%		3.4%	4.0%
Net profit	11.5%	6.4%	97.8%	1.3%		115.2%	-8.4%
Net profit to owners	13.1%	-3.8%	120.4%	0.6%		-115.3%	-23.1%
2013							
Revenues	27.5%	26.6%	3.3%	14.7%	27.1%	101.6%	20.8%
Costs and expenses	28.6%	31.0%	20.6%	14.3%	21.1%	7.0%	23.3%
Net profit	28.9%	16.6%	-59.5%	13.5%	34.5%	315.1%	12.5%
Net profit to owners	41.2%	5.2%	-66.1%	15.2%	19.1%	315.2%	23.8%

Amounts are in million Pesos. Numbers may not add up due to rounding off. The above follows grouping of accounts at AGI consolidated level, so revenues may not tally the totals separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs at AGI consolidated level.
GERI was deconsolidated in 2014 at AGI level as it now belong and consolidated in MEG group.

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

	2014	2013	2012	2014 Vs 2013	2013 Vs 2012
REVENUES					
Sale of goods	62,036	56,519	44,083	9.8%	28.2%
Consumer goods	32,529	29,588	23,703	9.9%	24.8%
Revenues from real estate (RE) sales	29,507	26,931	20,380	9.6%	32.1%
RE sales	24,607	22,159	16,757	11.0%	32.2%
Realized gross profit on RE sales	3,229	3,235	2,295	-0.2%	40.9%
Interest income on RE sales	1,671	1,537	1,328	8.7%	15.8%
Rendering of services	58,559	56,687	50,523	3.3%	12.2%
Gaming	28,377	30,004	28,058	-5.4%	6.9%
Sales by company-operated quick-service restaurant	16,921	14,554	12,622	16.3%	15.3%
Franchise revenues	1,496	1,256	1,033	19.1%	21.5%
Rental income	7,463	6,396	5,351	16.7%	19.5%
Hotel operations	2,987	3,284	2,732	-9.0%	20.2%
Other services	1,315	1,193	727	10.2%	64.2%
Share in net profits of associates and joint ventures	123	0	118	n/m	n/m
Finance and other income	4,687	10,173	7,410	-53.9%	37.3%
TOTAL	125,405	123,379	102,134	1.6%	20.8%
COSTS AND EXPENSES					
Cost of goods sold	40,277	37,597	28,341	7.1%	32.7%
Consumer goods sold	21,375	20,136	15,214	6.2%	32.4%
RE sales	14,364	13,015	9,655	10.4%	34.8%
Deferred gross profit on RE sales	4,538	4,446	3,472	2.1%	28.1%
Cost of services	28,095	27,337	22,652	2.8%	20.7%
Gaming-license fees, promo allowances	8,706	9,040	7,873	-3.7%	14.8%
Services	19,389	18,297	14,779	6.0%	23.8%
Other operating expenses	25,942	25,011	21,772	3.7%	14.9%
Selling and marketing	12,498	13,163	11,449	-5.1%	15.0%
General and administrative	13,443	11,848	10,323	13.5%	14.8%
Share in net losses of associates and joint ventures – net	0	14	0	n/m	n/m
Finance costs and other charges	4,456	5,009	4,252	-11.0%	17.8%
TOTAL	98,769	94,967	77,017	4.0%	23.3%

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

For the Year Ended December 31, 2014 vs. 2013

The year 2014 was a year of expansion and realignments for the Group, activities which have started in 2013. From these transactions, the Group realized P525 million and P3,669 million gains in revenues in 2014 and 2013, respectively, which correspondingly beefed up net profit by P215 million and P3,653 million in the said years. Without these non-recurring items, net profit climbed 7.7% to P20.9 billion from P19.4 billion a year ago as all subsidiary groups registered commanding results from their core businesses.

Megaworld's performance is driven by both real estate sales and rental income, as the group realized 11.0% and 17.1% respective growth in these accounts from a year ago. During the year, Megaworld brought into its fold new subsidiaries, which included GERI (it acquired from AGI), mostly because of the properties these companies own, and deconsolidated one which became an associate. The Group launched five townships during the year, namely, Woodside City in Pasig City (12.3ha), Alabang West in Las Pinas City (62ha), Suntrust Ecotown in Cavite (350ha), Southwoods City in the boundaries of Cavite and Laguna (561ha) and Davao Park District in Davao City (11ha), or a total of about 1,000ha of land. The Group has completed 16 residential projects and 5 BPO office towers with retail components during the year. Gross leasable area at end-2014 totaled 621,000sqm and 240,000sqm for office and commercial spaces, respectively. The group ended the year with P9.4 billion net profit before one-time gains, up 13.6% from a year ago. The group turned in 32% and 44% of AGI's consolidated revenues and net profit, respectively.

Emperador's offshore expansion augmented its already formidable homegrown base. With the inclusion of two-month results from Whyte and Mackay and the share in net profit of Bodegas Las Copas, the group's revenues and net profit climbed 7.0% and 6.4%,
respectively, with product sales growing by 10.0%. Brandy sales maintained its recordbreaking volume from a year ago; its costs during the year improved by about 10.0% due to cost efficiencies attributed substantially to the good retrieval of recycled bottles. Meanwhile, about P310 million were expensed during the year in connection with the acquisition of Whyte and Mackay. Excluding these one-time expenses, net profit increased by 11.7%. Even with such expenditures tucked in, the group contributed 26% and 30% of AGI's consolidated revenues and net profit, respectively.

Travellers doubled its net profit to P5.5 billion on revenues of P31.7 billion and P26.2 billion costs and expenses. There were 296 gaming tables, 1,868 slot machines and 210 ETG machines deployed on the average. Travellers focused on growing core customer base, which resulted in 5.1% rise in drops volume for the mass segment and 7.4% contraction for the VIP segment. There was also deliberate move in holding less tournaments during the year. All hotels registered higher occupancy rates of 83%-91% as compared to 65%-81% a year ago but complimentary and promo rooms accounted for more than 50% of occupancy during the year as compared to less than 50% a year ago. While revenues declined, belttightening on costs and expenses gave good results. The group accounted for 25% and 26% of AGI's consolidated revenues and net profit, respectively.

GADC's total revenues grew by 17.3% primarily due to the opening of 53 (37 in 2013) new restaurants (QSRs), reimaging of 35 (36 in 2013) existing restaurants, expansion of business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of new products (BFF Mix Bundles, New Chicken McDo Plus Meals, Bacon Burgers), Limited Time Offer products (Shake Shake Fries, Twister Fries, Dessert Campaigns), product relaunch (Cheeseburger Deluxe and McSpicy Burgers) and aggressive advertising/promotional campaigns to support Everyday McSavers (Float, Sundae and Fries), McSaver Meals, Desserts and Breakfast. Average sales per restaurant increased by 3%, with 2% growth in sales per company-owned restaurant and 5% for sales per franchised restaurant. Business extensions provided the biggest growth rate of 19%, with Drive-thru boosting total revenues by 11%. Value pricing strategy is adopted in order to drive more guest count and price adjustments are strategically implemented to mitigate the increase in cost of raw materials and to maintain the level of product quality. This is however outspaced by the increases in prices of imported raw materials and product mix shift and costs of utilities and crew labor. As a result, net profit increased by 1.2% year-on-year. GADC's results accounted for 15% and 4% of AGI's consolidated revenues and net profit, respectively.

Revenues before the one-time gains, thus, as a result of the foregoing, grew by 4.3% year-on-year. With the one-time gains included, revenues went up by 1.6% from a year ago. Sale of goods increased by 9.8%, which is attributed to 9.9% and 11.0% growth in sale of consumer goods (distilled spirits, beverages and snacks) and real estate. Rendering of services (gaming, hotels, restaurants, rentals) expanded by 3.3%, which is attributed to 16.3%, 19.1% and 16.7% growths in revenues from company-operated QSRs, franchised QSRs and rentals of office and retail spaces which compensated for the 5.4% dip in gaming and other service revenues at RWM.

Costs and expenses went up by 4.0% year-on-year. Costs of goods sold and services rendered expanded by 7.1% and 2.8%, respectively, as a result of revenue growth. Other operating expenses increased by 3.7% due to increases in salaries and employee benefits, taxes and licenses, royalties, professional fees and outside services which were countered by a sharp decline in advertising and promotions. These five accounts comprised 60.0% and 61.5% of other operating expenses in 2014 and 2013, respectively. The increase in professional fees and outside services is attributed to the one-time expenses incurred in the acquisition of Whyte and Mackay while the decrease in advertising and promotions is attributed to the contraction in RWM's general marketing expenditures.

Share in net profits of associates and joint ventures rebounded year-on-year due to takeup of share in net profit of associates and joint venture of MEG, EMP and GADC.

Finance and other income included one-time gains of P525 million in 2014 and P3.7 billion in 2013, from acquisitions and divestments. In 2014, these consisted of P520 million that Megaworld gained from several acquisitions and one divestment plus the P4.6 million that GADC gained from two such acquisitions. In 2013, Megaworld gained P764 million on acquisition of a subsidiary while AGI realized P2.9 billion on divestment of its interest on EMP through a share offering. Interest income slipped due to lower interest rates and reduced cash positions. Also, foreign currency gains reported a year ago were not replicated this year. All these combined caused finance and other income to dip by 53.9% year-on-year.

Finance costs and other charges decreased by 11.0% due to reversal in unrealized fair values of mark-to-market financial assets this year, which was reported at a loss in 2013.

Tax expense totaled P5.5 billion from P5.4 billion, up 3.2% from a year ago as a result of higher taxable income tax for Megaworld which is offset by lower income taxes of EMP and GADC.

Net profit attributable to owners tumbled 23.1%, or 3.9% before non-recurring gains, because of the dilution in EMP by about 7% due to the entry of Arran, a new minority investor.

For the Year Ended December 31, 2013 vs. 2012

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

Megaworld's performance is buoyed on its stronger residential sales and higher leasing income from its office and retail portfolio. It launched a total of 18 projects in 2013 – 10 for Megaworld (One Eastwood Avenue Tower 2 in Eastwood, Uptown Parksuites in Uptown Bonifacio, The Florence Tower 1 in McKinley Hill, Manhattan Plaza Tower 1 in Araneta Center, Bayshore Residential Resort Phase 2 in Pasay City, One Manchester Place Tower 1 in The Mactan Newtown Cebu, One Madison Place

Tower 1,2,3 as well as commercial lots in Iloilo Business Park in Iloilo City), 5 for Empire East (San Lorenzo Place Tower 3 in Makati, Kasara Urban Residences Tower 3 and The Rochester Tower 6 in Pasig City, and Cambridge Clusters 32, 33 in Pasig City and Cainta, Rizal) and 3 for Suntrust (Suntrust Kirana in Pasig City, Suntrust Rivabella and Suntrust Ecotown in Cavite). The group posted a record P68.2 billion in reservation sales in 2013 from the 18 projects launched. Real estate sales were reported 16.9% higher than a year ago while rental income from office developments and lifestyle malls were up 20.9% from a year ago. It also realized P763.8 million gain on acquisition of a wholly-owned subsidiary, Woodside Greentown Properties, Inc., in 2013. Further, its acquisition of cinema operations this year added P226 million in revenues.

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

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

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

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

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

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

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

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

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

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

For the Year Ended December 31, 2012 vs. 2011

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Condition
December 31, 2014 vs 2013

Total assets amounted to P409.6 billion at end of the 2014 from P332.4 billion at beginning of year, up 23.2% primarily due to the assets consolidated from newly-acquired subsidiaries of Megaworld, Emperador and GADC. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.4times. Current assets amounted to P220.9 billion while current liabilities amounted to P92.5 billion at end of the current year.

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

Cash and cash equivalents dipped by P12.9 billion or 13.6% to end at P82.1 billion from P95.0 billion at the beginning of the year, primarily due to the business expansions and developments activities during the current year. Travellers made loan payments and development advances while Megaworld, Emperador and GADC had capital expenditures and business expansion activities. While Emperador's offshore expansion required huge cash outlay, such was partially replaced by the fresh investment put in by Arran in December. Cash flows from operating, financing and investing activities during the period were presented
in the consolidated statements of cash flows.

Financial assets at fair value through profit or loss were reduced by 41.0% or P3.0 billion due to disposal of investments in marketable securities to fund expansion activities.

Current trade and other receivables rose up P12.6 billion or 42% primarily due to higher real estate sales, customer receivables in the UK subsidiary, and the additional advances paid by Megaworld, Travellers and Emperador to their suppliers and contractors in connection with the ongoing expansion works. Noncurrent trade and other receivables went up by P4.3 billion or 17.5% due to higher real estate reservations/sales booked during the year.

Inventories swelled by P24.6 billion or 50% due primarily to additional real estate lots, condominium units and resort shares completed and put up for sale, and the whisky inventories of cased stock, maturing stock and other materials.

Available-for-sale financial assets were up by P1.2 billion or 25.5% from marketable securities acquired at Megaworld level. These are carried at market values and the gain on the appreciation in market prices is shown under Equity portion of the statement of financial position.

Investments in and advances to associates and other related parties surged by P3.1 billion or 60.0% due primarily to the acquisition of 50% equity in an Spanish joint venture by Emperador and the divestment of share in an associate by GERI while advances dropped by about 11.0% year-on-year.

Property, plant and equipment enlarged by P12.6 billion or 30.1% due to construction works at RWM and Emperador, capital expenditures at GADC, and properties of newly consolidated subsidiaries. Construction works at RWM which doubled from a year ago were for Phase 2 (expansion of Marriott Hotel and Marriott West Wing) and Phase 3 (extension of Maxims Hotel, new Hilton Hotel and Sheraton Hotel Manila) of RWM project. Added to the property portfolio are the five distillery plants in Scotland, vineyard land in Spain, and new distillery plant in progress in Batangas.

Investment property went up by P10.4 billion or 38.3% from completed constructions of leasable property and equipment of Megaworld group.

Intangible assets swelled 169.2% or P18.7 billion from trademarks, distribution rights and goodwill brought about by the acquisition of Whyte and Mackay.

Land for future development increased by 5.5% or P688 million due to land acquired during the year for real estate business.

Deferred tax assets were up 6.5% or P47million and **deferred tax liabilities** up 41.6% or P3.0 billion, due to timing differences at MEG, EMP, Travellers, FCI and GADC. A substantial portion of these liabilities were attributable to the UK group.

Other current assets escalated 34.2% or P1.4 billion due to prepayments (such as insurance, taxes, rentals, advertising, benefits, among others), input vat and deposits. Other non-current assets leaped 135.8% or P3.0 billion due to advances for future investment made by Travellers to PAGCOR, which included P0.6 billion upfront cash. Refundable deposits and deferred input vat increased as well from a year ago.

Trade and other payables went up by 51.6% or P12.8 billion as trade payables, accrued expenses, retentions, gaming license fees, withholding taxes and output vat payables increase. This is due to the aggressive real estate development, construction works at
Travellers, and advances obtained and unpaid at yearend.

Current interest-bearing loans surged 602.4% or P22.9 billion while **non-current interest bearing loans** decreased by 12.9% or P1.2 billion, for a net increase of P21.7 billion which is attributed to loans obtained during the year by Emperador, Megaworld and GADC for their acquisition and expansion activities. On the other hand, Travellers made loan settlements such that it has no more currently maturing loan payable while AGI pre-terminated its loan payable.

Income tax payable increased by 17.6% or P137 million due to higher taxable profit in the fourth quarter for MEG, EMP and GADC.

Advances from related parties rose up by 155.1% or P549 million which is attributed to advances obtained by Megaworld group.

Retirement benefit obligation climbed 91.6% or P1.3 billion which is attributed significantly to the additional incurrences for the plans of Megaworld and Emperador, which include the balance in Whyte and Mackay, which was consolidated at year-end.

Other current liabilities went up by 5.4% or P1.1 billion and other non-current liabilities rose 60.0% or P9.0 billion from increases in reserve for property development, customers' deposits, deferred income on real estate sales which are reflective of aggressive real estate development and pre-selling activities, and equity-linked debt securities which EMP issued to Arran for its debt investment in EMP. The reserve pertains to costs to complete the development of various projects while the deferred income represents unearned revenue.

The changes in **equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners of AGI increased by P18.8 billion or 17.5% from net profit for the year and dilution gain on acquisitions of new or additional shares in subsidiaries. The equity attributable to non-controlling interest increased by P8.5 billion or 10.2% from net profit and minority in new subsidiaries.

Financial Condition
December 31, 2013 vs 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

million penalty on the early redemption of its corporate notes, such penalty is included under Finance costs for the year.

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

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

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

Income tax payable swelled by P223 million or 40.1% primarily due to higher tax liability of GADC, Emperador and Megaworld.

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

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

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

Financial Condition
December 31, 2012 vs 2011

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b.2. Liquidity and Capital Resources

The consolidated balance sheets showed strong liquidity. Current assets as at December 31, 2014, 2013, and 2012 amounted to P220.87 billion, P197.7 billion, and P152.3 billion, respectively, while current liabilities for the same respective years-end remained low at P92.5 billion, P50.6 billion, and P45.2 billion, respectively. Thus, current ratios were at 2.4:1, 3.9:1, and 3.4:1 as at respective year-ends. Total-liabilities-to-equity ratios were at 0.9:1, 0.7:1, and 0.9:1 at the end of 2014, 2013, and 2012, respectively, while interest-bearing-debt-to-controlling-equity ratios were correspondingly at 0.76:1, 0.65:1, and 0.76:1.

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

Amounts in Million Pesos	December 31, 2014	December 31, 2013	December 31, 2012
Cash and equivalents	82,059	94,977	67,965
Interest-bearing debt –current	31,661	3,796	3,796
Interest-bearing debt –non-current*	64,980	65,708	60,285
Net cash (debt)	(14,582)	25,473	3,884
Cash and cash equivalents to interest-bearing debt	85%	137%	106%
Interest-bearing debt to total equity	44%	36%	45%

*Include Equity-linked debt securities which is presented under Other non-current liabilities.

b.3 Prospects for the future

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

In 2015, all the business segments are expected to sustain their growth trajectory, capitalizing on the strong and positive economy.

b.4 Others

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

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

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

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

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

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

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

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

First Quarter of 2015

Key Performance Indicators

Presented below are the top five (5) key performance indicators:

In Million Philippine Pesos

	Jan- March 2015	Jan- March 2014	*Growth*
REVENUES	**32,307**	**31,230**	3.45%
Non-recurring Gain*		(604)	
Excl. Non-recurring Gain	32,307	30,626	5.49%
NET PROFIT	**5,576**	**6,254**	-10.84%
Non-recurring Gain*		(604)	
Excl. Non-recurring Gain	5,576	5,650	-1.31%
NET PROFIT TO OWNERS OF AGI	**3,476**	**3,943**	-11.84%
Non-recurring Gain*		(604)	
Excl. Non-recurring Gain	3,476	3,339	4.10%
		Dec 31, 2014	
TOTAL ASSETS	412,307	409,619	0.66%
CURRENT ASSETS	215,228	220,868	-2.55%
CURRENT LIABILITIES	83,968	92,541	-9.26%
Net profit rate	17.26%	20.03%	
Recurring NP rate	17.26%	18.09%	
NP Attributable to parent	10.76%	12.63%	
Recurring NP attributable to parent	10.76%	10.69%	
Return on investment/assets	1.35%	1.86%	
Current ratio	2.56x	2.39x	
Quick ratio	1.45x	1.40x	

*In 2014, MEG reported P603.8 million one-time gain on acquisition of a subsidiary.

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

Results of Operations – First Quarter of 2015

By Subsidiary groups:

		MEG	EMP	RWM	GADC	Others	TOTAL
2015							
Revenues		10,471	8,895	7,612	4,782	601	**32,361**
Intercompany		-39	0	0	0	-15	
Consolidated		**10,432**	**8,895**	**7,612**	**4,782**	**586**	**32,307**
	% contribution	32%	28%	24%	15%	1.00%	100.00%
Costs and expenses		7,381	7,134	5,860	4,520	641	**25,536**
Intercompany		0	0	0	0	-15	
Consolidated		**7,381**	**7,134**	**5,860**	**4,520**	**626**	**25,521**
Net profit		2,349	1,401	1,745	161	-40	**5,616**
Intercompany		-39	0	0	0		
Consolidated		**2,310**	**1,401**	**1,745**	**161**	**-40**	**5,577**
	% contribution	41%	25%	31%	3%	-0.70%	100%
Net profit to owners		**2,259**	**1,401**	**1,745**	**160**	**-40**	**5,525**
Intercompany and conso adjustment		**-775**	**-260**	**-933**	**-81**		
Consolidated		**1,484**	**1,141**	**812**	**79**	**-40**	**3,476**
	% contribution	43%	33%	23%	2%	-1%	100%
2014							
Revenues		9,946	7,694	8,052	4,361	1,452	**31,505**
Intercompany		-204	0	0	0	-71	
Consolidated		**9,742**	**7,694**	**8,052**	**4,361**	**1,381**	**31,230**
	% contribution	31%	25%	26%	14%	4%	100%
Costs and expenses		6,614	5,467	6,325	4,141	1,196	**23,743**
Intercompany		0	0	0	0	-33	
Consolidated		**6,614**	**5,467**	**6,325**	**4,141**	**1,163**	**23,710**
Net profit		2,692	1,717	1,718	171	199	**6,497**
Intercompany and conso adjustment		-204	0	0	0	-39	
Consolidated		**2,488**	**1,717**	**1,718**	**171**	**160**	**6,254**
	% contribution	40%	27.50%	27.50%	2%	3%	100%
Net profit to owners		**1,518**	**1,503**	**717**	**85**	**120**	**3,943**
	% contribution	39%	38%	18%	2%	3%	100%
Year-on-year Change							
Revenues		7.07%	15.60%	-5.47%	9.65%	-57.46%	3.45%
Costs and expenses		11.59%	30.50%	-7.34%	9.14%	-46.17%	7.64%
Net profit		-7.19%	-18.40%	1.57%	-6.17%	-124.84%	-10.84%
Net profit to owners		-2.21%	-24.07%	13.23%	-7.81%	-133.06%	-11.84%

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

Profit and loss accounts:

	2015	2014	Growth
REVENUES			
Sale of goods	16,446	15,006	9.59%
Consumer goods	8,781	7,762	13.14%
Revenues from real estate (RE) sales	7,665	7,244	5.80%
RE sales	6,239	5,865	6.38%
Realized gross profit on RE sales	980	990	-1.16%
Interest income on RE sales	446	389	14.67%

Rendering of services	14,878	14,298	4.06%
Gaming	6,796	7,210	-5.74%
Sales by company-operated quick-service restaurant	4,337	3,993	8.60%
Franchise revenues	422	311	35.46%
Rental income	1,997	1,720	16.16%
Other services	1,326	1,064	24.68%
Hotel operations	751	776	-3.23%
Other services	575	288	99.92%
joint ventures	71	1	n/m
Finance and other income	912	1,925	-52.63%
TOTAL	32,307	31,230	3.45%
COSTS AND EXPENSES			
Cost of goods sold	11,312	9,683	16.82%
Consumer goods sold	6,398	4,884	30.98%
RE sales	3,653	3,480	5.00%
Deferred gross profit on RE sales	1,261	1,319	-4.40%
Cost of services	6,652	6,286	5.83%
Gaming-license fees, promo allowances	2,216	2,168	2.24%
Services	4,436	4,118	7.72%
Other operating expenses	6,118	5,877	4.10%
Selling and marketing	2,160	2,991	-27.77%
General and administrative	3,958	2,886	37.14%
Finance costs and other charges	1,439	1,864	-22.80%
TOTAL	25,521	23,710	7.64%

The Group maintained the same level of net profit at P5.6 billion, minus one-time gains year- on-year. This was achieved on consolidated revenues of P32.3 billion which is 5.5% higher than P30.6 billion a year ago. Net profit that went to owners totaled P3.5 billion, up 4.1% over last year's P3.3 billion.

All businesses showed profitable results and contributions.

Megaworld posted net profit of P2.35 billion in the first quarter this year from P2.09 billion a year ago, which is 12.48% growth from recurring operations year-on-year. In same period last year, it reported P603.8 million one-time gain from acquisition of a subsidiary. Residential sales from various townships across the country remained strong and leasing income from its office and retail portfolio continued to grow in the first quarter, such that recurring revenues went up by 12.08% to P10.47 billion from P9.34 billion a year ago. Fifty percent of sales came from McKinley Hill, Uptown Bonifacio, and Newport City while GERI, ELI and Suntrust contributed 36% of total sales. Two new township projects were launched in Bacolod, Negros Occidental – the Upper East and Northhill over a total land area of 84 hectares – which bring the total number of township developments under the LIVE-WORK-PLAY-LEARN lifestyle communities to 17. Rental income from office developments and lifestyle malls reached an all-time high of P1.99 billion which is 16.37% higher than last year's P1.71 billion. These operating results brought in 32% and 41% of AGI's consolidated revenues and net profit, respectively.

Emperador ended the first three months of the year with net profit of P1.40 billion, on the back of P8.89 billion revenues for a net profit rate of 15.8%. Revenues totaled P8.89 billion up 15.6% from P7.69 billion a year ago. Domestic sales volume of Emperador a year ago was extraordinarily high due to trade loading that happened in March 2014 caused by the price increase that took effect in April 2014. This, coupled with the trade loading in December 2014 caused by the price increase effective January 2015, slowed down sales volume for the current first quarter. Whyte and Mackay group (WMG) brought in additional revenues as it was consolidated full quarter this year. For this quarter, Emperador group contributed 28% and 25% of AGI's consolidated revenues and net profit, respectively.

Travellers reported net profit of P1.74 billion, up 1.57% from P1.72 billion a year ago, on gross revenues of P7.61 billion as it continues to pursue quality of earnings and operating efficiency while growing its stronghold in the mass and retail segment. Gaming revenues totaled P 6.80 billion. Daily foot traffic strengthened by 9% year-on-year despite prolonged holidays during the Pope's visit, Holy Week, and the temporary inconveniences caused by the ongoing Skyway construction, but mass segment volume got affected. Hotel occupancy rates were above 85% for the 1,226 rooms in the three hotels –Maxims Manila Hotel, Remington Hotel, and Marriott Hotel Manila. Costs and expenses remained in check as these contracted at a faster rate over last year, due to operating efficiency initiatives by management. The group accounted for 24% and 31% of AGI's consolidated revenues and net profit, respectively, in the current quarter.

GADC ended the first quarter with total revenues of P4.78 billion, up 9.65% from P4.36 billion for the same period last year. This is primarily due to the opening of 53 new restaurants (26 company-owned, 27 franchised), reimaging of 36 existing restaurants, expansion of business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of new products (BFF Mix Bundles; New Chicken McDo Plus Meals, Bacon Burgers); Limited Time Offers Products (Shake Shake fries, twister fries, Dessert campaigns), and aggressive advertising and promotional campaigns to support Everyday McSavers (Fries, Float, Sundae, Sides), McSaver Meals, Desserts and Breakfast. The 53 new restaurants contributed 10% to total system sales while business extensions comprise 22% of the total. Drive-thru is the extension which has the biggest contribution of 11% of total revenues. There were 461 restaurants operating by the end of the period, as compared to 412 restaurants a year ago. Price increases were also strategically implemented in order to mitigate the impact of increase in cost of raw materials and to maintain the level of product quality. Impact of price adjustment to gross profit is an increase of 0.5% for 2015 and 2014. Cost of sales and services went up by 9.20%, primarily due to cost of inventory which increased by 10.6% brought about by increase in sales volume, higher prices of imported raw materials and the shift in product mix. These resulted in net profit of P 161 million in the first quarter, as compared to P171 million a year ago. GADC contributed 15% and 3% to consolidated revenues and net profit of AGI and subsidiaries.

Revenues from sale of goods (real estate, alcoholic beverages and snack products) were up 9.59% as a result of 13.14% and 6.38% increases in sales of consumer goods and real estate, respectively. Rendering of services (gaming, hotel, quick-service restaurants, rentals, cinemas) climbed 4.06% from contraction of gaming revenues from where almost half of service revenues come from. Real estate sales increased by 6.38% and quick-service restaurants sales were up 8.6% year-on-year.

Costs and expenses went up 7.64%. Cost of goods sold expanded by 16.82% while cost of services by 5.83% year-on-year. Other operating expenses were up by 4.10%.

Finance and other income was down by 52.63% this year because of the one-time gain on MEG's acquisition of a subsidiary which amounted to P604 million. There were also fair value gains on marked-to-market securities and gains on sale of AFS last year. **Finance costs and other charges** contracted by 22.80% due to lower forex losses from a year ago.

Income tax decreased by 4.51% this year as compared to a year ago, which is attributed to higher taxable income resulting in the higher tax expended by Travellers and Megaworld. Provision is made for the corporate income tax to be imposed by the Bureau of Internal Revenue on PAGCOR licensees.

Earnings before interest, taxes, depreciation and amortizations (EBITDA), computed as net profit before non-recurring income, share in net profits of associates and joint ventures, income taxes, interest expense, depreciation, amortizations and impairment provisions, amounted to P9.05 billion as compared to P9.02 billion a year ago, or 0.3% improvement year-on-year.

Financial Condition

Consolidated total assets amounted to P412.31 billion at end of the interim period from P409.62 billion at beginning of year. The Group is strongly liquid with current assets exceeding current liabilities 2.56times. Current assets amounted to P215.23 billion while current liabilities amounted to P83.97 billion at end of the interim period.

Cash and cash equivalents dipped by P6.33 billion or 7.71% to end at P75.73 billion from P82.06 billion at the beginning of the year, primarily due to Emperador's debt payments and property additions plus Megaworld's business expansion expenditures. Cash flows from operating, financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

Current trade and other receivables fell by P2.38 billion or 5.58% primarily due to good collections of accounts from Emperador's customers and suppliers. Noncurrent trade and other receivables grew by P1.54 billion or 5.32% due to additional RE sales during the period.

Financial assets at FVTPL went up by P942 million or 21.66% due to additional investments made during the interim period.

Other current assets increased by P316 million or 5.59% from additional prepaid expenses at Megaworld.

Advances to landowners and joint ventures increased by P485 million or 10.05% as a result of advances made during the period.

Available-for-sale financial assets went down by P592 million or 9.91% as a result of asset disposal to get fresh funds for financing purposes.

Land for future development increased by P3.39 billion or 25.69% primarily from additional acquisition of land and contribution of a new MEG subsidiary.

Trade and other payables were down by P6.40 billion or 17.01% primarily due to settlement of Emperador's settlement of year-end accrued expenses and advances, and the lower output vat payable.

Current Interest bearing loans and borrowings were reduced by P2.13 billion or 7.99% following the payment in January of foreign-currency-denominated bank loan obtained in connection with the acquisition of Whyte and Mackay in 2014; all loans incurred for such purpose were fully paid in April 2015.

Income tax payable increased by P392 million or 42.74% due to higher tax liabilities of Emperador and GADC.

Non-current Interest-bearing loans went up by P4.65 billion or 57.86% due to additional loan availed by Megaworld.

Liquidity and Capital Resources

The consolidated balance sheet showed strong liquidity with current assets exceeding current liabilities 2.56times. Total-liabilities-to-equity ratio is at 0.84:1. Assets exceeded liabilities 2.2 times, and equity 1.8times.

Working capital was sourced internally from operations during the period. In addition, the Group has net cash position that will enable it to pursue strategic activities. It may also from time to time seek other sources of funding, if necessary, which may include debt or equity financings, depending on its financing requirement and market conditions.

Amounts in Million Pesos	March 31, 2015	Dec 31, 2014
Cash and equivalents	75,730	82,059
Interest-bearing debt -current	29,529	31,661
Interest-bearing debt- noncurrent*	69,714	64,980
Net cash (debt)	-23,513	-
Cash and cash equivalents to interest-bearing debt	76%	85%%
Interest-bearing debt to total equity	44%	44%

*Includes equity-linked securities presented under Other Non-current liabilities.

Prospects for the future

AGI remains concentrated on its business programs. Management will continue to adopt prudent measures to ensure financial sustainability and look for new opportunities that will enhance the overall profitability of the group while maintaining the established markets. In 2015, all the business segments are expected to grow revenues and profits in line with targets. Megaworld is aggressively building more townships this year, aiming to end 2015 with 20 township developments. Emperador will have its busiest year so far with eight product launches in the offing. Travellers will have more hotels, additional gaming area and retail space by 2017. And, GADC targets 500 branches nationwide by end-2015.

Others

There were no known material events subsequent to the end of the interim period that would have a material impact in the interim period.

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

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Company, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

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

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

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

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

Market Price and Dividends on Common Shares

Market Information

The Company's common shares are traded on the Philippine Stock Exchange. The closing price of the said shares as of 10 August 2015 was P22.20. The trading prices of the said shares for each quarter within the last two years and subsequent interim period are set forth below

	2013				2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
High	23.00	28.40	28.30	27.45	30.50	31.85	30.05	27.00	27.45	27.95
Low	16.56	20.25	22.30	21.95	25.30	27.90	23.40	20.85	22.55	21.50

(*Source: PSE Research Dept.*)

Shareholders

As of 31 July 2015, the Company had 874 stockholders holding 10,269,827,979 common shares. The *Top Twenty Stockholders* of the Company are as follows:

Rank	*Stockholder*	*No. of Shares Held*	*Per Cent to Total*
1	The Andresons Group, Inc.	3,944,826,194	38.412%
2	PCD Nominee Corporation (Non-Filipino)	3,341,846,727	32.540%
3	PCD Nominee Corporation (Filipino)	1,055,240,794	7.568%
4	Altavision Resources, Inc.	451,570,334	4.397%
5	Yorkshire Holdings, Inc.	255,773,508	2.491%
6	Asiagroup Holdings, Inc.	220,000,000	2.142%
7	Globaland Holdings, Inc.	220,000,000	2.142%
8	Grand Belair Holdings, Inc.	220,000,000	2.142%
9	Le Bristol Holdings, Inc.	216,100,000	2.104%
10	California Orchard Growers' Investments, Inc.	120,000,000	1.168%
11	Eastwood Property Holdings, Inc.	112,600,000	1.096%
12	Andrew L. Tan	63,684,078	0.620%
13	Andresons Global, Inc.	30,088,596	0.293%
14	Forbes Town Properties & Holdings, Inc.	10,000,000	0.097%
15	Kingson U. Sian	5,001,100	0.049%
16	Lucio W. Yan &/or Clara Y. Yan	1,000,000	0.0010%
17	First Centro, Inc.	364,200	0.004%
18	American Wire & Cable Co., Inc.	200,000	0.002%
19	Ching Bun Teng	150,000	0.001%
20	Ramon C. Garcia	100,000	0.001%

Refer to Security Ownership on page 5 of Information Statement for stockholders holding 5% or more. PCD Nominee Corporation (Non-Filipino and Filipino) is comprised of several nominees and the participants with 5% or more are indicated in Security Ownership on page 5 of Information Statement. Total shares of Yorkshire Holdings, Inc. includes *direct and indirect beneficial ownership through Altavision Resources, Inc., Asiagroup Holdings, Inc., Globaland Holdings, Inc., Grand Belair Holdings, Inc., and Le Bristol Holdings, Inc.*

In July 2008, the Company was authorized to buy-back its shares from the market. The buy-back program was undertaken to create and enhance shareholder value, since market prices at this time did not reflect the true value of the shares. The Company bought 550.10 million shares worth P1.63 billion under its buy-back program. In 03 December 2010, the Board authorized the reissuance of its treasury shares which were all sold in 2011.

Dividends in the Two Most Recent Years and Subsequent Interim Period
It is the Company's policy to periodically declare a portion of its unrestricted retained earnings as dividend either in the form of cash or stock. The declaration of dividends depends upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends out of its unrestricted retained earnings only. Unrestricted retained earnings represent the net accumulated earnings of the Company with its capital unimpaired which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Cash dividends are subject to the approval by the Board of Directors. Stock dividends are subject to the approval by both the Board of Directors and at least two-thirds (2/3) of the outstanding capital stock of the stockholders at a stockholders' meeting called for such purpose.

On August 23, 2013 and August 26, 2014, AGI declared cash dividends of P0.38 per share, respectively, payable to all stockholders of record as of September 9, 2013 and September 22, 2014, respectively.

As of December 31, 2014, AGI has P64,932,319,305.00 billion unrestricted retained earnings available for dividend distribution.

Recent Sales of Unregistered or Exempt Securities Within the Past Three Years

On December 19, 2011 and March 14, 2013, options to subscribe to common stock of the Company totaling 46.5 million (the "2011 Options") and 59.1 million (the "2013 Options"), respectively, were granted to key executives and senior officers, including the CEO and President, at an exercise price of P9.175 and P12.9997, respectively. The total number of outstanding options granted is 105.6 million options to subscribe to the same number of common shares. All of the 2011 Options have vested as of December 31, 2014 while 39.4 million of the 2013 Options have vested as of March 2015. No vested options have been exercised and no stocks have been issued as of to-date.

Compliance with Leading Practices on Corporate Governance

In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the rules and principles of good corporate governance in the entire organization in accordance with the Code of Corporate Governance promulgated by SEC. A Revised Manual was adopted by the Company on July 30, 2014 pursuant to SEC Memorandum Circular No. 6, Series of 2009 and as amended by SEC Memorandum Circular No. 9, Series of 2014.

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

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

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

In 2014, the directors of the Company were required to take a Corporate Governance Orientation course and are encouraged to undergo further training in corporate governance.

The Company likewise complies with its Manual on Corporate Governance requirement that it rotate its external auditor or change the handling partner every five (5) years or earlier.

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

Deviations from Manual and Sanctions Imposed
In 2014, the Company substantially complied with its Manual of Corporate Governance and did not materially deviate from its provisions. No sanctions have been imposed on any director, officer or employee on account of non-compliance.

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

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

Punongbayan & Araullo

An instinct for growth™

Consolidated Financial Statements and Independent Auditors' Report

Alliance Global Group, Inc. and Subsidiaries

December 31, 2014, 2013 and 2012

ALLIANCE GLOBAL

Alliance Global Group, Inc.
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez Jr. Avenue
Bagumbayan, 1110 Quezon City
Tel. Nos. 7092038-41
Fax Nos. 7091966

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

ANDREW L. TAN
Chairman of the Board

KINGSON U. SIAN
President

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

SUBSCRIBED AND SWORN to before me this APR 2 3 2015, affiants exhibiting to me their Passport/SSS No., as follows:

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

Doc.No. 33
Page No. 08
Book No. XIII
Series of 2015

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2015
Appt. No. M-63 (2014-2015) Attorney's No. 34562
MCLE Compliance No. IV-0017096/4-16-2013
PTR No. 4750686/1-05-2015/Makati City
IBP Lifetime Member Roll No. 05413

Punongbayan & Araullo

An instinct for growth™

Report of Independent Auditors

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

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

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 4748310, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-2 (until Aug. 8, 2015)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-20-2012 (until May 15, 2015)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 14, 2015

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes		**2014**		2013
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	5	**P**	**82,058,836,647**	P	94,977,525,445
Trade and other receivables - net	6		**42,708,285,496**		30,074,787,370
Financial assets at fair value through profit or loss	7		**4,351,221,441**		7,375,742,967
Inventories - net	8		**73,706,121,918**		49,075,369,433
Property development costs	2		**12,390,474,097**		11,974,519,471
Other current assets	9		**5,653,565,184**		4,212,007,912
Total Current Assets			**220,868,504,783**		197,689,952,598
NON-CURRENT ASSETS					
Trade and other receivables - net	6		**28,914,555,021**		24,609,462,917
Advances to landowners and joint ventures	10		**4,823,705,981**		4,787,412,854
Available-for-sale financial assets	11		**5,972,087,128**		4,758,892,191
Land for future development	2		**13,212,623,684**		12,524,387,842
Investments in and advances to associates and other related parties	12		**8,157,122,260**		5,099,102,903
Property, plant and equipment - net	13		**54,218,737,647**		41,661,804,726
Investment property - net	14		**37,742,292,122**		27,290,428,438
Intangible assets - net	15		**29,744,925,357**		11,049,976,130
Deferred tax assets	28		**775,835,966**		728,559,662
Other non-current assets	9		**5,188,534,145**		2,200,429,265
Total Non-current Assets			**188,750,419,311**		134,710,456,928
TOTAL ASSETS		**P**	**409,618,924,094**	P	332,400,409,526

	Notes	2014	2013
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	16	**P 37,631,587,475**	P 24,830,784,627
Interest-bearing loans	17	**26,660,576,448**	3,795,792,269
Bonds payable	18	**5,000,000,000**	-
Income tax payable		**916,910,601**	779,445,751
Other current liabilities	20	**22,331,619,569**	21,178,560,896
Total Current Liabilities		**92,540,694,093**	50,584,583,543
NON-CURRENT LIABILITIES			
Interest-bearing loans	17	**8,038,681,649**	9,228,584,192
Bonds payable	18	**51,687,525,333**	56,479,746,306
Advances from related parties	29	**903,152,243**	354,107,249
Retirement benefit obligation	27	**2,736,675,951**	1,428,092,675
Redeemable preferred shares	19	**1,854,419,622**	1,786,120,902
Deferred tax liabilities - net	28	**10,259,066,064**	7,242,479,378
Other non-current liabilities	20	**24,115,293,267**	15,075,049,649
Total Non-current Liabilities		**99,594,814,129**	91,594,180,351
Total Liabilities		**192,135,508,222**	142,178,763,894
EQUITY			
Equity attributable to owners of the parent company	21	**126,497,113,102**	107,692,727,038
Non-controlling interest		**90,986,302,770**	82,528,918,594
Total Equity		**217,483,415,872**	190,221,645,632
TOTAL LIABILITIES AND EQUITY		**P 409,618,924,094**	P 332,400,409,526

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
REVENUES				
Sale of goods	23	P 62,035,977,237	P 56,518,969,704	P 44,082,631,026
Rendering of services	23	58,558,856,300	56,686,982,449	50,522,901,266
Share in net profits of associates and joint ventures - net	12	122,737,983	-	118,461,046
Finance and other income	26	4,687,588,254	10,173,373,850	7,409,979,346
		125,405,159,774	123,379,326,003	102,133,972,684
COSTS AND EXPENSES				
Cost of goods sold	24	40,276,896,555	37,597,032,036	28,341,151,467
Cost of services	24	28,094,670,463	27,336,872,088	22,652,109,438
Other operating expenses	25	25,941,548,864	25,010,802,514	21,771,795,107
Share in net losses of associates and joint ventures - net	12	-	13,602,687	-
Finance costs and other charges	26	4,455,909,712	5,008,779,695	4,251,781,543
		98,769,025,594	94,967,089,020	77,016,837,555
PROFIT BEFORE TAX		26,636,134,180	28,412,236,983	25,117,135,129
TAX EXPENSE	28	5,526,445,051	5,356,757,097	4,623,478,952
NET PROFIT		21,109,689,129	23,055,479,886	20,493,656,177
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on remeasurement of retirement benefit obligation		(403,052,742)	27,752,419	(41,307,696)
Tax income (expense)	28	83,482,783	(6,932,192)	12,392,308
		(319,569,959)	20,820,227	(28,915,388)
Items that will be reclassified subsequently to profit or loss				
Net unrealized fair value gains (losses) on available-for-sale financial assets	11	620,309,706	(146,071,389)	608,331,390
Translation adjustments	2	(819,063,669)	14,675,041	(581,994,181)
Share in other comprehensive income of associates and joint ventures	12	-	4,714,129	1,092,535
Addition in revaluation reserves due to available-for-sale financial assets of a consolidated subsidiary		-	-	15,916,350
Increase (decrease) in revaluation reserves due to available-for-sale financial assets sold by subsidiaries		(214,810,937)	(682,818)	152,322,657
Deferred tax income (expense) relating to components of other comprehensive income	28	30,684,518	(15,271,852)	70,795,068
		(382,880,382)	(142,636,889)	266,463,819
TOTAL COMPREHENSIVE INCOME		P 20,407,238,788	P 22,933,663,224	P 20,731,204,608
Net profit attributable to:				
Owners of the parent company		P 13,246,243,353	P 17,218,460,867	P 13,909,991,638
Non-controlling interest		7,863,445,776	5,837,019,019	6,583,664,539
		P 21,109,689,129	P 23,055,479,886	P 20,493,656,177
Total comprehensive income attributable to:				
Owners of the parent company		P 12,497,528,540	P 17,121,679,879	P 14,148,094,589
Non-controlling interest		7,909,710,248	5,811,983,345	6,583,110,019
		P 20,407,238,788	P 22,933,663,224	P 20,731,204,608
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company :	22			
Basic		P 1.3065	P 1.7031	P 1.3760
Diluted		P 1.2999	P 1.6954	P 1.3751

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
Capital Stock	21	**P 10,269,827,979**	P 10,269,827,979	P 10,269,827,979
Additional Paid-in Capital	2			
Balance at beginning of year		**33,611,840,432**	33,501,908,751	33,501,908,751
Sale of treasury shares		**783,540,547**	109,931,681	-
Balance at end of year		**34,395,380,979**	33,611,840,432	33,501,908,751
Treasury Shares - at cost	21			
Balance at beginning of year		**(955,217,410)**	(984,512,637)	(1,018,752,369)
Sale of treasury shares		**19,060,336**	29,295,227	-
Reduction representing the shares held by a deconsolidated subsidiary		**-**	-	34,239,732
Balance at end of year		**(936,157,074)**	(955,217,410)	(984,512,637)
Net Actuarial Gains (Losses) on Retirement Benefit Plan				
Balance at beginning of year		**(207,484,076)**	(240,822,140)	(215,576,680)
Actuarial gains (losses) for the year, net of tax		**(319,569,959)**	33,338,064	(28,360,874)
Additions due to consolidation of new subsidiary		**4,006,419**	-	-
Recognition of actuarial losses previously recognized in retained earnings, net of tax		**-**	-	3,115,414
Balance at end of year		**(523,047,616)**	(207,484,076)	(240,822,140)
Net Unrealized Gains (Losses) on Available-for-Sale Financial Assets				
Balance at beginning of year		**(906,447,446)**	(764,407,369)	(1,542,070,301)
Net unrealized fair value gains (losses) on available-for-sale financial assets	11	**620,305,626**	(146,071,389)	608,331,390
Increase (decrease) in revaluation reserves due to available-for-sale financial assets sold by subsidiaries		**(214,810,937)**	(682,818)	168,239,007
Share in other comprehensive income of associates and joint venture	12	**-**	4,714,130	1,092,535
Derecognition of share in other comprehensive income of associates		**(6,159,298)**	-	-
Balance at end of year		**(507,112,055)**	(906,447,446)	(764,407,369)
Accumulated Translation Adjustments	2			
Balance at beginning of year		**(903,939,309)**	(903,342,498)	(392,143,385)
Currency translation adjustments during the year, net of tax		**(788,375,071)**	(596,811)	(511,199,113)
Balance at end of year		**(1,692,314,380)**	(903,939,309)	(903,342,498)
Balance carried forward		**P 41,006,577,833**	P 40,908,580,170	P 40,878,652,086

	Note	2014	2013	2012
Balance brought forward		**P 41,006,577,833**	P 40,908,580,170	P 40,878,652,086
Dilution Gain	21			
Balance at beginning of year		**10,974,217,660**	1,277,846,433	1,289,847,712
Dilution gain (loss) recognized during the year		**9,006,185,024**	9,696,371,227	(12,001,279)
Balance at end of year		**19,980,402,684**	10,974,217,660	1,277,846,433
Share Options	21			
Balance at beginning of year		**264,469,448**	107,652,616	1,890,149
Share-based compensation expense recognized during the year		**313,343,832**	156,816,832	105,762,467
Balance at end of year		**577,813,280**	264,469,448	107,652,616
Retained Earnings				
Appropriated				
Balance at beginning of year		**2,145,000,000**	1,400,000,000	300,000,000
Appropriation during the year	21	**1,225,000,000**	2,145,000,000	1,400,000,000
Reversal of appropriation during the year	21	**(2,145,000,000)**	(1,400,000,000)	(300,000,000)
Balance at end of year		**1,225,000,000**	2,145,000,000	1,400,000,000
Unappropriated				
Balance at beginning of year		**53,400,459,760**	40,244,157,373	31,073,589,543
Cash dividends declared during the year	21	**(3,855,808,236)**	(3,841,614,020)	(3,639,423,808)
Net profit for the year		**13,246,243,353**	17,218,460,867	13,909,991,638
Effect of change in percentage ownership		**(3,575,572)**	524,455,540	-
Appropriation during the year	21	**(1,225,000,000)**	(2,145,000,000)	(1,400,000,000)
Reversal of appropriation during the year	21	**2,145,000,000**	1,400,000,000	300,000,000
Balance at end of year		**63,707,319,305**	53,400,459,760	40,244,157,373
Total Retained Earnings		**64,932,319,305**	55,545,459,760	41,644,157,373
Total		**126,497,113,102**	107,692,727,038	83,908,308,508
NON-CONTROLLING INTEREST				
Balance at beginning of year		**82,528,918,594**	59,847,731,853	52,512,979,650
Non-controlling interest in additional investments		**2,026,766,246**	20,234,493,741	1,112,716,720
Share in consolidated comprehensive income		**7,909,710,248**	5,811,983,345	6,583,110,019
Dividend from investee		**(1,479,092,318)**	(3,365,290,345)	(361,074,536)
Balance at end of year		**90,986,302,770**	82,528,918,594	59,847,731,853
TOTAL EQUITY		**P 217,483,415,872**	P 190,221,645,632	P 143,756,040,361

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

	Notes	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 26,636,134,180**	P 28,412,236,983	P 25,117,135,129
Adjustments for:				
Depreciation and amortization	24, 25	**4,293,318,046**	4,319,478,840	3,537,287,488
Interest expense	26	**4,281,446,845**	4,285,500,975	3,751,269,989
Interest income	26	**(2,589,097,758)**	(3,099,675,804)	(3,922,992,079)
Income from acquisition and deconsolidation of subsidiaries	26	**(524,766,704)**	(763,834,597)	-
Stock option benefit expense	27	**313,343,832**	156,816,832	105,762,467
Impairment and other losses	6, 8, 25	**287,425,470**	8,011,392	87,978,652
Share in net losses (profits) of associates and joint ventures	12	**(122,737,983)**	13,602,687	(118,461,046)
Gain on reversal of liability	26	**(121,428,571)**	(160,666,483)	-
Loss (gain) on disposal of property, plant and equipment, investment property and intangible assets		**(69,298,776)**	37,781,242	17,061,461
Unrealized foreign currency losses (gains)		**57,235,428**	795,207,832	(931,404,433)
Gain on sale of investment in available-for-sale financial assets	26	**(41,859,502)**	(128,177,128)	(272,103,283)
Unrealized loss on interest rate swap	26	**36,405,850**	112,842,001	368,646,466
Dividend income	26	**(20,278,117)**	(14,178,074)	(10,515,804)
Preacquisition income	26	**(9,150,638)**	(6,315,710)	-
Fair value losses (gains) - net	26	**(8,363,512)**	429,371,099	(1,433,951,500)
Gain on reversal of impairment loss of property and equipment	13	**-**	(18,616,806)	-
Gain on divestment of interest in a subsidiary	26	**-**	(2,905,304,542)	-
Operating income before working capital changes		**32,398,328,090**	31,474,080,739	26,295,713,507
Decrease (increase) in trade and other receivables		**(13,540,274,090)**	(7,644,846,317)	1,386,106,750
Decrease (increase) in financial assets at fair value through profit or loss		**2,889,305,941**	(2,151,807,864)	5,868,022,905
Increase in inventories		**(13,207,753,710)**	(6,544,122,145)	(11,851,290,019)
Decrease (increase) in property development costs		**(1,950,203,880)**	(1,524,928,568)	134,546,223
Increase in other current assets		**(1,721,938,963)**	(515,868,047)	(474,121,923)
Increase in trade and other payables		**10,623,483,673**	381,820,259	1,759,806,831
Increase in other current liabilities		**1,114,963,317**	3,984,087,152	957,885,382
Increase in retirement benefit obligation		**205,550,332**	252,951,839	253,724,563
Increase (decrease) in other non-current liabilities		**8,598,925,379**	1,418,478,507	(4,312,782,895)
Cash generated from operations		**25,410,386,089**	19,129,845,555	20,017,611,324
Cash paid for taxes		**(4,283,611,063)**	(5,133,836,925)	(3,867,431,339)
Net Cash From Operating Activities		**21,126,775,026**	13,996,008,630	16,150,179,985
Balance carried forward		**P 21,126,775,026**	P 13,996,008,630	P 16,150,179,985

	Notes	2014	2013	2012
Balance brought forward		**P 21,126,775,026**	P 13,996,008,630	P 16,150,179,985
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Shares of stock of subsidiary and associates	12	**(25,804,429,496)**	(4,963,837,458)	(1,046,175,670)
Investment property	14	**(8,727,663,262)**	(8,717,447,629)	(4,965,225,000)
Property, plant and equipment	13	**(9,891,036,964)**	(10,085,811,085)	(8,385,882,540)
Other non-current assets		**(2,908,143,881)**	(185,433,990)	(321,797,031)
Available-for-sale financial assets	11	**(1,687,722,424)**	(676,652,582)	(28,180,480)
Intangible assets	15	**(1,158,446,571)**	(16,153,915)	-
Land for future development	2	**(4,097,181,884)**	(1,884,635,990)	(67,767,847)
Proceeds from:				
Sale of available-for-sale financial assets		**1,553,703,097**	1,181,312,255	1,071,492,234
Collections of advances from associates and other related parties	12	**1,258,582,989**	58,995,675	284,441,050
Disposal of property, plant and equipment		**937,649,618**	302,249,551	45,496,000
Disposal of investment property		**455,094,610**	763,937,936	34,057,859
Disposal of intangible assets		**1,219,545**	-	102,672
Collections from landowners and joint ventures		**-**	61,781,123	27,273,705
Interest received		**2,460,586,253**	2,965,071,202	3,850,837,500
Additional advances granted to associates and other related parties		**(996,006,650)**	(903,799,948)	-
Cash dividends received		**20,278,117**	14,178,074	10,515,804
Net Cash Used in Investing Activities		**(48,583,516,903)**	(22,086,246,781)	(9,490,811,744)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Interest-bearing loans and bonds		**26,897,068,225**	10,489,117,497	3,730,000,000
Issuance of Equity-linked debt securities		**5,253,600,000**	-	-
Sale of treasury shares		**802,600,883**	139,226,908	-
Issuance of shares of subsidiaries		**-**	36,225,725,199	-
Payment of interest-bearing loans		**(9,632,098,450)**	(5,066,372,454)	(1,846,231,922)
Interest paid		**(4,409,911,861)**	(2,822,046,298)	(4,832,441,604)
Dividends paid	21	**(3,855,808,236)**	(3,841,614,020)	(3,639,423,808)
Advances granted and paid to related parties	29	**(2,362,902,237)**	(1,239,356,652)	(365,112,518)
Advances collected and received from related parties	29	**1,617,259,882**	1,101,348,707	1,010,001,151
Payment of derivative liability		**(318,270,188)**	-	(206,587,264)
Net Cash From (Used in) Financing Activities		**13,991,538,018**	34,986,028,887	(6,149,795,965)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(13,465,203,859)**	26,895,790,736	509,572,276
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**94,977,525,445**	67,965,116,707	49,147,857,784
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARIES		**387,730,871**	117,016,208	18,307,686,647
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		**158,784,190**	(398,206)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 82,058,836,647**	P 94,977,525,445	P 67,965,116,707

Supplemental Information on Non-cash Investing and Financing Activities:

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

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

Subsidiaries/Associates/ Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2014	2013	2012
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation	Megaworld	(a)	**67%**	65%	63%
Megaworld Resort Estates, Inc.		(b)	**83%**	82%	81%
Sonoma Premiere Land, Inc.		(c)	**73%**	62%	70%
Megaworld Land, Inc.			**67%**	65%	63%
Prestige Hotels and Resorts, Inc.			**67%**	65%	63%
Mactan Oceanview Properties and Holdings, Inc.			**67%**	65%	63%
Megaworld Cayman Islands, Inc.		(d)	**67%**	65%	63%
Richmonde Hotel Group International Ltd.	RHGI	(e)	**67%**	65%	63%
Eastwood Cyber One Corporation	ECOC		**67%**	65%	63%
Megaworld Cebu Properties, Inc.			**67%**	65%	63%
Megaworld Newport Property Holdings, Inc.			**67%**	65%	63%
Oceantown Properties, Inc.			**67%**	65%	63%
Piedmont Property Ventures, Inc.			**67%**	65%	63%
Stonehaven Land, Inc.			**67%**	65%	63%
Streamwood Property, Inc.			**67%**	65%	63%
Suntrust Properties, Inc.	SPI		**67%**	65%	56%
Lucky Chinatown Cinemas, Inc.			**67%**	65%	-
Luxury Global Hotels and Leisures, Inc.			**67%**	65%	-
Suntrust Ecotown Developers, Inc.	SEDI		**67%**	65%	-
Woodside Greentown Properties, Inc.	WGPI		**67%**	65%	-
Citywalk Building Administration, Inc.		(f)	**67%**	-	-
Forbestown Commercial Center Administration, Inc.		(f)	**67%**	-	-
Paseo Center Building Administration, Inc.		(f)	**67%**	-	-
Uptown Commercial Center Administration, Inc.		(f)	**67%**	-	-
Global One Integrated Business Services, Inc.		(f)	**67%**	-	-
Luxury Global Malls, Inc.		(f)	**67%**	-	-
Davao Park District Holdings Inc.	DPDHI	(f)	**67%**	-	-
Governor's Hills Science School, Inc.		(f)	**67%**	-	-
Sunrays Properties Management, Inc.		(f)	**67%**	-	-
Suntrust One Shanata, Inc.		(f)	**67%**	-	-
Suntrust Two Shanata, Inc.		(f)	**67%**	-	-
Megaworld Global-Estate, Inc.		(g)	**59%**	65%	63%
Manila Bayshore Property Holdings, Inc.		(h)	**57%**	52%	55%
Empire East Land Holdings, Inc.	EELHI		**55%**	53%	50%
Valle Verde Properties, Inc.		(i)	**55%**	53%	50%

Subsidiaries/Associates/ Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2014	2013	2012
Subsidiaries					
Megaworld and subsidiaries					
Empire East Communities, Inc.		(i)	**55%**	53%	50%
Sherman Oak Holdings, Inc.		(i)	**55%**	53%	50%
Eastwood Property Holdings, Inc.		(i)	**55%**	53%	50%
Global-Estate Resorts, Inc.	GERI	(j)	**54%**	65%	64%
Fil-Estate Properties, Inc.	FEPI		**54%**	65%	64%
Aklan Holdings Inc.			**54%**	65%	64%
Blu Sky Airways, Inc.			**54%**	65%	64%
Fil-Estate Subic Development Corp.			**54%**	65%	64%
Fil-Power Construction Equipment Leasing Corp.			**54%**	65%	64%
Golden Sun Airways, Inc.			**54%**	65%	64%
La Compaña De Sta. Barbara, Inc.			**54%**	65%	64%
MCX Corporation			**54%**	65%	64%
Pioneer L-5 Realty Corp.			**54%**	65%	64%
Prime Airways, Inc.			**54%**	65%	64%
Sto. Domingo Place Development Corp.			**54%**	65%	64%
Fil-Power Concrete Blocks Corp.			**54%**	65%	64%
Fil-Estate Golf and Development, Inc			**54%**	65%	64%
Golforce, Inc.			**54%**	65%	64%
Fil-Estate Urban Development Corp.			**54%**	65%	64%
Novo Sierra Holdings Corp.			**54%**	65%	64%
Southwood Mall Inc.			**54%**	-	-
Global Homes and Communities, Inc.			**54%**	-	-
Megaworld Central Properties, Inc.			**51%**	50%	48%
Townsquare Development, Inc.			**50%**	49%	49%
Golden Panda-ATI Realty Corporation		(f)	**50%**	-	-
Twin Lakes Corp.	TLC		**45%**	45%	44%
La Fuerza, Inc.	LFI	(f), 12.4	**45%**	-	-
Fil-Estate Industrial Park, Inc.			**43%**	51%	51%
Megaworld-Daewoo Corporation	MDC		**40%**	39%	38%
Laguna Bel-Air School, Inc.		(i)	**40%**	38%	36%
Eastwood Cinema 2000, Inc.			**37%**	35%	-
Gilmore Property Marketing Associates Inc.	GPMAI		**35%**	47%	45%
Megaworld Globus Asia, Inc.			**34%**	33%	32%
Philippine International Properties, Inc.			**34%**	32%	32%
Sherwood Hills Development Inc.			**30%**	36%	35%
Fil-Estate Ecocentrum Corp.			**30%**	36%	36%
Philippine Aquatic Leisure Corp.			**30%**	36%	36%
Oceanfront Properties, Inc.	OFPI		**27%**	32%	32%
Boracay Newcoast Hotel Group, Inc.	BNHGI	(k), 12.7	**-**	65%	64%
Emperador and subsidiaries					
Emperador Inc.	EMP or Emperador	(l)	**81%**	88%	-
Emperador Distillers, Inc.	EDI		**81%**	88%	100%
Emperador International Ltd.	EIL	(e)	**81%**	88%	100%
Anglo Watsons Glass, Inc.	AWGI		**81%**	88%	100%
The Bar Beverage, Inc.			**81%**	88%	100%
Bodega San Bruno, SL	BSB	(m)	**81%**	88%	-
Emperador Europe SARL	EES	(m)	**81%**	88%	-
Emperador Asia Pte Ltd.	EA	(m)	**81%**	-	-
Grupo Emperador Spain, S.A.	GES	(m)	**81%**	-	-
Emperador Holdings (GB) Limited.	EGB	(m)	**81%**	-	-
Emperador UK Limited	EUK	(m)	**81%**	-	-
Whyte and Mackay Group Limited	WMG	(m)	**81%**	-	-
Whyte and Mackay Limited	WML	(m)	**81%**	-	-
Whyte and Mackay Warehousing Ltd.		(n)	**81%**	-	-
GADC and subsidiaries					
Golden Arches Development Corporation	GADC		**49%**	49%	49%
Golden Arches Realty Corporation			**49%**	49%	49%

Subsidiaries/Associates/ Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2014	2013	2012
Subsidiaries					
GADC and subsidiaries					
Clark Mac Enterprises, Inc.			**49%**	49%	49%
Advance Food Concepts Manufacturing, Inc.	AFCMI		**46%**	46%	37%
Golden Laoag Foods Corporation			**38%**	38%	38%
Davao City Food Industries, Inc.			**37%**	37%	37%
First Golden Laoag Ventures			**34%**	34%	34%
Retiro Golden Foods, Inc.			**34%**	34%	34%
Red Asian Food Solutions			**37%**	34%	-
McDonald's Anonas City Center		(o)	**34%**	34%	-
McDonald's Puregold Taguig		(o)	**29%**	29%	29%
Golden City Food Industries, Inc.	GCFII	(o), 12.8	**29%**	25%	24%
McDonald's Bench Building		(o)	**27%**	27%	27%
Molino First Golden Foods, Inc.	MFGFI	(p)	**26%**	-	-
GY Alliance Concepts, Inc.	GYACI	(p)	**19%**	-	-
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.	Travellers	(q)	**47%**	42%	46%
APEC Assets Limited	APEC		**47%**	42%	46%
Bright Leisure Management, Inc.			**47%**	42%	46%
Deluxe Hotels and Recreation, Inc.			**47%**	42%	46%
Entertainment City Integrated Resorts & Leisure, Inc.			**47%**	42%	46%
Grand Integrated Hotels and Recreation, Inc.			**47%**	42%	46%
Grand Services, Inc.			**47%**	42%	46%
Grand Venture Management Services, Inc.			**47%**	42%	46%
Lucky Star Hotels and Recreation, Inc.			**47%**	42%	46%
Majestic Sunrise Leisure & Recreation, Inc.			**47%**	42%	46%
Net Deals, Inc.			**47%**	42%	46%
Newport Star Lifestyle, Inc.			**47%**	42%	46%
Royal Bayshore Hotels & Amusement, Inc.			**47%**	42%	46%
FHTC Entertainment & Production, Inc.			**47%**	42%	-
Bright Pelican Leisure and Production, Inc.			**47%**	42%	-
Golden Peak Leisure and Recreation, Inc. (formerly Yellow Warbler Leisure and Recreation, Inc.)			**47%**	42%	-
Resorts World Bayshore City, Inc.	RWBCI	(r)	**47%**	45%	-
Purple Flamingos Amusement and Leisure Corporation		(s)	**47%**	45%	-
Red Falcon Amusement and Leisure Corporation		(s)	**47%**	45%	-
Corporate and Others					
New Town Land Partners, Inc.	NTLPI		**100%**	100%	100%
Tradewind Estates, Inc.			**100%**	100%	100%
Great American Foods, Inc.		(t)	**100%**	100%	100%
McKester America, Inc.		(t)	**100%**	100%	100%
Alliance Global Brands, Inc.			**100%**	100%	100%
McKester Pik-nik International Limited	MPIL	(e)	**100%**	100%	100%
Venezia Universal Ltd.		(e)	**100%**	100%	100%
Travellers Group Ltd.		(e)	**100%**	100%	100%
Alliance Global Group Cayman Islands, Inc.	AG Cayman	(d)	**100%**	100%	100%
Greenspring Investment Holdings Properties Ltd.	Greenspring	(e)	**100%**	100%	100%
Shiok Success International, Ltd.		(e)	**100%**	100%	-
Dew Dreams International, Ltd.		(e)	**100%**	100%	-
First Centro, Inc.	FCI		**100%**	75%	100%
Oceanic Realty Group International, Inc.		(u)	**100%**	75%	100%
ERA Real Estate Exchange, Inc.		(u)	**100%**	75%	100%
Global One Real Estate Spain, SAU		(v)	**100%**	-	-
Adams Properties, Inc.	Adams	(q)	**60%**	60%	60%
Associates					
BNHGI		(k), 12.7	**32%**	-	-
Bonifacio West Development Corporation	BWDC	12.6	**31%**	-	-
Suntrust Home Developers, Inc.	SHDI	12.5	**29%**	27%	27%

Subsidiaries/Associates/ Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI 2014	2013	2012
Associates					
First Oceanic Property Management, Inc.		(w)	**29%**	27%	27%
Citylink Coach Services, Inc.		(w)	**29%**	27%	27%
Palm Tree Holdings and Development Corporation	PTHDC		**27%**	26%	25%
Fil-Estate Network, Inc.	FENI	(x)	**11%**	13%	13%
Fil-Estate Sales, Inc.	FESI	(x)	**11%**	13%	13%
Fil-Estate Realty and Sales Associates, Inc.	FERSAI	(x)	**11%**	13%	13%
Fil-Estate Realty Corp.	FERC	(x)	**11%**	13%	13%
Nasugbu Properties, Inc.	NPI	(x)	**8%**	9%	9%
LFI		12.4	**-**	32%	-
Genting-Star Tourism Academy, Inc.	GSTAI	29.11	**-**	20%	23%
Alliance Global Properties, Ltd.	AGPL	(y), 12.3	**-**	-	30%
Jointly Controlled Entities					
Bodegas Las Copas, SL	BLC	(z), 12.7	**41%**	-	-
GCFII		(p), 12.8	**-**	25%	24%

Explanatory notes:

(a) AGI's effective ownership interest is derived from its 44% direct ownership and 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.

(b) AGI and Megaworld directly owns 49% and 51%, respectively.

(c) A subsidiary of AGI through 60% and 40% direct ownership of EELHI and FCI, respectively.

(d) Foreign subsidiaries operating under the laws of the Cayman Islands

(e) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (BVI)

(f) Newly acquired subsidiaries of Megaworld in 2014

(g) A subsidiary of AGI through 60% and 40% direct ownership of GERI and Megaworld, respectively.

(h) A subsidiary of AGI through 50/50 ownership of Travellers and Megaworld.

(i) Subsidiaries of EELHI

(j) In 2014, AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 80% of GERI, and no direct holdings. In 2013, AGI's effective ownership interest is composed of 49% direct ownership and 16% indirect ownership through Megaworld.

(k) In 2013, FEPI owns 100% ownership interest over BNHGI. In 2014, FEPI disposed 40% of its ownership interest over BNHGI. FEPI lost its control over BNHGI thereby reclassifying it as an associate.

(l) In 2014, AGI's effective ownership over EMP decreased as a result of issuance of capital stock of EMP.

(m) New subsidiaries of EMP. EA is operating under the laws of Singapore while GES and BSB are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB is operating under the laws of England and Wales. EUK, WMG and WML are operating under the laws of Scotland.

(n) Subsidiary of WML operating under the laws of Scotland

(o) Unincorporated joint ventures of GADC

(p) Newly acquired subsidiaries of GADC in 2014

(q) In 2013, Travellers became listed with the PSE and new shares were issued to the public. At end of 2013, Travellers' common shares are directly owned 11% by AGI, 3% by FCI, 6% by Megaworld, 46% by Adams, 24% by Genting Hongkong Limited (GHL) and 10% by the public. In 2014, AGI increased its common stock ownership to 25% while Megaworld decreased to 2% due to acquisition of Travellers' shares from Megaworld.

(r) Incorporated in 2013. Effective ownership in 2013 is through 20% direct ownership, 6% through 10% ownership of Megaworld, 4% through 5% ownership of FCI and 15% through 25% ownership of Adams. In 2014, Travellers subscribed to the increase in authorized capital stock of RWBCI resulting to 95% direct ownership. AGI direct ownership decreased to 1%.

(s) Wholly owned subsidiaries of RWBCI

(t) Subsidiaries of MPIL operating under the laws of United States of America

(u) Subsidiaries of FCI

(v) Newly acquired subsidiary of MPIL operating under the laws of Spain

(w) Subsidiaries of SHDI, an associate of Megaworld

(x) Associates of GERI

(y) A foreign associate operating in the BVI; AGPL was disposed in 2013

(z) A foreign jointly controlled entity under GES and operating under the laws of Spain

The Company, its subsidiaries and associates are incorporated and operating in the Philippines, except for such foreign subsidiaries and associates as identified in the preceding table (see explanatory notes d, e, m, n, t, v, y and z in the preceding page).

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

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

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

The Board of Directors (BOD) approved on April 14, 2015, the release of the consolidated financial statements of the Group as at and for the year ended December 31, 2014 (including the comparative financial statements as at and for the years ended December 31, 2013 and 2012).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

Certain accounts in the 2013 and 2012 consolidated statements of comprehensive income were reclassified to conform to the current year presentation, which did not have a material impact on the Group's consolidated financial statements.

(c) Functional and Presentation Currency

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

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

2.2 Basis of Consolidation

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

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

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

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

(a) Investments in Subsidiaries

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.10).

(b) Investments in Associates

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

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

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

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

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associates' equity, for example, resulting from the associates' accounting for available-for-sale (AFS) financial assets, are recognized in the consolidated other comprehensive income or equity of the Group, as applicable. Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associates' shareholders are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized. Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Interests in Joint Ventures

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

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

(d) Transactions with Non-controlling Interest

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

Disposals of equity investments to non-controlling interest that result in gains and losses for the Group are also recognized in consolidated equity.

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

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

2.3 Adoption of New and Amended PFRS

(a) Effective in 2014 that are Relevant to the Group

In 2014, the Group adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2014:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12 and PAS 27 (Amendments)	:	Consolidated Financial Statements, Disclosures of Interests in Other Entities and Separate Financial Statements – Exemption from Consolidation for Investment Entities
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21	:	Levies

Discussed below and in the succeeding page are the relevant information about these amended standards and interpretation.

(i) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*. The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that an entity must currently have a right of set-off that is not contingent on a future event, and must be legally enforceable in the normal course of business; in the event of default; and, in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies that gross settlement mechanisms (such as through a clearing house) with features that both eliminate credit and liquidity risks and process receivables and payables in a single settlement process, will satisfy the criterion for net settlement. The Group's existing offsetting and settlement arrangements for its financial instruments with its counterparties are not affected by the amendment; hence, such did not have an impact on the presentation of financial assets and financial liabilities on the Group's consolidated financial statements for any periods presented.

(ii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*. The amendment clarifies that disclosure of information about the recoverable amount of individual asset (including goodwill) or a cash-generating unit is required only when an impairment loss has been recognized or reversed during the reporting period. If the recoverable amount is determined based on the asset's or cash-generating unit's fair value less cost of disposal, additional disclosures on fair value measurement required under PFRS 13, *Fair Value Measurement*, such as but not limited to the fair value hierarchy, valuation technique used and key assumptions applied should be provided in the financial statements. This amendment did not result in additional disclosures in the consolidated financial statements since the recoverable amounts of the Group's property, plant and equipment where impairment losses have been recognized were determined based on value-in-use which have been adequately disclosed in accordance with PAS 36 (see Note 13).

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

(iv) PFRS 10, 12 and PAS 27 (Amendments), *Consolidated Financial Statements, Disclosure of Interests in Other Entities, Separate Financial Statements – Exemption from Consolidation for Investment Entities*. The amendments define the term "investment entity" and provide to such an investment entity an exemption from the consolidation of particular subsidiaries and instead require to measure investment in each eligible subsidiary at fair value through profit or loss in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, both in its consolidated or separate financial statements, as the case maybe. The amendments also require additional disclosures about the details of the entity's unconsolidated subsidiaries and the nature of its relationship and certain transactions with those subsidiaries. The Group has evaluated the various facts and circumstances related to its interests in other entities and it has determined that the adoption of the foregoing amendments had no material impact to the Group's consolidated financial statements. None of its subsidiaries qualify as an investment entity.

(v) Philippine Interpretation IFRIC 21, *Levies*. This interpretation clarifies that the obligating event as one of the criteria under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, for the recognition of a liability for levy imposed by a government is the activity described in the relevant legislation that triggers the payment of the levy. Accordingly, the liability is recognized in the financial statements progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This amendment had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2014 but are not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2014 which are adopted by the FRSC, subject to the approval of the BOA. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from July 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit.

(ii) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 41 (Amendment), *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(v) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9, *Financial Instruments*. As of the end of the reporting period, the Parent Company has no plan to change the accounting policy for its investments in its subsidiaries.

(vi) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(vii) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(viii) PFRS 11 (Amendment), *Joint Arrangements* (effective from January 1, 2016). The amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3 to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(ix) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL) which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the outstanding principal. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

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

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(x) PFRS 15, *Revenue from Contract with Customers*. This standard will replace PAS 18 *Revenue* and PAS 11 *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15 *Arrangements for Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2017. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has not yet been adopted in the Philippines; however, management is currently assessing the impact of this standard on the Group's consolidated financial statements in preparation for the adoption of this standard in the Philippines.

(xi) Philippine IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and SEC after giving due considerations on various application issues and in anticipation of the implications of IFRS 15, *Revenue from Contract with Customers* which will eventually supersede this interpretation when adopted in the Philippines. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue at completion upon or after delivery.

(xii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014, and to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

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

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

(c) PFRS 2 (Amendment), *Share-based Payment*. The amendment clarifies the definitions of "vesting condition" and "market condition" and defines a "performance condition" and a "service condition."

(d) PFRS 3 (Amendment), *Business Combinations*. The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

(e) PFRS 8 (Amendment), *Operating Segments*. The amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

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

Annual Improvements to PFRS (2011-2013 Cycle)

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

(b) PFRS 3 (Amendment), *Business Combinations*. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.

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

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the corporate bonds or government bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligation.

(b) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(c) PFRS 7 (Amendment), *Financial Instruments: Disclosures*. The amendment clarifies that the additional disclosure required by the recent amendments to PFRS 7 related to offsetting financial assets and financial liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with PAS 34, *Interim Financial Reporting,* when its inclusion would be necessary in order to meet the general principles of PAS 34.

(d) PAS 34 (Amendment), *Interim Financial Reporting*. The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

2.4 Financial Assets

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

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

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

(a) Financial Assets at FVTPL

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

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

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

(b) Loans and Receivables

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

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

(c) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets classification in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months after the end of the reporting period. All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Net Unrealized Gains (Losses) on Available-for-sale Financial Assets account in consolidated equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in Net Unrealized Gains (Losses) on Available-for-sale Financial Assets is reclassified from consolidated equity to consolidated profit or loss and is presented as reclassification adjustment within consolidated other comprehensive income.

Reversal of impairment losses on AFS equity instruments is not recognized through the consolidated profit or loss. On the other hand, if in a subsequent period the fair value of an AFS financial instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through consolidated profit or loss.

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

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

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

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

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

2.5 Inventories

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

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

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

2.6 Real Estate Transactions

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

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

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Real Estate for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and NRV.

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

2.7 Other Assets

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

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

2.8 Property, Plant and Equipment

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

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

Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

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

Buildings and land improvements	5 to 50 years
Condominium units	10 to 25 years
Machinery and equipment	2 to 12 years
Fixtures and other equipment	3 to 10 years
Transportation equipment	3 to 10 years

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

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

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

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

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

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

2.9 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property and are carried at cost less accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation (see Note 2.19).

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

Transfers to, or from, investment property shall be made when and only when there is a change in use or purpose for such property.

2.10 Business Combinations

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

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

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

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

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

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

2.11 Intangible Assets

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

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

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

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

The cost of trademarks, leasehold rights and computer software includes the acquisition price and other direct costs. Capitalized costs are amortized on a straight-line basis over the estimated useful life of 10 and 3 years, for trademarks [except specific trademarks with indefinite useful lives (see Note 15)] and computer software, respectively, and over the term of the lease for leasehold rights. Capitalized costs for trademarks with indefinite useful lives are not amortized. In addition, these assets are subject to impairment testing as described in Note 2.19. When these assets are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

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

2.12 Financial Liabilities

The categories of financial liabilities relevant to the Group are more fully described below and in the succeeding pages.

(a) Financial Liabilities at FVTPL

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

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

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

(b) Financial Liabilities at Amortized Costs

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

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

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

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

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

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

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

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

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

2.13 Provisions and Contingencies

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

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

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

2.14 Equity

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

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

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

Net actuarial gains or losses on retirement benefit plan pertain to actuarial gains or losses from remeasurement of retirement benefit obligation.

Net unrealized fair value gains or losses on AFS financial assets pertains to cumulative mark-to-market valuations on such securities [see Note 2.4(c)].

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

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

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

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

2.15 Revenue and Expense Recognition

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

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

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

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

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

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

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

(e) *Construction contracts* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered using the cost recovery and percentage-of-completion methods. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

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

(g) *Revenue from hotel operations* – Revenue from hotel operations is recognized when services are rendered. This is presented under Revenue from Rendering of Services (see Note 23).

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

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

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

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

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

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

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

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

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred.

All finance costs are reported in consolidated profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.16).

2.16 Borrowing Costs

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

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

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

Finance costs are recognized in consolidated profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

(b) Group as Lessor

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

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

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.18 Foreign Currency Transactions and Translation

(a) Transactions and Balances

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

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

(b) Translation of Financial Statements of Foreign Subsidiaries

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

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

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

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

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

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

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

2.19 Impairment of Non-financial Assets

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

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

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

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

2.20 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Benefit Plan

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

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

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

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

(b) *Post-employment Contribution Plan*

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

(c) *Termination Benefits*

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

(d) Share-based Employee Remuneration

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

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

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

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

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

(e) Bonus Plans

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the Group's profits after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(f) Compensated Absences

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

2.21 Income Taxes

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

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

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

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

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

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

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

2.22 Earnings per Share

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

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

2.23 Segment Reporting

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

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

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

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

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

2.24 Related Party Transactions and Relationships

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

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

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

2.25 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Impairment of AFS Financial Assets

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

(b) Distinguishing Investment Properties, Owner-Occupied Properties and Land for Future Development

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

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

(c) Distinguishing Operating and Finance Leases

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

(d) Classification of Preferred Shares as Financial Liability

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

(e) Recognition of Provisions and Contingencies

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

3.2 Key Sources of Estimation Uncertainty

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

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

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

There were no changes in the assumptions or basis for estimation during the year. The realized gross profit on real estate sales recognized in 2014, 2013 and 2012 is disclosed in Note 23.

(b) Impairment of Trade and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(c) Valuation of Inventories and Real Estate Properties

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

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

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

(d) Fair Valuation of Financial Assets Other than Trade and Other Receivables

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

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

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

(e) Fair Valuation of Investment Properties

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

(f) Fair Valuation of Stock Options

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

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

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

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

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

Based on management assessment, no change in the estimated useful lives of property, plant and equipment, investment property and intangible assets is necessary in 2014 and 2013.

(h) Impairment of Non-financial Assets

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

Impairment loss recognized on Property, Plant and Equipment is discussed in Note 13. There is no impairment loss recognized on the Group's investment properties, intangible assets and other non-financial assets based on management's evaluation for the years ended December 31, 2014, 2013 and 2012.

(i) Determining Realizable Amount of Deferred Tax Assets

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

(j) Valuation of Post-employment Defined Benefit Obligation

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

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

(k) Provision for Restoration of Leased Property

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

The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-current Liabilities account in the consolidated statements of financial position (see Note 20).

(l) Provision for Onerous Lease

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublet income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublet assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on profit or loss.

(m) Business Combinations

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

4. SEGMENT INFORMATION

4.1 Business Segments

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

(a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry. In 2014, the *GERI* segment was consolidated in this segment as part of the Group's plan to align all its real estate business and to capture the growth in the tourism sector through GERI.

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

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

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

(e) The *GERI* segment relates to development of integrated tourism estates, leisure-related properties and mixed used towers which is primarily undertaken by Global Estate Resorts, Inc. and subsidiaries. This segment is consolidated with *Megaworld* segment in 2014; hence, *GERI* is no longer presented as a separate business segment beginning 2014.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

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

4.4 *Analysis of Segment Information*

Segment information can be analyzed as follows for the years ended December 31, 2014, 2013 and 2012:

	2014					
	Megaworld	Travellers	GADC	Emperador	GERI	Total
REVENUES						
Sales to external customers	P 38,037,325,483	P 31,557,796,008	P 18,416,598,616	P 31,461,270,278	P -	P 119,472,990,385
Intersegment sales	12,213,404,741	40,887,560	-	-	-	12,254,292,301
Finance and other revenues	2,778,519,577	114,569,512	331,435,577	489,170,118	-	3,713,694,784
Segment revenues	53,029,249,801	31,713,253,080	18,748,034,193	31,950,440,396	-	135,509,985,632
Cost of sales and expenses excluding depreciation and amortization	(25,452,945,290)	(23,568,121,238)	(16,541,609,442)	(23,316,371,477)	-	(88,879,047,447)
	27,576,304,511	8,145,131,842	2,206,424,751	8,634,068,919	-	46,561,930,023
Depreciation and amortization	(1,300,385,226)	(1,516,728,535)	(919,497,248)	(404,805,804)	-	(4,141,416,813)
Finance cost and other charges	(1,591,978,535)	(1,026,706,225)	(178,478,645)	(102,935,717)	-	(2,900,099,122)
Profit before tax	24,683,940,750	5,601,697,082	1,108,448,858	8,126,327,398		39,520,414,088
Tax expense	(3,120,330,226)	(75,568,162)	(310,494,049)	(1,904,172,008)	-	(5,410,564,445)
SEGMENT PROFIT	**P 21,563,610,524**	**P 5,526,128,920**	**P 797,954,809**	**P 6,222,155,390**	**P -**	**P 34,109,849,643**
SEGMENT ASSETS AND LIABILITIES						
Segment assets	P 222,696,668,271	P 62,704,306,464	P 12,260,171,563	P 96,183,811,446	P -	P 393,844,957,744
Segment liabilities	80,666,774,428	23,106,167,980	7,980,931,664	44,775,107,154	-	156,528,981,226

	2013					
	Megaworld	Travellers	GADC	Emperador	GERI	Total
REVENUES						
Sales to external customers	P 32,653,375,912	P 33,381,657,306	P 15,810,204,165	P 28,780,897,351	P 1,596,411,020	P 112,222,545,754
Intersegment sales	230,471,593	-	-	-	-	230,471,593
Finance and other revenues	2,464,375,443	(468,166,961)	166,496,688	1,083,847,491	162,304,229	3,408,856,890
Segment revenues	35,348,222,948	32,913,490,345	15,976,700,853	29,864,744,842	1,758,715,249	115,861,874,237
Cost of sales and expenses excluding depreciation and amortization	(21,825,015,956)	(26,630,377,258)	(13,828,636,701)	(21,263,217,401)	(1,134,896,150)	(84,682,143,467)
	13,523,206,992	6,283,113,087	2,148,064,152	8,601,527,441	623,819,099	31,179,730,770
Depreciation and amortization	(956,774,624)	(2,100,495,592)	(758,029,439)	(417,026,367)	(49,185,167)	(4,281,377,258)
Finance cost and other charges	(1,378,661,171)	(1,342,812,133)	(157,527,053)	(263,092,696)	(107,055,577)	(3,249,148,630)
Profit before tax	11,187,771,197	2,839,805,362	1,232,507,660	7,921,408,378	467,578,355	23,649,070,952
Tax expense	(2,571,452,012)	(66,665,186)	(444,026,455)	(2,074,293,503)	(112,364,600)	(5,268,801,756)
SEGMENT PROFIT	P 8,616,319,185	P 2,773,140,176	P 788,481,205	P 5,847,114,875	P 355,213,755	P 18,380,269,196
SEGMENT ASSETS AND LIABILITIES						
Segment assets	P 169,461,257,482	P 60,758,944,954	P 13,202,719,956	P 35,201,294,060	P 31,238,285,371	P 309,862,501,823
Segment liabilities	68,494,968,424	26,448,067,054	7,983,040,586	3,187,496,148	7,566,385,608	113,679,957,820

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

4.4 Reconciliations

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

	2014	2013	2012
Revenues			
Total segment revenues	**P 135,440,977,470**	P 115,861,874,237	P 101,303,752,120
Unallocated corporate revenue	**2,218,474,605**	7,747,923,359	3,842,372,239
Elimination of intersegment revenues	**(12,254,292,301)**	(230,471,593)	(3,012,151,675)
Revenues as reported in consolidated profit or loss	**P 125,405,159,774**	P 123,379,326,003	P 102,133,972,684
Profit or loss			
Segment operating profit	**P 34,109,849,643**	P 18,380,269,196	P 22,359,294,064
Unallocated corporate profit	**(745,868,213)**	4,905,682,283	1,146,513,784
Elimination of intersegment revenues	**(12,254,292,301)**	(230,471,593)	(3,012,151,671)
Profit as reported in consolidated profit or loss	**P 21,109,689,129**	P 23,055,479,886	P 20,493,656,177
Assets			
Segment assets	**P 393,844,957,744**	P 309,862,501,823	P 240,977,699,188
Unallocated corporate assets	**15,773,966,350**	22,537,907,703	31,233,323,839
Total assets reported in the consolidated statements of financial position	**P 409,618,924,094**	P 332,400,409,526	P 272,211,023,027
Liabilities			
Segment liabilities	**P 156,528,981,226**	P 113,679,957,820	P 102,947,466,125
Unallocated corporate liabilities	**35,606,526,996**	28,498,806,074	25,507,516,541
Total liabilities reported in the consolidated statements of financial position	**P 192,135,508,222**	P 142,178,763,894	P 128,454,982,666

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Note	2014	2013
Cash on hand and in banks		**P 36,443,189,515**	P 27,965,296,671
Short-term placements	30.3(a)	**45,615,647,132**	67,012,228,774
		P 82,058,836,647	P 94,977,525,445

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

Short-term placements are made for varying periods between 15 to 91 days and earn effective interest per annum ranging from 1.10% to 4.00% in 2014, 0.50% to 4.90% in 2013 and 3.0% to 5.0% in 2012. Placements amounting to P113.5 million and P111.4 million as at December 31, 2014 and 2013, respectively, which earns effective interest of 1.25% in 2014 and 3.5% in 2013, and have a term of 360 days, for both years, are shown under Other Current Assets account in the consolidated statements of financial position (see Note 9).

Certain financial assets and financial liabilities are subject to offsetting and similar agreements. In 2013, a portion of the short-term placements with a foreign bank is partially offset by the amount of bank loan granted by the same foreign bank, with Philippine peso equivalent of P799.4 million. No similar transaction occurred in 2014.

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	2014	2013
Current:			
Trade receivables	17(d, m), 29.4, 29.7	**P32,445,573,616**	P 23,737,469,759
Advances to contractors and suppliers		**7,860,189,579**	3,840,435,633
Due from employees and related parties	29.9	**1,833,047,421**	1,239,264,958
Accrued interest receivable		**325,553,619**	319,639,080
Others		**957,634,649**	1,597,606,926
		43,421,998,884	30,734,416,356
Allowance for impairment		**(713,713,388)**	(659,628,986)
Balance brought forward		**P42,708,285,496**	P 30,074,787,370

	Note	2014	2013
Balance carried forward		**P42,708,285,496**	P 30,074,787,370
Non-current:			
Trade receivables	29.4	**28,921,208,725**	24,577,022,253
Others		**5,571,232**	44,665,600
		28,926,779,957	24,621,687,853
Allowance for impairment		**(12,224,936)**	(12,224,936)
		28,914,555,021	24,609,462,917
		P 71,622,840,517	P 54,684,250,287

Most receivables from trade customers, particularly those relating to real estate sales, are covered by postdated checks. In 2014 and 2013, certain trade receivables amounting to P136.5 million and P220.0 million, respectively, have been discounted on a with-recourse basis to a local bank to partially cover a bank loan with outstanding balance of P136.5 million and P219.7 million, respectively [see Note 17(m)]. Further, additional portion of certain trade receivables were assigned on a with-recourse basis with certain local banks to cover the loan with outstanding balance of P1,304.7 million and P779.2 million as at December 31, 2014 and 2013, respectively [see Note 17(d)].

The installment period of real estate sales contracts averages from one to five years. These trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of 10%. Interest income from amortization amounted to P1,671.1 million, P1,537.1 million and P1,327.5 million for the years ended December 31, 2014, 2013 and 2012, respectively. These amounts are presented as Interest income on real estate sales under Revenue from Sale of Goods account in the consolidated statements of comprehensive income (see Note 23).

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

Due from employees and related parties pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash, or through deduction from employees' salary or employees' liquidation of business related expenses (see Note 29.9).

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

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

	Notes	2014	2013
Balance at beginning of year		**P 671,853,922**	P 663,842,530
Additions due to consolidation of new subsidiaries		**50,771,885**	-
Impairment losses during the year	25, 26	**55,457,139**	8,011,392
Write-off of trade receivables previously provided with allowance		**(52,144,622)**	-
Balance at end of year		**P 725,938,324**	P 671,853,922

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

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2014	2013
Marketable debt securities	**P 2,121,449,412**	P 5,082,096,910
Equity securities - quoted	**2,229,772,029**	2,280,961,689
Derivative assets	**-**	12,684,368
	P 4,351,221,441	P 7,375,742,967

Marketable debt securities, which bear interest ranging from 2.8% to 11.1%, 3.3% to 10.6% and 4.6% to 8.9% per annum as at December 31, 2014, 2013 and 2012, respectively, are measured at their fair values determined directly by reference to published prices quoted in an active market. The net changes in fair values of these financial assets are presented as part of either Fair value gains – net or Fair value losses – net under Finance and Other Income or Finance Cost and Other Charges, respectively, in the consolidated statements of comprehensive income (see Note 26). Interest income amounting to P995.1 million, P890.0 million and P808.5 million for 2014, 2013 and 2012, respectively, is shown as part of Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

A portion of marketable debt securities placed with certain foreign banks is covered by a set-off provision. The loans set-off against marketable debt securities amounted to U.S.$127.6 million (P5,691.8 million) and U.S.$53.4 million (P2,368.6 million) as at December 31, 2014 and 2013, respectively.

Derivative assets represent the fair market value gain of foreign currency forward option contracts with certain banks maturing with certain currencies against the U.S. dollar. The derivative asset is valued at U.S.$0.29 million (P12.7 million) as at December 31, 2013. However, in 2014, the fair market value of the contracts declined; hence the net amount is presented as part of Derivative liability under Other Current Liabilities section of the 2014 consolidated statements of financial position (see Note 20). Changes in foreign currency value arising from such investments are taken up in profit or loss and are recorded as part of Fair value gains – net under Finance and Other Income account in the consolidated statement of comprehensive income (see Note 26).

8. INVENTORIES

The details of inventories are shown below.

	Notes	**2014**	2013
At cost -			
Real estate for sale	17(m)	**P 54,703,177,133**	P 42,172,338,080
At net realizable value:			
Raw and in process goods	29.3	**12,778,572,718**	2,188,104,273
Finished goods		**2,160,508,984**	1,038,348,332
Golf and resort shares for sale		**2,306,759,944**	2,177,560,905
Food, supplies and other consumables		**2,041,084,025**	1,631,688,061
		19,286,925,671	7,035,701,571
Allowance for inventory write-down	2.5	**(283,980,886)**	(132,670,218)
		19,002,944,785	6,903,031,353
		P 73,706,121,918	P 49,075,369,433

Real estate for sale mainly pertains to the accumulated costs incurred in developing residential houses, lots and condominium units for sale. Total borrowing costs capitalized amounts to P445.8 million and P119.6 million for the years ended December 31, 2014 and 2013, respectively.

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

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

A reconciliation of the allowance for inventory write-down at the beginning and end of the reporting periods is shown below.

	Notes	2014	2013
Balance at beginning of year		**P 132,670,218**	P 140,357,186
Allowance for inventory write-down from newly acquired subsidiary		**129,337,459**	-
Additional losses during the year	25	**21,973,209**	-
Reversals of write-down	26	**-**	(7,686,968)
Balance at end of year		**P 283,980,886**	P 132,670,218

Allowance for inventory write-down amounting to P129.3 million pertains to the allowance for raw and in process goods and finished goods in Scotland.

The additional losses on inventories amounting to P22.0 million in 2014 and P28.0 million in 2012 were recognized to reduce the promotional materials and supplies to their net realizable values. There were no additional provisions recognized in 2013. The reversals of inventory write-down amounting to P7.7 million in 2013 were recognized upon disposal to third parties of previously written down items. The additional losses are shown as Write-down of inventories under Other Operating Expenses account (see Note 25) in the consolidated statements of comprehensive income. The reversals of write-down are shown as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

9. OTHER ASSETS

The composition of this account is shown below.

	Note	2014	2013
Current:			
Input VAT		**P 2,641,981,181**	P 1,899,168,556
Prepayments		**1,663,687,288**	560,485,995
Creditable withholding tax		**600,935,738**	588,641,046
Time deposits	5	**113,450,465**	111,438,992
Refundable deposits		**58,383,843**	14,294,652
Deferred commission		**56,484,103**	58,335,362
Advances to suppliers		**12,935,293**	528,865,387
Others		**505,707,273**	450,777,922
Balance carried forward		**P 5,653,565,184**	P 4,212,007,912

	2014	2013
Balance brought forward	**P 5,653,565,184**	P 4,212,007,912
Non-current:		
Advances for future investment	**2,588,235,294**	-
Refundable deposits	**1,096,222,700**	953,536,851
Deferred input VAT	**427,420,020**	282,471,655
Claims for tax refund	**112,282,175**	112,861,333
Accumulated jackpot seed money	**85,625,000**	57,125,000
Deferred costs	**3,106,428**	97,320,104
Advance payments on assets purchased	**506,119,266**	453,493,738
Rental receivable	**33,296,444**	33,323,876
Loans receivable	**20,000,000**	25,000,000
Front-end payment for credit facility	**71,545,250**	71,545,250
Others	**244,681,568**	113,751,458
	5,188,534,145	2,200,429,265
	P 10,842,099,329	P 6,412,437,177

Prepayments include operating and office supplies, prepaid flight hours, taxes, insurance, rentals, benefits and advertising which are expected to be realized in the next reporting period.

Advances for future investment pertain to the advances made by Travellers in 2014 to PAGCOR in connection with the development of Site A of the Entertainment City Project in accordance with the Provisional License Agreement with PAGCOR (see Note 30.3). The amount paid by Travellers consists of advance payment amounting to P2.0 billion and upfront cash of P0.6 billion to fulfill the future investment. Also in 2014, Travellers accepted the turnover and delivery of possession of the property from PAGCOR [see Note 30.3(c)]. Management remains committed to fulfill the investment as at December 31, 2014.

10. ADVANCES TO LANDOWNERS AND JOINT VENTURES

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

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

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

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

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

	2014	2013
Total commitment for construction expenditures	**P 21,523,901,115**	P 14,156,183,501
Total expenditures incurred	**(15,356,899,341)**	(11,272,848,341)
Net commitment	**P 6,167,001,774**	P 2,883,335,160

The Group's interests in jointly-controlled operations and projects, ranging from 50% to 95% in 2014 and 73% to 95% in 2013, are as follows:

Megaworld:
- McKinley Hills
- McKinley West
- Newport City
- Manhatan Garden City
- The Noble Place
- Uptown Bonifacio

SPI:
- Adriatico Gardens
- Capitol Plaza
- Governor's Hill
- Mandara
- Sta. Rosa Heights
- Sta. Rose Hills
- Sentosa
- Asmara
- Gibraltar
- One Lakeshore
- Riva Bella
- Solana
- Gentri Heights

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

GERI:
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Newport Hills
- Alabang West
- Southwoods Peak
- Pahara at Southwoods
- Sta. Barbara Heights Phase 2 & 3

The aggregate amounts of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 related to the Group's interest in joint ventures, presented above, are not presented or disclosed as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.2).

As at December 31, 2014 and 2013, the Group has no other contingent liabilities with regard to these joint ventures or has assessed that the probability of loss that may arise from contingent liabilities is remote.

All of the Group's advances have been reviewed for indications of impairment. Based on management's evaluation, no impairment loss is required to be recognized for the years ended December 31, 2014, 2013 and 2012.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account comprises the following:

	2014	2013
Marketable debt securities - quoted	**P 3,717,359,428**	P 4,399,906,888
Equity securities:		
Quoted	**2,087,530,210**	117,218,306
Unquoted	**170,455,430**	245,024,937
Allowance for impairment	**(3,257,940)**	(3,257,940)
	167,197,490	241,766,997
	2,254,727,700	358,985,303
	P 5,972,087,128	P 4,758,892,191

The securities can be further analyzed as follows:

	2014	2013
Local	**P 2,257,985,640**	P 362,243,243
Allowance for impairment	**(3,257,940)**	(3,257,940)
	2,254,727,700	358,985,303
Foreign	**3,717,359,428**	4,399,906,888
	P 5,972,087,128	P 4,758,892,191

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

	2014	2013
Balance at beginning of year	**P 4,758,892,191**	P 5,281,446,125
AFS financial assets of newly acquired subsidiary	**10,002,122**	-
Additions	**1,687,722,424**	676,652,582
Disposals	**(905,627,289)**	(1,053,135,127)
Reclassification due to consolidation of a subsidiary	**(199,212,026)**	-
Fair value gains (losses)	**620,309,706**	(146,071,389)
Balance at end of year	**P 5,972,087,128**	P 4,758,892,191

In 2014 and 2013, marketable debt securities bear interests ranging from 5.4% to 11.0% and 5.4% to 10.4% per annum, respectively. As at December 31, 2014 and 2013, there were no permanent decline in value on these securities; therefore, no losses are transferred from equity to profit or loss.

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

The fair values of quoted AFS financial assets have been determined by reference to published prices in an active market. The changes in the fair value arising from these AFS financial assets amounted to P620.3 million gain in 2014, P146.1 million loss in 2013 and P608.3 million gain in 2012 and are presented as part of Net Unrealized Fair Value Gains (Losses) on AFS Financial Assets in the consolidated statements of comprehensive income.

Upon disposal of various AFS financial assets, the Group realized gains amounting to P41.9 million, P128.2 million and P272.1 million in 2014, 2013 and 2012, respectively, and is presented as Gain on sale of investment in AFS financial assets under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

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

12.1 Breakdown of Carrying Values

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

	Notes	2014	2013
Investments of Megaworld in associates –			
Acquisition costs:			
SHDI	12.5	**P 875,445,000**	P 875,445,000
BWDC	12.6	**199,212,026**	-
PTHDC		**64,665,000**	64,665,000
LFI	12.4	**-**	1,442,492,819
		1,139,322,026	2,382,602,819
Accumulated share in net profits (loss):			
Balance at beginning of year		**(751,667,494)**	(394,889,263)
Share in net profits (losses) for the year		**85,271,000**	(10,267,088)
Reversal resulting from consolidation of subsidiaries	12.2, 12.4	**11,501,809**	47,770,162
Reversal resulting from disposal of AGPL		**-**	(394,281,305)
Balance at end of year		**(654,894,685)**	(751,667,494)
Share in other comprehensive income		**-**	5,807,663
Balance carried forward		**P 484,427,341**	P 1,636,742,988

	Notes	2014	2013
Balance brought forward		**P 484,427,341**	P 1,636,742,988
Investments of GERI in associates –			
(effectively associates of Megaworld in 2014)			
Acquisition costs:			
BNHGI	12.7	**775,419,297**	-
NPI		**734,396,528**	734,396,528
FERC		**28,000,000**	28,000,000
FENI		**10,000,003**	10,000,003
FESI		**7,808,360**	7,808,360
FERSAI		**4,000,000**	4,000,000
		1,559,624,188	784,204,891
Accumulated share in net losses:			
Balance beginning of year		**(44,081,651)**	(43,352,825)
Share in net losses for the year		**(1,160,444)**	(728,826)
Balance at end of year		**(45,242,095)**	(44,081,651)
		1,998,809,434	740,123,240
Investment of AG Cayman in AGPL	12.3		
Acquisition cost		**-**	-
Accumulated share in net profits:			
Balance at beginning of year		**-**	16,208,169
Derecognition due to disposal of investment in associate		**-**	(16,208,169)
Balance at end of year		**-**	-
		-	-
Investment of EMP in BLC	12.8		
Acquisition cost		**3,703,721,965**	-
Share in net profits for the year		**39,534,826**	-
		3,743,256,791	-
Investment of GADC in GCFII,	12.9		
a joint venture – acquisition cost		**-**	10,000,000
Accumulated share in net profits:			
Balance at beginning of year		**(1,688,826)**	10,917,947
Share in net losses for the year		**(907,399)**	(2,606,773)
Reversal resulting from consolidation of subsidiary		**2,596,225**	-
Dividends received		**-**	(10,000,000)
Balance at end of year		**-**	(1,688,826)
		-	8,311,174
		P 5,742,066,225	P 2,385,177,402
Advances to associates and other related parties	29.8	**2,415,056,035**	2,713,925,501
		P 8,157,122,260	P 5,099,102,903

The total share in net profits amounts to P122.7 million and P118.5 million for the years ended December 31, 2014 and 2012, respectively, while total share in net loss amounts to P13.6 million for the year ended December 31, 2013. These amounts are shown as Share in Net Profits (Losses) of Associates and Joint Ventures – Net account in the consolidated statements of comprehensive income.

The carrying costs of Investments in Associates is lower than the book values of such investments; hence, management has assessed that recognition of impairment losses in 2014, 2013 and 2012 is not necessary.

12.2 GPMAI

In 2013, as a result of Megaworld's increase in ownership interest in EELHI, its ownership interest over GPMAI also increased. Also, Megaworld retains control of GPMAI's BOD as all members of the BOD or GPMAI are also members of Megaworld's BOD. Hence, control was re-established and GPMAI becomes a subsidiary of Megaworld (see Note1).

12.3 AGPL

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

12.4 LFI

In 2013, Megaworld acquired 50% ownership over LFI which is engaged in leasing of real estate properties. Megaworld has not yet established control over LFI; hence, the latter was considered an associate only as at December 31, 2013. On January 21, 2014, Megaworld acquired additional 16.67% ownership interest for P536.8 million in LFI increasing Megaworld's total ownership interest to 66.67%; thereby, obtaining control.

12.5 SHDI

The shares of stock of SHDI are listed in the PSE. The total quoted or market value of investments in this associate amounted to P1.1 billion and P850.7 million as at December 31, 2014 and 2013, respectively.

12.6 BWDC

In 2014, the Group reclassified its ownership interest in BWDC from AFS financial assets to investment in associate after gaining significant influence over the operating and financial policies through 5 out of 11 BOD representations.

12.7 BNHGI

In December 2014, FEPI sold 40% of its equity interest in its subsidiary, BNHGI. Management assessed that the Group has lost control over BNHGI due to the loss of the Group's ability to direct the relevant activities of BNHGI. The fair value of the new interest of the Group in BNHGI amounting to P775.4 million was recognized as the deemed cost of the new investment in associate. Accordingly, a gain from sale amounting to P377.5 million was recognized which is presented as part of Gain on acquisitions and deconsolidation of subsidiaries under Finance and Other Income account in the 2014 consolidated statement of comprehensive income (see Note 26).

12.8 BLC

In February 2014, GES entered into a joint venture agreement with Gonzales Byass, S.A. for the joint control of BLC with 50% equity interest for each venturer. BLC's primary business consists of the planting and growing of grapes and the exploitation of vineyards, the production, ageing and preparation of wines and vinegars; the production of alcohol; the production, preparation and ageing of brandy, aguardientes, compounds, liquors and in general, all kinds of spirits.

12.9 GCFII

In March 2014, GADC made an additional subscription to GCFII's capital stock. The additional subscription resulted to the increase in GADC's controlling interest from 50% to 60% and the reclassification of the investment as a subsidiary of GADC.

12.10 Summarized Financial Information

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

	2014			
	Assets	**Liabilities**	**Revenues**	**Net Profit (Loss)**
NPI	P 5,675,419	P 1,316,986	P -	(P 256)
BNHGI	1,799,730	194,220	-	(212)
PTHDC	1,136,372	1,005,581	5	(557)
SHDI	484,173	335,452	307,264	30,983
FERC	277,875	209,509	1,493	(1,568)
FERSAI	157,909	173,014	5,703	(2,939)
FESI	126,676	31,356	20,219	(1,296)
FENI	98,511	931,113	-	-
BWDC	3,701,916	3,108,438	316,443	160,291
BLC	4,729,500	1,237,624	5,353,564	79,070
	P 18,188,081	**P 8,543,293**	**P 6,004,691**	**P 263,516**

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

13. PROPERTY, PLANT AND EQUIPMENT

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

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
December 31, 2014							
Cost	P 9,744,801,843	P 27,023,462,781	P 17,273,114,250	P 835,103,164	P 6,543,083,196	P 12,542,167,037	P 73,961,732,271
Accumulated depreciation, amortization and impairment	(125,913,465)	(6,264,369,660)	(8,878,835,010)	(426,226,366)	(4,047,650,123)	-	(19,742,994,624)
Net carrying amount	**P 9,618,888,378**	**P 20,759,093,121**	**P 8,394,279,240**	**P 408,876,798**	**P 2,495,433,073**	**P 12,542,167,037**	**P 54,218,737,647**
December 31, 2013							
Cost	P 8,848,556,818	P 23,253,269,427	P 9,846,633,145	P 2,248,791,013	P 4,694,838,385	P 5,871,064,336	P 54,763,153,124
Accumulated depreciation, amortization and impairment	(115,976,822)	(4,412,550,788)	(4,588,156,757)	(1,003,810,893)	(2,980,853,138)	-	(13,101,348,398)
Net carrying amount	P 8,732,579,996	P 18,840,718,639	P 5,258,476,388	P 1,244,980,120	P 1,713,985,247	P 5,871,064,336	P 41,661,804,726
January 1, 2013							
Cost	P 7,676,126,272	P 22,161,584,959	P 7,870,985,788	P 2,010,380,647	P 4,023,148,565	P 1,218,336,017	P 44,960,562,248
Accumulated depreciation, amortization and impairment	(97,063,452)	(3,649,628,504)	(3,296,604,704)	(787,488,093)	(2,241,506,240)	-	(10,072,290,993)
Net carrying amount	P 7,579,062,820	P 18,511,956,455	P 4,574,381,084	P 1,222,892,554	P 1,781,642,325	P 1,218,336,017	P 34,888,271,255

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

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
Balance at January 1, 2014 net of accumulated depreciation, amortization and impairment	P 8,732,579,996	P 18,840,718,639	P 5,258,476,388	P 1,244,980,120	P 1,713,985,247	P 5,871,064,336	P 41,661,804,726
Property, plant and equipment of newly acquired subsidiaries	360,000,376	2,037,060,673	2,894,371,436	970,334	994,379,835	-	6,286,782,654
Additions	536,244,649	806,037,186	1,222,061,129	112,352,644	426,435,906	7,316,951,606	10,420,083,120
Disposals – net	-	(118,352,115)	(118,683,379)	(748,233,051)	(8,750,069)	(3,782,485)	(997,801,099)
Reclassifications – net		487,277,065	160,275,998	2	(3,701,327)	(642,066,420)	1,785,318
Impairment loss	-	(205,095,122)	(4,900,000)	-	-	-	(209,995,122)
Depreciation and amortization charges for the year	(9,936,643)	(1,088,553,205)	(1,017,322,332)	(201,193,251)	(626,916,519)	-	(2,943,921,950)
Balance at December 31, 2014 net of accumulated depreciation, amortization and impairment	**P 9,618,888,378**	**P 20,759,093,121**	**P 8,394,279,240**	**P 408,876,798**	**P 2,495,433,073**	**P 12,542,167,037**	**P 54,218,737,647**
Balance at January 1, 2013 net of accumulated depreciation amortization and impairment	P 7,579,062,820	P 18,511,956,455	P 4,574,381,084	P 1,222,892,554	P 1,781,642,325	P 1,218,336,017	P 34,888,271,255
Property, plant and equipment of newly acquired subsidiaries	-	-	-	-	63,000,110	-	63,000,110
Additions	1,172,374,746	1,246,880,141	1,739,847,576	285,778,028	630,523,072	5,479,407,519	10,554,811,085
Disposals – net	-	(24,128,152)	(46,716,241)	(29,451,243)	(397,838)	(235,567,190)	(336,260,664)
Reclassifications – net	55,800	314,962,222	85,924,221	-	5,530,654	(591,112,010)	(184,639,113)
Impairment loss – reversal	-	15,000,000	3,616,806	-	-	-	18,616,806
Depreciation and amortization charges for the year	(18,913,370)	(1,223,952,030)	(1,098,577,058)	(234,239,219)	(766,313,076)	-	(3,341,994,753)
Balance at December 31, 2013 net of accumulated depreciation, amortization and impairment	P 8,732,579,996	P 18,840,718,639	P 5,258,476,388	P 1,244,980,120	P 1,713,985,247	P 5,871,064,336	P 41,661,804,726

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

The amount of construction in progress includes capitalized borrowing costs amounting to P348.5 million and P222.4 million in 2014 and 2013, respectively, representing the actual borrowing costs, net of related investment income, incurred on loans obtained to fund the construction project [see Note 17(j)].

In 2014 and 2012, GADC recognized impairment loss of P210.0 million and P30.6 million, respectively, to write down to recoverable amount certain property and equipment. In 2013, GADC recognized gain on reversal of impairment losses amounting to P18.6 million. Impairment loss is presented as Impairment of property, plant and equipment under Other Operating Expenses in the consolidated statements of comprehensive income (see Note 25), while the gain on reversal of the impairment losses are presented as part of Miscellaneous under Finance and Other Income account in the 2013 consolidated statements of comprehensive income (see Note 26). The value in use was computed using GADC's weighted average cost of capital of 18%, 11% and 12% in 2014, 2013 and 2012, respectively.

The Group recognized a net gain on disposal of various property, plant and equipment totaling P69.3 million in 2014, P25.7 million in 2013 and P0.2 million in 2012, which is presented as part of Miscellaneous under Finance and Other Income account in the 2014 and 2013 consolidated statements of comprehensive income (see Note 26).

In 2014, the Group authorized the sale of aircraft held by Travellers which was sold to a third party in the same year for the net proceeds of P640.6 million. The loss on sale amounting to P81.1 million from this transaction is presented as part of Miscellaneous under Finance and Other Income account in the 2014 consolidated statement of comprehensive income (see Note 26). The aircraft was held as collateral for a certain interest-bearing loan. Such loan was fully paid in the first quarter of 2014 [see Note 17(t)].

The amount of depreciation is presented as part of Depreciation and Amortization which is presented under cost of goods sold, cost of services and other operating expenses (see Notes 24 and 25). In 2014, depreciation expense amounting to P30.3 million was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held.

Land and building amounting to P130.0 million is collateralized by GADC to a local bank. As at December 31, 2014 and 2013, the carrying values of the land and building amounted to P112.1 million and P44.9 million, respectively [see Note 17(n)].

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

As at December 31, 2014 and 2013, total cost of fully depreciated assets that are still being used in operations amounted to P3.4 billion and P1.5 billion, respectively.

14. INVESTMENT PROPERTY

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

	Land and Land Improvements	Buildings and Improvements	Total
December 31, 2014			
Cost	P 9,568,371,898	P 33,106,007,625	P 42,674,379,523
Accumulated depreciation	(136,338,719)	(4,795,748,682)	(4,932,087,401)
Net carrying amount	**P 9,432,033,179**	**P 28,310,258,943**	**P 37,742,292,122**
December 31, 2013			
Cost	P 6,982,896,809	P 24,397,702,795	P 31,380,599,604
Accumulated depreciation	(134,409,248)	(3,955,761,918)	(4,090,171,166)
Net carrying amount	P 6,848,487,561	P 20,441,940,877	P 27,290,428,438
January 1, 2013			
Cost	P 1,942,749,214	P 20,033,495,416	P 21,976,244,630
Accumulated depreciation	(134,409,248)	(3,092,429,182)	(4,090,171,166)
Net carrying amount	P 1,810,269,436	P 16,941,066,234	P 18,751,335,670

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

	Land and Land Improvements	Buildings and Improvements	Total
Balance at January 1, 2014, net of accumulated depreciation	P 6,848,487,561	P 20,441,940,877	P 27,290,428,438
Investment properties of newly acquired subsidiaries	2,932,084,985	391,632,748	3,323,717,733
Additions	13,145,142	8,726,306,159	8,739,451,301
Disposals	(359,755,039)	(7,685,142)	(367,440,181)
Reclassifications – net	-	(1,785,318)	(1,785,318)
Depreciation charges for the year	(1,929,470)	(1,240,150,381)	(1,242,079,851)
Balance at December 31, 2014, net of accumulated depreciation	**P 9,432,033,179**	**P 28,310,258,943**	**P 37,742,292,122**

	Land and Land Improvements	Buildings and Improvements	Total
Balance at January 1, 2013, net of accumulated depreciation	P 1,810,269,436	P 16,941,066,234	P 18,751,335,670
Investment properties of newly acquired subsidiaries	5,020,588,055	-	5,020,588,055
Additions	19,559,540	3,677,300,034	3,696,859,574
Disposals	-	(3,873,468)	(3,873,468)
Reclassifications – net	-	695,129,708	695,129,708
Depreciation charges for the year	(1,929,470)	(867,681,631)	(869,611,101)
Balance at December 31, 2013, net of accumulated depreciation	P 6,848,487,561	P 20,441,940,877	P 27,290,428,438

Rental income earned from the investment property amounted to P7.6 billion, P6.4 billion and P5.4 billion for the years ended December 31, 2014, 2013 and 2012, respectively, and shown as Rental income under Rendering of Services in the consolidated statements of comprehensive income (see Note 23). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property amounted to P471.7 million, P368.8 million and P186.4 million in 2014, 2013 and 2012, respectively, are presented as part of Cost of Services in the consolidated statements of comprehensive income (see Note 24). The operating lease commitments of the Group as a lessor are fully disclosed in Note 30.1.

Depreciation charges are presented as part of Depreciation and amortization under Cost of Services account in the consolidated statements of comprehensive income (see Note 24).

As at December 31, 2014, none of the Group's investment properties were held as collateral.

The fair values of these properties amounted to P173.1 billion and P123.6 billion as of December 31, 2014 and 2013, respectively. These are estimated either by reference to current prices for similar properties or by calculation of the present value of the estimated cash inflows anticipated until the end of the life of the investment property.

15. INTANGIBLE ASSETS

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

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Total
December 31, 2014					
Cost	P 18,385,690,018	P 11,000,870,823	P 1,194,058,929	P 29,633,358	P 30,610,253,128
Accumulated amortization	-	(802,540,987)	(38,104,221)	(24,682,563)	(865,327,771)
Net carrying amount	**P 18,385,690,018**	**P 10,198,329,836**	**P 1,155,954,708**	**P 4,950,795**	**P 29,744,925,357**

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Total
December 31, 2013					
Cost	P 10,700,039,578	P 1,028,726,681	P 57,960,616	P 23,247,259	P 11,809,974,134
Accumulated amortization	-	(699,668,319)	(37,082,426)	(23,247,259)	(759,998,004)
Net carrying amount	P 10,700,039,578	P 329,058,362	P 20,878,190	P -	P 11,049,976,130
January 1, 2013					
Cost	P 10,700,039,578	P 1,012,572,767	P 58,835,616	P 23,247,261	P 11,794,695,222
Accumulated amortization	-	(597,334,115)	(35,001,673)	(20,664,232)	(653,000,020)
Net carrying amount	P 10,700,039,578	P 415,238,652	P 23,833,943	P 2,583,029	P 11,141,695,202

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

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Total
Balance at January 1, 2014, net of accumulated amortization	P 10,700,039,578	P 329,058,362	P 20,878,190	P -	P 11,049,976,130
Additions due to consolidation of subsidiaries	7,685,650,440	9,972,144,142	-	-	17,657,794,582
Additions	-	-	1,139,304,336	6,386,098	1,145,690,434
Disposals	-	-	(1,219,544)	-	(1,219,544)
Amortization for the year	-	(102,872,668)	(3,008,274)	(1,435,303)	(107,316,245)
Balance at December 31, 2014, net of accumulated amortization	**P 18,385,690,018**	**P 10,198,329,836**	**P 1,155,954,708**	**P 4,950,795**	**P 29,744,925,357**
Balance at January 1, 2013, net of accumulated amortization	P 10,700,039,578	P 415,238,652	P 23,833,943	P 2,583,029	P 11,141,695,202
Additions	-	16,153,914	-	-	16,153,914
Amortization for the year	-	(102,334,204)	(2,955,753)	(2,583,029)	(107,872,986)
Balance at December 31, 2013, net of accumulated amortization	P 10,700,039,578	P 329,058,362	P 20,878,190	P -	P 11,049,976,130

In 2014, the Group recognized P7.7 billion goodwill in relation to EMP's acquisition of WML during the year. The amount of goodwill represents excess of the fair value of cash consideration given up, amounting to P30.3 billion, over the fair value of net identifiable assets acquired, amounting to P22.6 billion, which is composed of P21.7 tangible assets, P10.0 billion intangible assets and P9.1 billion assumed liabilities. In addition, a P12.8 million goodwill was recognized in 2014 in relation to GADC's acquisition of GCFII.

Trademarks include brand names "Emperador Brandy", "Generoso Brandy" and "The BaR" which were acquired up to 2008. In 2013, the Group registered another trademark under the new brand name "Emperador Deluxe." In 2014, from the Group's acquisition of WML, the trademarks "Jura" and "The Dalmore" were also recorded; both trademarks were assessed to have indefinite useful lives.

The amortization of trademarks with finite useful lives amounted to P102.9 million, P102.3 million and P101.3 million for the years ended December 31, 2014, 2013 and 2012, respectively, and are shown as part of Depreciation and Amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25).

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

	2014	2013
Emperador Brandy	**2 years**	3 years
Generoso Brandy	**2 years**	3 years
The BaR	**3.5 years**	4.5 years
Emperador Deluxe	**8.5 years**	9.5 years

In 2014, RWBCI entered into a lease agreement with Nayong Pilipino Foundation (NPF) covering certain parcels of land located at the Manila Bay Reclamation Area in Parañaque City for a period of 25 years, renewable for another 25 years under the terms mutually acceptable to the parties. Upon effectivity of the lease agreement, RWBCI has paid NPF an advance rental amounting to P1.0 billion covering the first 20 years of the lease. There was no amortization recognized in 2014 as the lease agreement entered by RWBCI is close to the end of the reporting period and the amount of amortization is not significant during such year. The Group will amortize the leasehold right starting 2015 until 2034.

Based on the Group's assessment, no impairment loss is required to be recognized on the carrying value of the Group's trademarks as the products that carry such brands are fast moving consumer products. Further, no impairment loss is required to be recognized on the carrying value of the other intangible assets (goodwill, leasehold rights and computer software) as at December 31, 2014, 2013 and 2012.

As at December 31, 2014, the Group has no contractual commitments for the acquisition of any additional trademarks, leasehold rights and computer software.

16. TRADE AND OTHER PAYABLES

The breakdown of this account follows:

	Notes	**2014**	2013
Trade payables	29.1, 29.4	**P 21,666,230,749**	P 12,973,517,898
Accrued expenses	18, 29.2, 29.5	**7,138,848,344**	4,933,423,387
Retention payable		**2,861,426,165**	2,352,554,274
Gaming license fee payable	30.3(b)	**2,188,749,650**	578,926,247
Due to related parties	29.9	**834,952,605**	1,295,411,359
Liabilities for land acquisition		**588,282,285**	586,320,028
Output VAT payable		**538,194,137**	254,809,111
Unredeemed gaming points		**330,516,956**	590,043,790
Withholding tax payable		**264,383,225**	183,775,425
Others		**1,220,003,359**	1,082,003,108
		P 37,631,587,475	P 24,830,784,627

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

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

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

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

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

17. INTEREST-BEARING LOANS

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

	2014	2013
Current:		
Local	**P 12,016,123,866**	P 3,653,667,469
Foreign	**14,644,452,582**	142,124,800
	26,660,576,448	3,795,792,269
Non-current:		
Local	**8,038,681,649**	8,695,859,471
Foreign	**-**	532,724,721
	8,038,681,649	9,228,584,192
	P 34,699,258,097	P 13,024,376,461

The summarized terms and conditions of each availed loan as at December 31, 2014 and 2013 are as follows:

Outstanding Principal Balance (in Millions of Philippine Pesos) 2014	2013	Explanatory Notes	Interest Rate	Security	Maturity date
P 14,575.3	P -	(a)	Variable based on LIBOR plus spread	Unsecured	2015
9,251.9	-	(b)	Fixed at 1.38%	Unsecured	2015
5,000.0	-	(c)	Fixed at 5.125%	Unsecured	2021
1,034.7	779.2	(d)	Variable prevailing market rate	Secured	Upon collection of related assigned trade receivables
952.4	1,000.0	(e)	Various rates	Unsecured	2016 to 2019
886.5	-	(f)	Fixed at range of 3.0% to 5.75%	Unsecured	2015
830.0	-	(g)	Fixed at range of 4.18% to 5.17%	Unsecured	2017
714.3	1,666.7	(h)	Variable based on PDSTF-R plus spread	Unsecured	2016
472.5	477.5	(i)	Variable based on PDSTF-R plus spread	Unsecured	2016
216.9	4,429.6	(j)	Floating at 2% + benchmark	Unsecured	2016
200.0	-	(k)	Variable at a minimum of 3.0%	Unsecured	2015
145.8	229.2	(l)	Fixed at 5.5%	Unsecured	2016
136.5	219.7	(m)	Fixed at range of 7.8% to 10.5% in 2013 and 7.8% to 9.6% in 2014	Secured	2015
120.0	120.0	(n)	Fixed at 5%	Secured	2021
93.3	186.7	(o)	Variable based on 91-day treasury bills	Secured	2016
69.2	-	(p)	Fixed at 0.76%	Unsecured	2015
-	3,000.0	(q)	Variable based on PDST-F plus spread	Secured	2017
-	532.7	(r)	Fixed at 10.0%	Unsecured	2025
-	241.0	(s)	Noninterest-bearing	Unsecured	30-90 days
-	142.1	(t)	Variable at a minimum of 3.0%	Secured	2014
P 34,699.3	P 13,024.4				

(a) Short-term interest-bearing loans denominated in foreign currency obtained by EIL from international financial institutions.

(b) Dollar-denominated short-term loan received by EDI from a local commercial bank.

(c) Loan obtained by Megaworld from a local bank payable for a term of seven years. The principal repayments on this loan will commence in August 2015 while interest is payable semi-annually.

(d) Loan balance of SPI arising from assignment of its trade receivables on a with-recourse basis with certain local banks (see Note 6).

(e) Loans drawn by GADC from a P1.0 billion credit facility granted by a local bank. As at December 31, 2014 and 2013, GADC has fully utilized its credit line with the bank. The loans bear an annual interest rate ranging from 3.85% to 5.15% and shall be payable in quarterly installments starting on various dates, earliest being March 2015. However, in 2014, GADC prepaid P47.6 million of these outstanding loans.

(f) Balance from short-term loan obtained by SPI from local banks with a total amount of P1.2 billion. Both principal and interest of the loans are payable on a monthly basis.

(g) Loans obtained by GADC from local bank with equal quarterly payments starting September 26, 2016.

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

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

(j) The loan was drawn by Travellers in 2012 from a P11.0 billion loan facility with a local bank, to settle Travellers' secured loans from the same bank. Quarterly principal amortization at P375.0 million starts in March 2014. In 2014, Travellers prepaid P4.2 billion of the outstanding loan balance.

(k) Short-term loan obtained by OFPI from a local bank. Interest rate of the loan is subject to repricing every 30 to 180 days.

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

(m) The balance includes local bank loans arising from trade receivable discounted on a with-recourse basis amounting to P136.5 million and P219.7 million as at December 31, 2014 and 2013, respectively (see Note 6). Certain residential and condominium units for sale with carrying value of P497.8 million and P434.7 million as at December 31, 2014 and 2013, respectively, were used as collaterals for these bank loans (see Note 8).

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

(o) These are the outstanding portions of ten-year loans obtained by Megaworld from a local bank in 2005 and 2006, with a three-year grace period on principal payments, payable quarterly thereafter. The loans are collateralized by certain investment properties of Megaworld with carrying value of P40.4 million as at December 31, 2013. The collateral over these investment properties were released as at December 31, 2014 (see Note 14).

(p) Euro-denominated short-term loan availed by RHGI from a foreign commercial bank amounting to €1.3 million or a peso equivalent of P69.2 million.

(q) Bank loans obtained by AGI and NTLPI to fund the acquisition of Megaworld shares through exercise of their Megaworld warrants. The loan is secured by 2.1 million Megaworld shares owned by NTLPI. In January 2014, AGI and NTLPI fully paid these bank loans.

(r) This is a U.S.$12.0 million loan of GADC from a related party. In 2014, GADC fully paid the outstanding principal and interest on the loan (see Note 29.2).

(s) Short-term loans acquired by SPI from various financial institutions for working capital purposes. The loans were fully paid as at December 31, 2014.

(t) This U.S.$3.2 million (P142.1 million) loan is secured by a mortgage over an aircraft, assignment of receivables and other income from the proposed block charter between Travellers and APEC, assignment of insurance over the aircraft and unconditional and irrevocable guarantee of Travellers (see Note 13). In this regard, Travellers entered into a guarantee contract with the creditor bank whereby it guarantees that the principal amount and related interest will be paid as the payment falls due. The loan was fully paid by Travellers in the first quarter of 2014.

As at December 31, 2014, the Group complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates.

Total interest expense attributable to these loans, including amortization of capitalized transaction costs, amounted to P579.0 million, P583.6 million and P506.9 million for the years ended December 31, 2014, 2013 and 2012, respectively, and are presented as part of Finance Cost and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized for the years ended December 31, 2014, 2013 and 2012 amounted to P391.5 million, P296.0 million and P465.8 million, respectively (see Note 13).

18. BONDS PAYABLE

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

	2014	2013
AG Cayman	**P 22,129,059,932**	P 21,976,374,674
Megaworld	**21,349,404,748**	21,408,153,620
Travellers	**13,209,060,653**	13,095,218,012
	P 56,687,525,333	P 56,479,746,306

The significant terms of the bonds are discussed below.

Face Amount	Outstanding Principal Balance 2014	2013	Explanatory Notes	Interest Rate	Nature	Maturity
$500.0 million	P 22.1 billion	P 22.0 billion	(a)	Fixed at 6.50%	Unsecured	2017
$300.0 million	13.2 billion	13.1 billion	(b)	Fixed at 6.90%	Unsecured	2017
$250.0 million	7.6 billion	7.6 billion	(c)	Fixed at 4.25%	Unsecured	2023
$200.0 million	8.8 billion	8.8 billion	(d)	Fixed at 6.75%	Unsecured	2018
P 5.0 billion	5.0 billion	5.0 billion	(e)	Fixed at 8.46%	Unsecured	2015
	P 56.7 billion	P 56.5 billion				

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

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

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

Subject to certain exceptions, Travellers may, at its option, redeem the bonds (i) in full at a price of 100.0% of the principal if certain changes in laws, treaties, regulations or rulings affecting taxes would require Travellers to pay certain additional amount; and, (ii) at any time prior to November 3, 2014, up to 35.0% of the principal amount at a price of 106.9% of the principal amount with the net cash proceeds of an equity offering.

Also, Travellers is required to make an offer to purchase the bonds at a price of 101.0% of the principal amount following a change in control (e.g., a sale or other disposition of all or substantially all of the properties or assets of Travellers to any person or entity).

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

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

(e) On November 18, 2009, Megaworld issued bonds with a term of five years and six months. The proceeds received were intended to finance Megaworld's capital expenditures related to real estate development projects for the years 2009 up to 2013.

Interest expense on the bonds payable, including amortization of capitalized transaction costs, amounted to P3.8 billion in 2014, P3.4 billion in 2013 and P3.0 billion in 2012. These amounts are presented as part of Interest expense under Finance and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized amounted to P515.9 million for 2014 and P423.0 million for 2013 and 2012. The amounts of outstanding interest payable as at December 31, 2014 and 2013 amounting to P726.3 million and P958.7 million, respectively, are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

19. REDEEMABLE PREFERRED SHARES

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

19.1 GADC's Redeemable Preferred Shares

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

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

Additional features of the preferred shares are as follows:

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

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

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

The redeemable preferred shares are recognized at fair values on the date of issuance which were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar term of 18 years.

The accretion of the GADC redeemable preferred shares in 2014, 2013 and 2012 amounted to P68.3 million, P58.0 million and P52.4 million, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). As at December 31, 2014 and 2013, the carrying value of the GADC redeemable preferred shares amounted to P596.4 million and P528.1 million, respectively, shown as part of Redeemable Preferred Shares account in the consolidated statements of financial position. As at December 31, 2014 and 2013, the fair value of these shares amounted to P982.1 million and P947.4 million, respectively, as determined by discounting the sum of all future cash flows using prevailing market rates of interest for instrument with similar maturities at a discount rate of 2.91% and 3.59%, respectively.

19.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting, earns dividend at a fixed annual rate of 2.50% and subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by SEC on April 17, 2013.

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

The accrued dividends on these preferred shares amounting to P60.2 million as at December 31, 2014 is presented as part of Other Non-current Liabilities account in the 2014 consolidated statement of financial position (see Note 20). The related interest expense recognized for the year ended December 31, 2014 amounted to P28.9 million is presented as part of Interest expense under Finance Cost and Other Charges account in the 2014 consolidated statement of comprehensive income (see Note 26).

The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified as a non-current liability in the consolidated statements of financial position. The fair values of the redeemable preferred shares on the date of issuance approximate their par value.

20. OTHER LIABILITIES

The composition of this account is shown below.

	Notes	2014	2013
Current:			
Reserve for property development	2.6	**P 7,063,089,278**	P 6,940,686,751
Customers' deposits	2.15(b)	**5,857,063,120**	5,196,149,627
Deferred income on real estate sales	2.15(b)	**5,340,188,412**	4,509,945,768
Unearned revenues		**1,831,092,740**	1,802,882,065
Derivative liability	7	**398,881,856**	38,631,143
Deferred rental income	2.15(j)	**391,139,056**	150,792,198
Deposit for future stock subscription		**5,750,000**	423,940,006
Dividends payable		**-**	519,684,000
Others		**1,444,415,107**	1,595,849,338
		22,331,619,569	21,178,560,896
Non-current:			
Reserve for property development	2.6	**8,302,500,433**	6,096,852,718
Equity-linked debt securities		**5,253,911,638**	-
Deferred income on real estate sales	2.15(b)	**4,518,013,829**	3,857,401,017
Deferred rental income	2.15(j)	**1,762,530,579**	1,631,709,613
Customers' deposit	2.15(b)	**1,396,448,740**	1,393,589,785
Derivative liability		**869,818,108**	1,145,961,938
Provision for onerous lease		**649,364,390**	-
Provision for dilapidations		**270,105,211**	-
Guaranty deposits		**191,011,385**	148,218,346
Accrued rent		**78,831,722**	77,333,636
Asset retirement obligation	2.8	**45,835,196**	39,000,431
Others		**776,922,036**	684,982,165
		24,115,293,267	15,075,049,649
		P 46,446,912,836	P 36,253,610,545

The current derivative liability represents the reduction in fair market value as at December 31, 2014 of currency forward options contract entered into with certain foreign banks. On the other hand, the non-current derivative liability consists of the fair market value of the interest rate swap entered into by Travellers with a certain foreign bank at a notional amount of U.S.$250.0 million. Changes in the fair values of these current derivatives financial liabilities are presented as part of Fair value losses while those for non-current financial liability are presented under Unrealized loss on interest rate swap under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

Equity-linked debt securities (ELS) instrument arises from the subscription agreement between EMP and Arran Investment Private Limited for the issuance of additional common shares of EMP. The ELS may be converted into 480.0 million common shares (conversion shares) of EMP with a par value of P1.0 per share. The ELS bears a fixed annual interest rate of 5.0% and variable interest in an amount equal to the dividends that would be payable on the conversion shares if they were issued prior to the date that any dividend is declared by EMP. The fixed interest is payable either in cash or in new EMP shares (interest shares) on the conversion date, December 4, 2019, or December 4, 2021, as applicable. The variable interest is payable in cash on the date that the Issuer pays such dividends to its shareholders. Interest expense for 2014 amounted to P19.8 million and is presented as part of Interest expense under Finance Cost and Other Charges account in the 2014 consolidated statement of comprehensive income (see Note 26).

Provisions refer to the provisions of WML for onerous lease and dilapidations. WML has existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or sub-let at a discount. It also entered into a lease agreement which provides for tenant repairing clauses and requires WML to restore the leased properties to a specified condition at the end of the lease term in 2029.

Current Others include accounts payable to various parties including advances obtained by Travellers from Star Cruises Philippines Holdings B.V. amounting to P234.6 million and P157.3 million in 2014 and 2013, respectively, and liabilities on stocks purchases which amounted to P1.4 billion both in 2014 and 2013.

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2014	2013	2012	**2014**	2013	2012
Common shares – P1 par value						
Authorized	**12,950,000,000**	12,950,000,000	12,950,000,000	**P 12,950,000,000**	P 12,950,000,000	P 12,950,000,000
Issued and outstanding:	**10,269,827,979**	10,269,827,979	10,269,827,979	**P 10,269,827,979**	P 10,269,827,979	P 10,269,827,979
Treasury stock – at cost	**(122,964,200)**	(155,296,400)	(160,317,400)	**(936,157,074)**	(955,217,410)	(984,512,637)
Total outstanding	**10,146,863,779**	10,114,531,579	10,109,510,579	**P 9,333,670,905**	P 9,314,610,569	P 9,285,315,342

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

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

As at December 31, 2014 and 2013, the quoted closing price per share was P22.6 and P25.8, respectively. There are 1,272 holders, which include nominees, of the Company's total issued and outstanding shares. The percentage of the Company's shares of stock owned by the public is 42.47% and 40.14% as at December 31, 2014 and 2013, respectively.

21.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In 2014 and 2013, the Group reissued treasury shares, resulting to an increase in APIC by P783.5 million and P109.9 million, respectively.

21.3 Dilution Gain

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

In 2014 and 2013, the movement is due to changes in ownership interest in certain subsidiaries.

21.4 Dividends

On August 26, 2014 and August 23, 2013, the BOD approved the declaration of cash dividends of P0.38 per share. Total dividends amounting to P3,902.53 million in 2014, P3,902.53 million in 2013 and P3,697.1 million in 2012, were payable to stockholders of record as of September 8, 2014, September 9, 2013 and June 26, 2012, respectively. The said dividends were fully paid on September 22, 2014, September 24, 2013, and July 20, 2012, respectively. The amounts presented in the consolidated statements of changes in equity are net of dividends paid to subsidiaries.

21.5 Share Options

(a) Of the Company

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

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

On December 19, 2011, pursuant to this ESOP, the Company granted stock options to certain key executives to subscribe to 46.5 million common shares of the Company, at an exercise price of P9.175. As at December 31, 2014, all of the said options vested but none were exercised.

On March 14, 2013, the Company granted additional 59.1 million stock options to certain key executives at an exercise price of P12.9997. As at December 31, 2014, 19.7 million of the said additional options vested and none were exercised.

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

	March 2013 Grant		December 2011 Grant	
Option life		7 years		7 years
Share price at grant date	P	21.65	P	10.28
Exercise price at grant date	P	12.9997	P	9.175
Average fair value at grant date	P	9.18	P	2.70
Average standard deviation of share price returns		14.26%		16.8%
Average dividend yield		2.14%		2.07%
Average risk-free investment rate		2.92%		2.48%

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

(b) *Of Megaworld*

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

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

Pursuant to this ESOP, on November 6, 2012, Megaworld granted stock options to certain key executives to subscribe to 245.0 million of its common shares, at an exercise price of P1.77 per share. As at December 31, 2014, none of the said options vested and exercised.

In 2014, additional share options were granted to certain key executives to subscribe to 35.0 million common shares of the Company at an exercise price of P2.92 per share. As at December 31, 2014, none of the additional options vested and exercised.

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

Average option life		15.29 years
Average share price at grant date	P	2.92
Average exercise price at grant date	P	2.06
Average fair value at grant date	P	1.38
Average standard deviation of share price returns		9.42%
Average dividend yield		0.59%
Average risk-free investment rate		3.65%

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

(c) *Of GERI*

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

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

Pursuant to this ESOP, on February 16, 2012, key executive officers were granted options to subscribe to 100.0 million GERI shares, at an exercise price of P1.93. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. On February 16, 2014 and 2013, a total of 29.6 million and 16.4 million options, respectively, have vested but none of these have been exercised yet by any of the option holders as at December 31, 2014 and 2013, respectively.

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

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

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

A total of P313.3 million, P156.8 million and P105.8 million share-based executive compensation is recognized and presented as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income for the years 2014, 2013 and 2012, respectively (see Note 27), and correspondingly credited to Share Options account under equity.

21.6 Appropriated Retained Earnings

In December 2014, the BOD of GADC appropriated P2.5 billion for the continuing business expansion. Such business expansion projects include construction of new stores, renovation of existing stores and development of a meat processing plant. The construction and renovation projects are expected to be completed until the end of 2015 while the development of meat processing plant is projected to start by second quarter of 2015 and be completed within a period of 16 months.

The P2.1 billion and P1.4 billion appropriations made by GADC in December 2013 and 2012, respectively, which were for business expansion projects, have been fully utilized in 2014 and 2013, respectively. Meanwhile, the BOD of AWGI reversed in full the balance of its appropriation amounting to P300.0 million in 2012, since the planned capital expenditure was already completed.

21.7 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are shown below (in thousands).

Name	Proportion of Ownership Interest and Voting Rights Held by NCI		Subsidiary's Profit Allocated to NCI	
	2014	**2013**	**2014**	**2013**
Megaworld	**33%**	35%	**P 3,554,328**	P 3,139,732
Travellers	**54%**	58%	**2,889,420**	1,595,926
GADC	**51%**	51%	**408,816**	402,434
Emperador	**19%**	12%	**1,150,097**	575,723
GERI	**-**	35%	**-**	111,744

In 2014, GERI became a direct subsidiary of Megaworld (see Note 1).

Dividends paid to NCI amounted to P1.5 billion and P3.4 billion in 2014 and 2013, respectively.

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

	December 31, 2014				
	Megaworld	Travellers	GADC	GERI	Emperador
Non-current assets	P 98,949,337	P 40,802,539	P 7,753,258	P -	P 33,459,388
Current assets	122,090,504	23,078,934	4,978,865	-	66,099,164
Total assets	**P 221,039,842**	**P 63,881,473**	**P 12,732,123**	**P -**	**P 99,558,552**
Non-current liabilities	P 53,363,013	P 14,561,344	P 3,008,644	P -	P 9,376,432
Current liabilities	38,878,035	10,218,819	4,972,288	-	44,280,122
Total liabilities	**P 92,241,048**	**P 24,780,163**	**P 7,980,932**	**P -**	**P 53,656,554**
Revenue	**P 53,130,758**	**P 29,060,300**	**P 18,416,599**	**P -**	**P 31,461,270**
Profit for the year attributable to					
owners of Parent	P 18,000,387	P 2,555,653	P 389,139	P -	P 5,054,088
NCI	3,554,328	2,889,420	408,816	-	1,150,097
Profit for the year	21,554,715	5,445,073	797,955	-	6,204,185
Other comprehensive income (loss) attributable					
to owners of Parent	(1,393,219)	(7,374)	82,345	-	(1,108,103)
NCI	(7,772)	-	-	-	-
Other comprehensive income (loss) for the year	(1,400,991)	(7,374)	82,345	-	(1,108,103)
Total comprehensive income for the year	**P 20,153,724**	**P 5,437,699**	**P 880,300**	**P -**	**P 5,096,082**
Net cash from (used in)					
operating activities	P 1,732,689	P 9,101,516	P 769,965	P -	(P 12,065,480)
investing activities	(15,009,954)	(10,013,941)	(1,102,498)	-	(29,991,211)
financing activities	2,169,707	(7,094,773)	(10,061)	-	53,251,126
Net cash inflow (outflow)	**(P 11,107,558)**	**(P 8,007,198)**	**(P 342,594)**	**P -**	**P 11,194,435**

	December 31, 2013				
	Megaworld	Travellers	GADC	GERI	Emperador
Non-current assets	P 75,423,735	P 31,754,040	P 7,104,482	P 19,631,323	P 4,438,064
Current assets	98,458,370	29,471,695	4,804,080	11,682,223	30,787,298
Total assets	P 173,882,105	P 61,225,735	P 11,908,562	P 31,313,546	P 35,225,362
Non-current liabilities	P 46,032,567	P 17,415,154	P 2,907,259	P 3,408,638	P 87,780
Current liabilities	25,896,517	10,382,738	5,020,224	4,007,185	4,249,068
Total liabilities	P 71,929,084	P 27,797,892	P 7,927,483	P 7,415,823	P 4,336,848
Revenue	P 36,241,565	P 30,848,029	P 15,810,204	P 1,758,715	P 29,864,745
Profit for the year attributable to owners of Parent	P 5,895,252	P 1,143,590	P 386,047	P 229,123	P 5,255,087
NCI	3,139,732	1,595,926	402,434	111,744	575,723
Profit for the year	9,034,984	2,739,516	788,481	340,867	5,830,810
Other comprehensive income (loss) attributable to owners of Parent	1,159,054	36,216	(11,451)	(7,516)	121,211
NCI	(12,518)	-	-	-	-
Other comprehensive income for the year	1,146,536	36,216	(11,451)	(7,516)	121,211
Total comprehensive income for the year	P 10,181,520	P 2,775,732	P 777,030	P 333,351	P 5,952,021
Net cash from (used in) operating activities	P 1,845,528	P 7,470,544	P 1,125,424	(P 855,985)	P 4,876,249
investing activities	(13,117,959)	(5,373,649)	(1,203,029)	(292,818)	(15,445,831)
financing activities	16,081,003	6,482,573	485,615	5,151,745	29,953,326
Net cash inflow	P 4,808,572	P 8,579,468	P 408,010	P 4,002,942	P 19,383,744

22. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2014	2013	2012
Basic:			
Net profit attributable to owners of the parent company	**P13,246,243,353**	P 17,218,460,867	P13,909,991,638
Divided by the weighted average number of outstanding common shares	**10,138,358,746**	10,109,928,996	10,109,214,787
	P 1.3065	P 1.7031	P 1.3760

	2014	2013	2012
Diluted:			
Net profit attributable to owners of the parent company	**P 13,246,243,353**	P 17,218,460,867	P 13,909,991,638
Divided by the weighted average number of outstanding common shares	**10,190,162,998**	10,155,705,560	10,115,754,423
	P 1.2999	P 1.6954	P 1.3751

As at December 31, 2014, 2013 and 2012, there are 66.2 million, 31.1 million and 20.8 million potentially dilutive shares, respectively, from the Company's ESOP (see Note 21.5). However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently, has little effect on the 2014, 2013 and 2012 diluted EPS.

23. REVENUES

The breakdown of revenues from sale of goods and rendering of services is presented below.

	Notes	2014	2013	2012
Sale of Goods:				
Real estate (RE) sales	2.15(b,d)	**P 24,606,554,437**	P 22,159,368,696	P 16,757,139,591
Realized gross profit on RE sales	2.15(b)	**3,229,266,841**	3,234,397,459	2,295,102,401
Interest income on RE sales	6	**1,671,138,097**	1,537,113,091	1,327,541,711
Revenues from RE sales		**29,506,959,375**	26,930,879,246	20,379,783,703
Sales of consumer goods	2.15(a)	**32,529,017,862**	29,588,090,458	23,702,847,323
		P 62,035,977,237	P 56,518,969,704	P 44,082,631,026
Rendering of Services:				
Gaming	2.15(f)	**P 28,376,733,234**	P 30,003,598,507	P 28,058,258,093
Sales by company-operated quick-service restaurants	2.15(h)	**16,921,020,974**	14,554,160,085	12,622,396,286
Rental income	14, 29.6	**7,462,668,868**	6,396,131,339	5,350,764,337
Hotel operations		**2,987,140,694**	3,284,305,541	2,731,838,785
Franchise revenues	2.15(i)	**1,495,577,642**	1,256,044,080	1,033,429,724
Others		**1,315,714,888**	1,192,742,897	726,214,041
		P 58,558,856,300	P 56,686,982,449	P 50,522,901,266

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

Others include income from commissions, construction, cinema operations, property management operations, parking, laundry, arcade, bingo and production shows.

24. COST OF GOODS SOLD AND SERVICES

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

	Notes	2014	2013	2012
Cost of Goods Sold:				
Cost of consumer goods sold:				
Direct materials used		**P 20,204,073,688**	P 17,585,816,770	P 12,509,118,839
Change in work in process and finished goods		**(876,607,490)**	1,014,637,574	1,850,911,570
Indirect materials and other consumables		**446,173,945**	322,508,207	187,538,112
Depreciation and amortization	13, 15	**370,375,806**	308,283,444	175,944,161
Outside services		**225,434,391**	154,489,851	47,590,561
Salaries and employee benefits	27.1	**253,613,904**	169,133,468	127,387,568
Utilities		**200,454,768**	190,111,741	60,476,664
Repairs and maintenance		**99,947,875**	85,629,818	60,788,205
Supplies		**99,277,030**	182,647,176	130,123,336
Taxes and licenses		**35,878,436**	25,303,245	15,922,445
Other direct and overhead costs		**316,186,224**	97,143,797	48,374,111
		21,374,808,577	20,135,705,091	15,214,175,572
Cost of RE sales:	2.15			
Actual construction costs		**8,343,453,682**	6,601,714,543	4,815,305,185
Estimated cost to complete sold units		**6,020,415,505**	6,412,937,323	4,839,575,364
		14,363,869,187	13,014,651,866	9,654,880,549
Deferred gross profit on RE sales	2.6	**4,538,218,791**	4,446,675,079	3,472,095,346
		P 40,276,896,555	P 37,597,032,036	P 28,341,151,467
Cost of Services:				
Food, supplies and other consumables		**P 8,254,659,729**	P 7,099,121,197	P 6,249,176,648
Gaming license fees	30.3(b)	**6,203,179,668**	6,506,213,809	6,185,726,261
Salaries and employee benefits	27.1	**4,318,125,264**	4,251,992,658	2,681,587,989
Rental		**3,090,990,551**	2,668,711,373	2,369,692,411
Promotional allowance	2.15	**2,502,976,854**	2,533,628,373	1,687,446,005
Depreciation and amortization	13, 14, 15	**1,312,901,467**	1,439,960,917	1,274,911,262
Outside services		**454,186,010**	755,934,220	279,367,492
Entertainment, amusement and recreation		**170,790,956**	472,324,723	279,287,919
Other direct and overhead costs		**1,786,859,964**	1,608,984,818	1,644,913,451
		P 28,094,670,463	P 27,336,872,088	P 22,652,109,438

Actual construction costs comprise of direct materials, labor and overhead costs, outside services and borrowing costs (see Note 2.6).

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

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

25. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2014	2013	2012
Advertising and promotions		**P 8,692,247,425**	P 9,827,324,537	P 8,203,105,082
Salaries and employee benefits	27.1	**3,906,405,251**	3,439,581,167	3,256,071,480
Depreciation and amortization	13, 15	**2,579,790,544**	2,571,234,479	2,086,428,665
Commissions		**1,097,461,661**	938,974,577	962,851,090
Professional fees and outside services		**1,084,037,742**	675,424,388	472,344,121
Taxes and licenses		**1,038,518,994**	684,837,466	578,274,271
Freight and handling		**914,947,142**	822,268,286	784,233,562
Rental		**895,129,897**	801,880,114	497,251,443
Royalty	29.9	**862,366,072**	743,892,966	646,450,272
Utilities		**765,238,642**	1,035,625,419	1,132,642,256
Transportation and travel		**565,420,089**	454,182,827	427,812,516
Repairs and maintenance		**429,023,839**	392,919,834	244,965,186
Management fees	29.5	**402,665,835**	615,688,637	685,417,587
Impairment of property, plant and equipment	13	**209,995,122**	-	30,593,000
Representation and entertainment		**132,407,764**	150,295,427	171,864,087
Impairment of receivables	6	**50,982,402**	1,852,173	36,626,512
Communication and office expenses		**50,135,251**	43,904,963	41,762,608
Write-down of inventories	8	**21,973,209**	-	28,008,639
Insurance		**5,456,659**	4,707,087	7,679,802
Miscellaneous		**2,237,345,326**	1,806,208,167	1,477,412,928
		P 25,941,548,864	P 25,010,802,514	P 21,771,795,107

These other operating expenses are classified by function as follows:

	2014	2013	2012
General and administrative expenses	**P 13,443,087,618**	P 11,848,194,095	P 10,323,046,693
Selling and marketing expenses	**12,498,461,246**	13,162,608,419	11,448,748,414
	P 25,941,548,864	P 25,010,802,514	P 21,771,795,107

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

26. OTHER INCOME AND CHARGES

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

	Notes	2014	2013	2012
Finance income:				
Interest income on cash and cash equivalents and others	5, 7	**P 2,589,097,758**	P 3,099,675,804	P 3,922,992,079
Other income:				
Gain on acquisitions and deconsolidation of subsidiaries	12	**524,766,704**	763,834,597	-
Gain on reversal of liabilities		**121,428,571**	160,666,483	-
Gain on sale of investment in AFS financial assets	11	**41,859,502**	128,177,128	272,103,283
Dividend income		**20,278,117**	14,178,074	10,515,804
Preacquisition income		**9,150,638**	6,315,710	-
Fair value gains – net	7	**8,363,512**	-	1,433,951,500
Gain on divestment of interest in a subsidiary		**-**	2,905,304,542	-
Foreign currency gains – net		**-**	2,336,779,018	711,154,150
Gain on refunds		**-**	4,100,270	-
Miscellaneous – net	8, 13	**1,372,643,452**	754,342,224	1,059,262,530
		P 4,687,588,254	P 10,173,373,850	P 7,409,979,346
Finance costs and other charges:				
Interest expense	17, 18 19, 20, 28	**P 4,281,446,845**	P 4,285,500,975	P 3,751,269,989
Foreign currency losses – net		**57,235,428**	-	-
Unrealized loss on interest rate swap	20	**36,405,850**	112,842,001	368,646,466
Fair value losses – net	7, 20	**-**	429,371,099	-
Day-one loss on non-current installment contract receivable		**-**	49,995,897	-
Loss on write-off of property development costs		**-**	27,945,739	61,518,212
Miscellaneous	6	**80,821,589**	103,123,984	70,346,876
		P 4,455,909,712	P 5,008,779,695	P 4,251,781,543

In January 2014, Megaworld acquired additional 16.67% ownership in LFI, increasing its total ownership interest to 66.67%; thereby, obtaining control (see Note 12.4). The fair value of the identifiable net assets of P3.7 billion exceeded the acquisition cost of P3.6 billion; hence, a gain on acquisition (negative goodwill) of P77.6 million was recognized from the acquisition.

In December 2014, Megaworld also acquired 100% ownership in DPDHI to increase its landbank position in Davao City. The transaction was settled in cash amounting to P495.4 million and a gain on acquisition of P65.1 million was recognized.

In 2014, FEPI sold 40% of its ownership interest in BNHGI. The deconsolidation of BNHGI resulted in the recognition of gain on deconsolidation amounting to P377.5 million.

Also in 2014, AFCMI obtained control over MFGFI and GYACI which resulted to a gain on acquisition amounting to P3.6 million and P1.0 million, respectively.

In August 2013, Megaworld acquired 100% interest in WGPI. The transaction was settled in cash amounting to P3.3 billion, while fair value of the net identifiable assets acquired amounted to P4.1 billion, thereby resulting in a gain on acquisition of subsidiary amounting to P763.8 million.

Also in 2013, the Company sold 1,431.8 million EMP shares for P8.98 per share to third parties. The Company recognized P2,905.3 million gain, net of related costs, from divestment of its interest over EMP.

Miscellaneous income refers to gain on sale of non-current assets, fair value gains on FVTPL, marketing fees and other.

Miscellaneous expenses pertain to amortization of discounts on security deposits, bank charges, impairment loss on receivables and other related fees.

27. SALARIES AND EMPLOYEE BENEFITS

27.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2014	2013	2012
Short-term employee benefits		**P 7,854,178,380**	P 7,437,580,212	P 5,762,362,586
Post-employment defined benefit	27.2	**310,622,207**	266,310,249	196,921,984
Stock option benefit expense	21.5, 27.3 29.12	**313,343,832**	156,816,832	105,762,467
		P 8,478,144,419	P 7,860,707,293	P 6,065,047,037

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

	Notes	2014	2013	2012
Cost of goods sold	24	**P 253,613,904**	P 169,133,468	P 127,387,568
Cost of services	24	**4,318,125,264**	4,251,992,658	2,681,587,989
Other operating expenses	25	**3,906,405,251**	3,439,581,167	3,256,071,480
		P 8,478,144,419	P 7,860,707,293	P 6,065,047,037

27.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

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

The Group's management believes that the non-accrual of the estimated post-employment benefits will not have any material effect on the Group's consolidated financial statements.

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

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2014 and 2013.

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

	2014	2013
Present value of the obligation	**P13,636,601,974**	P 1,801,290,300
Fair value of plan assets	**(10,899,926,023)**	(373,197,625)
	P 2,736,675,951	P 1,428,092,675

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

	2014	2013
Balance at beginning of year	**P 1,801,290,300**	P 1,555,909,468
Current service and interest costs	**425,414,798**	296,199,518
Additions due to consolidation of new subsidiary	**11,040,689,757**	37,021,024
Re-measurement gains (losses)	**418,216,168**	(57,123,176)
Effects of foreign currency adjustment	**34,463,804**	-
Effect of curtailment	**(44,002)**	-
Availment of sabbatical leave	**(3,224,060)**	-
Benefits paid by the plan	**(80,204,791)**	(30,716,534)
Balance at end of year	**P 13,636,601,974**	P 1,801,290,300

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

	2014	2013
Balance at beginning of year	**P 373,197,625**	P 347,280,123
Contributions paid into the plan	**85,932,306**	54,493,850
Actual return on plan assets	**464,969,512**	2,140,186
Actuarial gain	**5,186,056**	-
Additions due to consolidation of new subsidiary	**10,048,744,142**	-
Benefits paid by the plan	**(78,103,618)**	(30,716,534)
Balance at end of year	**P 10,899,926,023**	P 373,197,625

The fair value of plan assets and present value of retirement benefit obligation of WML were included in the 2014 balance.

The plan assets of Megaworld pertaining only to cash and cash equivalents amounted to P114.1 million and P89.8 million as at December 31, 2014 and 2013, respectively. The plan assets of EMP and GADC in 2014 and of GADC in 2013 consist of the following:

	2014	2013
Investments in:		
Other securities and debt instruments	**65.87%**	27.20%
Long-term equity investments	**27.03%**	-
Unit investment trust fund	**1.72%**	72.00%
Cash and cash equivalents	**0.47%**	0.40%
Property	**4.90%**	-
Loans and receivables	**0.01%**	0.40%
	100.00%	100.00%

Actual returns in 2014 and 2012 amounted to P465.0 million and P31.5 million, respectively, while there is no return from GADC's plan assets in 2013.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for loans and receivables and property which are at Level 3.

The amounts of post-employment benefits expense recognized as part of Salaries and Employee Benefits (see Note 27.1) in the consolidated statements of comprehensive income are as follows:

	2014	2013	2012
Current service cost	**P 325,213,109**	P 255,590,445	P 196,921,984
Remeasurement gain	**(14,546,900)**	-	-
Curtailment gain	**(44,002)**	-	-
Past service cost	**-**	10,719,804	-
	P 310,622,207	P 266,310,249	P 196,921,984

In 2014, post-employment benefits expense amounting to P18.2 million was incurred for WML's defined contribution plan and thus will not be included in the current service cost presented under the movement of post-employment benefit obligation.

The amounts of post-employment benefit expense are allocated as follows:

	2014	2013	2012
Cost of goods sold and services	**P167,499,354**	P 148,721,619	P 91,051,139
Other operating expenses	**143,122,853**	117,588,630	105,870,845
	P 310,622,207	P 266,310,249	P 196,921,984

In determining the post-employment benefit obligation, the following actuarial assumptions were used:

	2014	2013
Discount rates	**3.58% - 7.81%**	4.37% - 6.23%
Expected rates of salary increases	**4.00% - 10.00%**	3.00% - 7.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The discount rates assumed were based on the yields of long-term government bonds, as of the valuation dates. The applicable period used approximate the average years of remaining working lives of the Group's employees.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

Discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

(i) Sensitivity Analysis

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

		Maximum Impact on Post-employment Obligation	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2014			
Discount rate	+/-1% to +/-14%	P 562,913,365	(P 608,116,030)
Salary increase rate	+/-1% to +/-13%	176,595,591	(143,161,632)
December 31, 2013			
Discount rate	+/- 1% to +/- 11%	P 547,000,764	(P 655,699,929)
Salary increase rate	+/- 1% to +/- 10%	788,268,145	(655,699,929)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

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

(ii) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in equities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P2,736.7 million based on the Group's latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 23 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31 are as follows:

	2014	2013
Within one year	**P 352,312,483**	P 47,698,754
More than one year to five years	**1,228,723,006**	79,432,185
More than five years to 10 years	**1,253,781,185**	572,089,311
More than ten years to 15 years	**757,040,080**	771,595,916
More than 15 years to 20 years	**1,202,180,504**	1,355,722,396
More than 20 years	**24,886,513,583**	30,934,762,708
	P 29,680,550,841	P 33,761,301,270

The Group expects to contribute in 2015, P5.0 million and P40.0 million to the retirement plan maintained for Megaworld and GADC, respectively. GERI has yet to decide the amount of future contributions to its existing unfunded retirement plan.

27.3 Stock Option Benefits

The Group's stock option benefit expense includes the amounts recognized by the Company, Megaworld and GERI over the vesting period of the options granted by them (see Note 21.5). Options for 95.8 million shares have vested as at December 31, 2014. Stock option benefits expense, included as part of Salaries and Employee Benefits amounted to P313.3 million in 2014, P156.8 million in 2013 and P105.8 million in 2012 (see Note 27.1).

28. TAXES.

28.1 Current and Deferred Taxes

The tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2014	2013	2012
Reported in consolidated profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 3,923,667,182**	P 4,030,414,576	P 3,536,607,270
Final tax at 20% and 7.5%	**138,822,313**	225,256,736	287,702,318
Minimum corporate income tax (MCIT) at 2%	**164,745,654**	29,429,810	26,568,346
Preferential tax rate at 5%	**58,117,064**	27,592,034	-
Others	**138,327,833**	75,941,268	74,566,986
	4,423,680,046	4,388,634,424	3,925,444,920
Deferred tax expense relating to origination and reversal of temporary differences	**1,102,765,005**	968,122,673	698,034,032
	P 5,526,445,051	P 5,356,757,097	P 4,623,478,952
Reported in consolidated other comprehensive income -			
Deferred tax income (expense) relating to origination and reversal of temporary differences	**P 114,167,301**	(P 22,204,044)	P 83,187,376

ECOC, SEDI and RWM are Philippine Economic Zone Authority - registered entities which are entitled to 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In November 2011, the Board of Investments approved SPI's application for registration on a certain project. SPI is entitled to income tax holiday for three years from November 2011 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	2014	2013	2012
Tax on consolidated pretax income at 30%	**P 8,124,328,441**	P 8,523,671,095	P 7,535,140,539
Adjustment for income subjected to different tax rates	**(2,450,052,961)**	(1,598,765,848)	(845,041,085)
Tax effects of:			
Income not subject to RCIT	**(6,453,316,654)**	(9,233,947,881)	(9,979,739,392)
Nondeductible expenses	**6,294,003,108**	7,106,788,376	6,993,144,567
Tax benefit arising from unrecognized deferred tax asset	**503,607,237**	572,841,777	785,150,505
Additional deduction with the use of Optional Standard Deduction (OSD)	**(488,708,892)**	(38,707,207)	(20,338,447)
Others	**(3,415,228)**	24,876,785	155,162,265
Tax expense reported in consolidated profit or loss	**P 5,526,445,051**	P 5,356,757,097	P 4,623,478,952

The deferred tax assets and liabilities as at December 31 presented in the consolidated statements of financial position relate to the following:

	2014	2013	2012
Deferred tax assets:			
Retirement benefit obligation	**P 403,758,306**	P 389,030,740	P 314,796,003
MCIT	**146,272,494**	23,317,621	15,808,652
Allowance for impairment losses	**110,753,187**	177,764,052	181,298,846
Accrued rent	**36,213,490**	35,755,872	48,115,007
Allowance for inventory write-down	**19,724,387**	13,183,799	15,394,757
Net operating loss carry-over (NOLCO)	**9,874,627**	48,333,454	185,389,015
Unrealized income – net	**7,091,727**	4,635,851	3,304,102
Gross profit for tax purposes	**-**	-	17,446,954
Share based employee compensation	**-**	-	11,554,581
Unrealized foreign currency losses	**-**	-	127,032
Others	**42,147,748**	36,538,273	15,803,589
	P 775,835,966	P 728,559,662	P 809,038,538
Deferred tax liabilities – net:			
Uncollected gross profit	**P 7,617,315,708**	P 6,305,622,637	P 5,072,458,458
Brand valuation	**1,994,428,801**	-	-
Capitalized interest	**998,345,338**	1,160,842,521	1,135,379,776
Fair value adjustment	**426,376,168**	-	-
Unrealized foreign currency losses (gains)	**(323,118,182)**	262,572,657	52,847,842
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**234,176,793**	198,812,638	200,166,619
Translation adjustments	**(117,693,665)**	(87,005,067)	(102,276,919)
Uncollected rental income	**29,427,068**	91,493,961	143,687,644
Accrued retirement cost for tax purposes	**-**	-	(188,131,869)
Others	**(600,191,965)**	(164,714,655)	19,971,460
	P10,259,066,064	P 7,242,479,378	P 6,334,103,011

The deferred tax expense reported in the consolidated statements of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2014	2013	2012	**2014**	2013	2012
Deferred tax expense (income):						
Uncollected gross profit	**P1,694,029,381**	P 1,233,164,179	P 887,990,407	**P -**	P -	P -
NOLCO	**(38,458,827)**	(137,055,561)	(11,234,525)	**-**	-	-
Retirement benefit obligation	**(98,417,399)**	(104,000,889)	(95,703,655)	**83,482,783**	6,932,192	(12,392,308)
Capitalized interest	**(111,644,539)**	25,462,745	181,883,005	**-**	-	-
Uncollected rental income	**(69,636,728)**	52,193,683	47,073,401	**-**	-	-
Accrued rent	**(10,064,742)**	(12,359,135)	(8,718,115)	**-**	-	-
MCIT	**(122,954,873)**	(7,508,969)	(4,804,641)	**-**	-	-
Allowance for impairment losses	**(92,789,582)**	(3,534,794)	(24,035,326)	**-**	-	-
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**35,364,155**	(1,353,981)	56,638,734	**-**	-	-
Unrealized foreign currency gains - net	**(60,343,457)**	(127,032)	11,789,742	**-**	-	-
Translation adjustments	**-**	-	-	**(30,688,598)**	15,211,852	(70,795,068)
Fair value adjustments on AFS	**(2,817,304)**	-	-	**4,080**	-	-
Others	**(19,501,080)**	(195,390,923)	(342,844,995)	**-**	-	-
Deferred tax expense (income)	**P1,102,765,005**	P 968,122,673	P 698,034,032	**(P 114,167,301)**	P 22,204,044	(P 83,187,376)

The details of NOLCO, which can be claimed as deduction from the respective subsidiaries' future taxable income within three years from the year the loss was incurred, are shown below.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2014	P 1,493,075,399	P -	P -	P 1,493,075,399	2017
2013	2,698,274,684	(549,872,998)	-	2,148,401,686	2016
2012	1,852,489,020	(1,815,638,881)	-	36,850,139	2015
2011	415,740,232	(378,552,424)	(37,187,808)	-	2014
	P 6,558,254,359	**(P 2,744,064,303)**	**(P 37,187,808)**	**P 3,678,327,224**	

Some companies of the Group are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of MCIT, which can be applied as deduction from the entities' respective future RCIT payable within three years from the year the MCIT was paid, are shown below.

Year Incurred	Original Amount	Expired	Remaining Balance	Valid Until
2014	P 162,563,013	P -	P 162,563,013	2017
2013	32,246,693	-	32,246,693	2016
2012	20,660,215	-	20,660,215	2015
2011	27,852,997	(27,852,997)	-	2014
	P 243,322,918	**(P 27,852,997)**	**P 215,469,921**	

The following summarizes the amount of NOLCO and other deductible temporary differences as at the end of 2014, 2013 and 2012 for which the related deferred tax assets (liabilities) – net have not been recognized by certain subsidiaries within the Group based on their assessments that the related tax benefits may not be realized within the prescriptive period.

	2014		2013		2012	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P3,575,943,355**	**P1,072,783,007**	P4,961,352,403	P1,488,405,721	P3,725,565,135	P1,117,669,541
Unrealized loss on interest rate swap	**856,134,049**	**256,840,215**	1,137,998,386	341,399,516	1,325,831,385	397,749,416
Share-based compensation	**130,877,036**	**39,263,111**	264,469,448	79,340,834	20,174,162	6,052,249
MCIT	**55,859,616**	**16,757,885**	65,098,838	65,098,838	43,808,507	43,808,507
Retirement benefit obligation	**57,895,901**	**17,368,770**	49,435,000	14,830,500	32,448,290	9,734,487
Allowance for impairment	**-**	**-**	24,385,645	7,315,694	23,653,124	7,095,937
Unrealized foreign currency losses – net	**45,480,627**	**13,644,188**	(12,578,916)	(3,773,675)	(536,950,652)	(161,085,196)
Accrued rent	**-**	**-**	6,627,877	1,988,363	2,101,002	630,301
Allowance for inventory write-down	**483,969**	**145,191**	312,718	93,815	352,036	105,611
ARO	**-**	**-**	-	-	323,254	96,976
	P4,722,674,553	**P 1,416,802,366**	P6,497,101,399	P1,994,699,606	P4,637,306,243	P1,421,857,829

28.2 Optional Standard Deduction

Corporate taxpayers have an option to claim itemized deductions or OSD equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for that particular taxable year.

In 2014, 2013 and 2012, the companies within the Group opted to continue claiming itemized deductions in computing for its income tax due except for EDI which opted to claim OSD in 2014, and AWGI and MDC for both 2014 and 2013.

28.3 Taxation of Casino Operations

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

In April 2013, however, the Bureau of Internal Revenue (BIR) issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In May 2014, PAGCOR issued Guidelines for a 10% income tax allocation (ITA) measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues [see Note 30.3(c)].

29. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others as described below.

The summary of the Group's transactions with its related parties as of and for the years ended December 31, 2014, 2013 and 2012 are as follows:

Related Party Category	Notes	Amount of Transaction 2014	2013	2012	Outstanding Balance 2014	2013
Parent Company and subsidiaries' stockholders:						
Loan payable	29.2	**P -**	P -	P -	**P -**	P 532,724,721
Redeemable preferred shares	19	**-**	-	-	**596,431,722**	528,133,002
Casino transactions	29.4	**7,941,612,756**	9,911,409,089	8,722,105,033	**289,395,342**	329,046,155
Incidental rebate charges	29.4	**1,946,203,700**	2,653,102,036	2,522,926,974	**168,093,697**	331,528,281
Management fees	29.5	**315,469,747**	562,848,779	631,335,697	**31,711,184**	23,996,555
Issuance of ELS	20	**5,280,000,000**	-	-	**5,280,000,000**	-
Accounts Payable		**114,474,692**	258,174,697	3,469,933	**369,170,512**	453,645,207
Related party under common ownership:						
Purchase of raw materials	29.1	**4,654,005,633**	418,361,736	7,820,858,350	**1,616,937,584**	451,648,340
Purchase of imported goods	29.1	**3,475,578**	146,501,368	488,803,326	**160,919**	35,270,647
Acquisition of assets	29.3	**-**	1,072,522,335	-	**-**	196,597,811
Rental income	29.6	**10,743,583**	6,345,773	3,320,328	**-**	-
Sales of investment	29.11	**5,000,000**	-	-	**-**	-
Advances granted	29.8	**(572,143,376)**	903,799,948	(319,061,097)	**1,137,274,126**	1,709,417,502
Associates:						
Rental income	29.6	**-**	747,495	1,174,635	**603,436**	603,436
Advances granted	29.8	**273,273,910**	(58,995,675)		40,350,374	
1,277,781,909	1,004,507,999					
Others:						
Rental income	29.6	**613,143**	1,443,364	134,018	**186,380**	171,104
Receivable from joint venture	29.7	**-**	22,797,613	32,822,342	**-**	17,711,146
Accounts receivable	29.9	**118,991,964**	43,939,262	178,057,833	**1,833,035,771**	1,239,264,958
Accounts payable	29.9	**(586,491,844)**	149,466,365	183,251,097	**225,324,311**	841,766,152
Advances from joint venture partners and others	29.10	**549,044,994**	(502,295,497)	632,225,121	**903,152,243**	354,107,249

29.1 Purchase of Goods

Emperador imports raw materials such as alcohol, flavorings and other items through Andresons Global, Inc. (AGL). There are also finished goods purchased from Consolidated Distillers, Inc. (Condis) and through AGL. These transactions are payable within 30 days.

Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, now considered a related party under common control in 2014.

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.2 Loan from MRO

GADC has a loan agreement with MRO. The principal amount of the loan of U.S.$12.0 million is payable in full up to March 17, 2025. Accrued interest payable as at December 31, 2013 is included as part of Accrued expenses under Trade and Other Payables account in the 2013 consolidated statement of financial position (see Note 16).

In October 2014, GADC fully paid the whole amount of loan including the accrued interest thereon (see Note 17).

29.3 Acquisition of Assets

In 2013, GADC acquired building and leasehold improvements from McDonald's Philippines Realty Corporation (MPRC), with outstanding liability amounting to P196.6 million as at December 31, 2013. The amount was settled in full in 2014.

In 2013, Emperador acquired and fully paid the distillery facilities of Condis, which include the following assets:

	Notes	
Property, plant and equipment	13	P 756,990,993
Inventories	8	140,578,342
		P 897,569,335

No similar transactions occurred in 2014.

29.4 International Marketing and Joint Co-operation Agreement with Genting Hongkong, Ltd. (GHL)

In 2009, Travellers entered into an international marketing agreement with GHL whereby GHL will handle the promotion of the Travellers' casinos and will bring in foreign patrons to play in its casinos. As a consideration for such service, Travellers shall pay GHL an amount equivalent to a certain percentage of gross gaming revenues recognized by Travellers from foreign patrons brought in by GHL.

In 2012, the Travellers and GHL terminated the international marketing agreement and executed a joint co-operation agreement to revise the consideration for the services of GHL to Travellers from a certain percentage of gross gaming revenues to a certain percentage of net turnovers.

Incidental rebate charges arising from this transaction are presented as part of Advertising and promotions under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). The outstanding balances of payables are presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

Travellers also recognized outstanding receivables from GHL representing show money received by GHL from foreign patrons which GHL will later remit to the Travellers. The outstanding balances of receivables are presented as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

29.5 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. Management fees are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). The outstanding liability arising from this transaction is presented as part of Accrued expenses in the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.6 Rental Income from Associates

GERI leases its investment property to certain related parties with rental payments mutually agreed before the commencement of the lease. The revenue earned from leases to related parties are included as part of Rental income under Rendering of Services account in the consolidated statements of comprehensive income (see Note 23). The outstanding receivable is short-term, unsecured, noninterest-bearing, and are generally settled in cash upon demand.

As at December 31, 2014 and 2013, based on management's assessment, the outstanding balance of rental income receivable from associates is not impaired; hence, no impairment losses were recognized.

29.7 Receivable from a Joint Venture

Receivables from GCFII are unsecured, interest free and normally settled in cash. These are included in Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

In 2014, GADC made additional investment in GCFII resulting to an increase in ownership interest from 50% to 60%, thus obtaining control. The outstanding amount of receivables from GCFII in 2014 was eliminated in full.

29.8 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other entities for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements. The outstanding balances of Advances to associates and other related parties, which are shown as part of Investments in and Advances to Associates and Other Related Parties account in the consolidated statements of financial position, are presented as follows (these mainly represent advances granted by Megaworld) [see Note 12.1]:

	2014	2013
Advances to:		
Associates	**P 1,277,781,909**	P 1,004,507,999
Other related parties	**1,137,274,126**	1,709,417,502
	P 2,415,056,035	P 2,713,925,501

The movements of the Advances to Associates and Other Related Parties account are as follows:

	2014	2013
Balance at beginning of year	**P 2,713,925,501**	P 1,869,121,228
Cash advances granted	**959,713,523**	903,799,948
Collections	**(1,258,582,989)**	(58,995,675)
Balance at end of year	**P 2,415,056,035**	P 2,713,925,501

As at December 31, 2014 and 2013, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

29.9 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 16) accounts, respectively, in the consolidated statements of financial position as follows:

	2014	2013
Due from Related Parties		
Officers and employees	**P 135,041,717**	P 270,968,418
Other related parties	**1,697,994,054**	968,296,540
	P 1,833,035,771	P 1,239,264,958
Due to Related Parties		
Stockholder	**P 369,170,512**	P 453,645,207
Other related parties	**225,324,311**	841,766,152
	P 594,494,823	P 1,295,411,359

The details of the due from/to related parties are as follows:

	2014	2013
Due from Related Parties		
Balance at beginning of year	**P 1,239,264,958**	P 1,195,324,696
Additions	**1,658,605,190**	567,998,203
Collections	**(1,064,834,377)**	(524,057,941)
Balance at end of year	**P 1,833,035,771**	P 1,239,264,958
Due to Related Parties		
Balance at beginning of year	**P 1,295,411,359**	P 887,770,297
Additions	**3,380,511**	577,290,766
Repayments	**(704,297,047)**	(169,649,704)
Balance at end of year	**P 594,494,823**	P 1,295,411,359

McDonald's granted GADC the nonexclusive right to adopt and use the McDonald's System in its restaurant operations in the Philippines. In March 2005, the license agreement was renewed for another 20 years, and provides for a royalty fee based on certain percentage of net sales from the operations of GADC's restaurants, including those operated by the franchisees. GADC recognized royalty expenses amounting to P822.1 million and P719.0 million for 2014 and 2013, respectively (see Note 25). The outstanding payable to McDonald's relating to royalty expenses amounted to P133.9 million and P120.8 million as at December 31, 2014 and 2013, respectively, and presented as part of Due to Related Parties under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

GADC leases a warehouse and nine restaurant premises from MPRC, a company owned by MRO. The lease terms are for periods which are co-terminus with the lease agreements entered into by GADC with the owners of the land where the warehouse and restaurants are located. Except for the warehouse for which a fixed annual rental of P10.0 million is charged, rentals charged by MPRC to GADC are based on agreed percentages of gross sales of each store. Rental charged to operations amounted to P1.8 million and P30.6 million in 2014 and 2013, respectively. The outstanding balance of this transaction amounted to P0.2 million as at December 31, 2014.

As at December 31, 2014 and 2013, based on management's assessment, the outstanding balances of Due from employees and related parties are not impaired, hence, no impairment losses were recognized.

29.10 Non-current Advances from Related Parties

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable on cash or through offsetting arrangements. Due to JV partners pertain to the share of JV partners in the proceeds from the sale in accordance with various JV agreements entered into by GERI. Total outstanding balance of the accounts is presented as Advances from Related Parties account in the consolidated statements of financial position.

Details of Advances from Related Parties are presented as follows:

	2014	2013
Advances from related parties	**P 578,860,332**	P 120,487,829
Advances from joint venture partners	**324,291,911**	233,619,420
	P 903,152,243	P 354,107,249

29.11 Sale of Investment in GSTAI

In 2014, Travellers sold its investment in GSTAI to a related party under common ownership. There is no outstanding receivable arising from this transaction in 2014.

29.12 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 27.1):

	2014	2013	2012
Short-term employee benefits	**P 532,622,621**	P 625,867,278	P 548,585,664
Stock-option benefit expense	**313,343,832**	156,816,832	105,762,467
Retirement benefits expense	**44,186,742**	35,289,335	31,226,762
	P 890,153,195	P 817,973,445	P 685,574,893

29.13 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan). The carrying amount and the composition of the plan assets as at December 31, 2014 and 2013 are shown in Note 27.2.

Unit investment trust fund and equity and debt securities, which are included as plan assets under the fund consist of investments in corporations listed in the PSE. The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also does not have any investments in the Group's shares of stock.

30. COMMITMENTS AND CONTINGENCIES

30.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering certain office and commercial spaces. The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rate of 5% to 10%.

Future minimum lease receivables under these leases as of December 31 are as follows:

	2014	2013	2012
Within one year	**P 7,100,714,265**	P 6,158,808,873	P 5,547,717,964
After one year but not more than five years	**35,657,874,236**	30,278,029,365	26,563,815,242
More than five years	**11,299,924,365**	9,897,419,368	8,989,364,762
	P 54,058,512,866	P 46,334,257,606	P 41,100,897,968

30.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 40 years, with renewal options, and include a 5% to 10% annual escalation rate.

The future minimum rental payables under these non-cancellable leases as of the end of the reporting periods are as follows:

	2014	2013	2012
Within one year	**P 151,425,413**	P 326,051,985	P 310,187,797
After one year but not more than five years	**367,182,124**	666,739,701	581,833,312
More than five years	**351,605,599**	440,589,644	299,994,297
	P 870,213,136	P 1,433,381,330	P 1,192,015,406

30.3 Provisional License Agreement of Travellers with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License (License) authorizing Travellers to participate in the integrated tourism development project in two sites and to establish and operate casinos, and engage in gaming activities in the two sites. The term of Travellers' License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR Charter.

(a) Investment Commitments

Under the terms of the License, Travellers and RWBCI are required to complete its U.S.$1.3 billion (about P58.9 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.$1.1 billion (about P49.1 billion) and U.S.$216.0 million (about P9.6 billion), respectively (collectively, the Project).

Travellers and RWBCI are required to fully invest and utilize in the development of the Project at least 40% of the respective phases of the investment commitment for Site A and Site B within two years from Site Delivery.

As a requirement in developing the aforementioned Project, Travellers transferred U.S.$100.0 million (about P4.4 billion) to an escrow account with a local bank mutually agreed by PAGCOR and Travellers. At any given time, the escrow account shall have a maintaining balance of not lower than U.S.$50.0 million (about P2.2 billion) (see Note 5). For failure to comply with such maintaining balance requirement after a 15-day grace period, Travellers shall be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar days until the noncompliance is corrected. All funds for the development of the Project shall pass through the escrow deposit and all drawdown therefrom must be applied to the Project.

As at December 31, 2014, Travellers has spent P40.4 billion for its casino projects pursuant to its investment commitment under the License. It has short-term placements amounting to U.S.$65.7 million (P2.9 billion) as at December 31, 2014 and 2013 to meet its requirements with PAGCOR in relation to this investment commitments (see Note 5).

(b) Requirement to Establish a Foundation

Travellers, in compliance with the requirement of PAGCOR to incorporate and register a foundation for the restoration of cultural heritage, incorporated Manila Bayshore Heritage Foundation, Inc. (or the Foundation) on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by Travellers by setting aside funds on a monthly basis. The funds set aside shall be remitted to the foundation on or before the 10th day of the succeeding month. Travellers has recognized accrual, based on 2% of total gross gaming revenues from non-junket tables.

As at December 31, 2014, Travellers remitted donations for the current and prior years. The Foundation has started to undertake certain construction and school projects in Pasay and Parañaque cities in partnership with the Philippine Department of Education, Culture and Sports. As at December 31, 2014, all three construction and school projects have not yet been completed.

(c) Tax Contingencies of Casino Operations

The PAGCOR Charter grants PAGCOR an exemption from taxes, income or otherwise, as well as exemption from any form of charges, fees, or levies, except for the 5% franchise tax on gross revenue or earnings derived by PAGCOR on its casino operations. On February 29, 2012, the BIR issued a circular which affirmed the nonexemption from corporate income taxation of PAGCOR by virtue of the amendment of R.A. 9337 of Section 27(c) of the National Internal Revenue Code of 1997.

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR issued Guidelines for a 10% ITA measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively. (See Note 28.3)

On December 10, 2014, the SC en banc issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under P.D. No. 1869, as amended. A similar case filed on behalf of a PAGCOR licensee is pending with the SC as at the audit report date. The Group awaits the final outcome of the said case.

Management is of the opinion that the similar case pending with the SC will result in a positive outcome, considering the unequivocal SC declaration in the PAGCOR v. BIR, *G.R. No. 215427* that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the foregoing ITA measure.

In view of the foregoing, no provision has been recognized in the consolidated financial statements as at the end of the reporting periods for those periods not covered by the ITA measure.

30.4 Others

As at December 31, 2014, EELHI and Travellers have unused lines of credit from certain banks and financial institutions totaling to P7.2 billion.

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS financial assets, interest-bearing loans, bonds payable, trade receivables and payables and derivative asset and liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

31.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in the functional currencies of the individual subsidiaries making the transactions. The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	2014		2013	
	U.S. Dollars	**HK Dollars**	U.S. Dollars	HK Dollars
Financial assets	**P 26,693,102,110**	**P 1,912,550,620**	P 34,766,824,958	P 1,347,307,562
Financial liabilities	**(68,385,830,251)**	**(671,284,910)**	(59,074,985,969)	(642,724,055)
	(P 41,692,728,141)	**P 1,241,265,710**	(P 24,308,161,011)	P 704,583,507

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the U.S. dollar – Philippine peso exchange rate assumes +/- 18% and +/- 23% changes in exchange rate for the years ended December 31, 2014 and 2013, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 18% and +/- 20% changes for the year ended December 31, 2014 and 2013. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, respectively, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased by P7.8 billion and P5.5 billion for the years ended December 31, 2014 and 2013, respectively. If in 2014 and 2013, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased by P0.2 billion and P0.1 billion, respectively.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages; then consolidated income before tax would have changed at the opposite direction by the same amount.

The Group periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its U.S. dollar-denominated time deposits in times when the Philippine peso is depreciating or decreases its U.S. dollar-denominated placements in times when the Philippine peso is appreciating.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) *Interest Rate Sensitivity*

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 0.83% for Philippine peso and +/- 0.03% and U.S. dollar in 2014 and +/-1.44% for Philippine peso and +/-0.14% for U.S. dollar in 2013 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous year and 12 months, respectively, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held as at December 31, 2014 and 2013, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have increased by P0.7 billion and P0.4 billion for the years ended December 31, 2014 and 2013, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been lower by the same amount.

31.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivable arising mainly from transactions with approved franchisees, installment receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 32.1.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. In addition, accounts receivable are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from the other financial assets of the Group, composed of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

Trade and other receivables that are past due but not impaired are as follows:

	2014	2013
Not more than 30 days	**P 6,057,980,911**	P 549,092,678
31 to 60 days	**1,365,362,281**	2,289,013,027
Over 60 days	**1,075,817,654**	747,543,582
	P 8,499,160,846	P 3,585,649,287

31.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As at December 31, 2014, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later than 5 Years**
Trade and other payables	P 30,312,159,497	P 4,740,592,169	P -	P -
Interest-bearing loans	25,587,778,814	1,072,797,634	6,966,234,589	1,080,183,150
Bonds payable	5,461,785,950	461,785,950	44,245,200,955	7,505,468,158
Advances from related parties	-	-	384,565,490	-
Redeemable preferred shares	-	-	1,257,987,900	1,574,159,348
Security deposits	102,003,672	-	26,663,649	102,100,032
Derivative liability	233,751,463	-	-	-
Other liabilities	146,729,480	-	-	-
	P62,055,708,876	**P 6,275,175,753**	**P 59,231,249,441**	**P 10,261,910,688**

As at December 31, 2013, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 15,356,683,282	P 7,826,578,063	P -	P -
Interest-bearing loans	1,603,279,826	2,192,512,443	8,795,031,294	433,552,898
Bonds payable	1,181,347,400	1,181,347,400	55,449,496,930	7,625,297,602
Advances from related parties	-	-	354,107,249	-
Redeemable preferred shares	-	-	1,352,336,993	1,574,159,348
Security deposits	-	-	86,286,060	61,932,286
Derivative liability	38,631,143	-	-	1,145,961,938
Other liabilities	519,684,000	-	-	-
	P 18,699,625,651	P 11,200,437,906	P 66,037,258,526	P 10,840,904,072

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

31.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as at December 31, 2014 and 2013 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2014 - Investment in equity securities	**+20.82%**	**-20.82%**	**P 463,852,651**	**(P 463,852,651)**
2013 - Investment in equity securities	+18.12%	-18.12%	P 480,595,059	(P 480,595,059)

The maximum additional estimated loss in 2014 and 2013 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past 12 months at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

32. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

		2014		2013	
	Notes	**Carrying Values**	**Fair Values**	Carrying Values	Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 82,058,836,647**	**P 82,058,836,647**	P 94,977,525,445	P 94,977,525,445
Trade and other receivables	6	**63,663,499,864**	**63,663,499,864**	46,763,700,664	46,763,700,664
Other financial assets	9	**1,824,034,893**	**1,824,034,893**	1,322,462,800	1,322,462,800
		P 147,546,371,404	**P 147,546,371,404**	P266,432,156,772	P 266,432,156,772
Financial assets at FVTPL:					
Marketable debt and equity securities	7	**P 4,351,221,441**	**P 4,351,221,441**	P 7,363,058,599	P 7,363,058,599
Derivative asset	7	**-**	**-**	12,684,368	12,684,368
		P 4,351,221,441	**P 4,351,221,441**	P 7,375,742,967	P 7,375,742,967
AFS Financial Assets:					
Debt securities	11	**P 3,717,359,428**	**P 3,717,359,428**	P 4,399,906,888	P 4,399,906,888
Equity securities	11	**2,254,727,700**	**2,254,727,700**	358,985,303	358,985,303
		P 5,972,087,128	**P 5,972,087,128**	P 4,758,892,191	P 4,758,892,191
Financial Liabilities					
Financial liabilities at FVTPL -					
Derivative liabilities	20	**P 1,268,699,964**	**P 1,268,699,964**	P 1,184,593,081	P 1,184,593,081
Financial liabilities at amortized cost:					
Current					
Trade and other payables		**P 33,906,586,092**	**P 33,906,586,092**	P 23,183,261,345	P 23,183,261,345
Interest-bearing loans		**26,660,576,448**	**26,660,576,448**	3,795,792,269	3,795,792,269
Bonds payable		**5,000,000,000**	**5,000,000,000**	-	-
Other current liabilities		**10,263,243,481**	**10,263,243,481**	2,113,418,300	2,113,418,300
		P 75,830,406,021	**P 75,830,406,021**	P 29,092,471,914	P 29,092,471,914
Non-current					
Bonds payable		**P 51,687,525,333**	**P 51,687,525,333**	P 56,479,746,306	P 56,479,746,306
Interest-bearing loans		**8,038,681,649**	**8,038,681,649**	9,228,584,192	9,228,584,192
ELS		**5,253,911,638**	**5,253,911,638**	-	-
Redeemable preferred shares		**1,854,419,622**	**2,240,108,833**	1,786,120,902	2,205,377,961
Due to related parties		**903,152,243**	**903,152,243**	354,107,249	354,107,249
Security deposits		**294,947,826**	**294,947,826**	148,218,346	148,218,346
		P 68,032,638,311	**P 68,418,327,522**	P 67,996,776,995	P 68,416,034,054

See Notes 2.4 and 2.12 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 31.

33. FAIR VALUE MEASUREMENT AND DISCLOSURES

33.1 Fair Value Hierarchy

The hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value of Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

33.2 Financial Instruments Measurements at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2014 and 2013.

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVTPL -				
Debt and equity				
securities	P 4,351,221,441	P -	P -	P 4,351,221,441
AFS financial assets:				
Debt securities	3,717,359,428	-	-	3,717,359,428
Equity securities	2,024,370,210	63,160,000	167,197,490	2,254,727,700
	P 10,092,951,079	**P 63,160,000**	**P 167,197,490**	**P 10,323,308,569**
Financial liability:				
Financial liability at FVTPL -				
Derivative liabilities	**P 1,268,699,964**	**P -**	**P -**	**P 1,268,699,964**

	2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL:				
Debt and equity securities	P 7,363,058,599	P -	P -	P 7,363,058,599
Derivative assets	12,684,368	-	-	12,684,368
AFS financial assets:				
Debt securities	4,399,906,888	-	-	4,399,906,888
Equity securities	117,218,306	49,880,000	191,886,997	358,985,303
	P 11,892,868,161	P 49,880,000	P 191,886,997	P 12,134,635,158
Financial liability:				
Financial liability at FVTPL -				
Derivative liabilities	P 1,184,593,081	P -	P -	P 1,184,593,081

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

(a) Equity securities

As at December 31, 2014 and 2013, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL or AFS financial assets. These securities were valued based on their market prices quoted in various stock exchanges at the end of each reporting period.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

(b) Debt securities

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market (i.e., Stock Exchange) at the end of the reporting period and is categorized within Level 1.

33.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2014 and 2013.

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 82,058,836,647	P -	P -	P 82,058,836,647
Trade and other receivables	-	-	63,663,499,864	63,663,499,864
	P 82,058,836,647	**P -**	**P 63,663,499,864**	**P 145,722,336,511**
Financial liabilities:				
Current:				
Interest-bearing loans	P -	P -	P 26,660,576,448	P 26,660,576,448
Trade and other payables	-	-	33,906,586,092	33,906,586,092
Bonds payable	5,000,000,000	-	-	5,000,000,000
Other current liabilities	-	-	10,263,243,481	10,263,243,481
Non-current:				
Interest-bearing loans	-	-	8,038,681,649	8,038,681,649
Bonds payable	51,687,525,333	-	-	51,687,525,333
Equity-linked debt securities	-	-	5,253,911,638	5,253,911,638
Due to related parties	-	-	903,152,243	903,152,243
Redeemable preferred shares	-	-	1,854,419,622	1,854,419,622
Security deposits	-	-	294,947,826	294,947,826
	P 56,687,525,333	**P -**	**P 87,175,518,999**	**P 143,863,044,332**

	2013			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 94,977,525,445	P -	P -	P 94,977,525,445
Trade and other receivables	-	-	51,086,163,464	51,086,163,464
	P 94,977,525,445	P -	P51,086,163,464	P 146,063,688,909
Financial liabilities:				
Current:				
Interest-bearing loans	P -	P -	P 3,795,792,269	P 3,795,792,269
Trade and other payables	-	-	23,183,261,345	23,183,261,345
Other current liabilities	-	-	2,113,418,300	2,113,418,300
Non-current:				
Interest-bearing loans	-	-	9,228,584,192	9,228,584,192
Bonds payable	56,479,746,306	-	-	56,479,746,306
Due to related parties	-	-	354,107,249	354,107,249
Redeemable preferred shares	-	-	1,786,120,902	1,786,120,902
Security deposits	-	-	148,218,346	148,218,346
	P 56,479,746,306	P -	P 40,609,502,603	P 97,089,248,909

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

33.4 Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Megaworld's investment property, except for investment properties of WGPI, and GERI's building and improvements was determined by calculating the present value of the cash inflows anticipated until the life of the investment property using a discount rate of 10%. The fair value of WGPI was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Megaworld's investment property is their current use.

GERI's land developments and improvements were derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

As at December 31, 2014 and 2013, the fair value of the Group's investment property amounted to P172.9 billion and P123.6 billion, respectively (see Note 14) and is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2014.

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the debt to equity ratio as shown below.

	2014	2013
Total liabilities	**P 192,135,508,222**	P 142,178,763,894
Equity attributable to owners of the parent company	**126,497,113,102**	107,692,727,038
Debt-to-equity ratio	**P 1.52:1**	P 1.32:1

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both periods.

Punongbayan & Araullo

An instinct for growth™

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

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

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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2014, on which we have rendered our report dated April 14, 2015. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 4748310, January 5, 2015, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-2 (until Aug. 8, 2015)
Firm - No. 0002-FR-3 (until Apr. 30, 2015)
BIR AN 08-002511-20-2012 (until May 15, 2015)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

April 14, 2015

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014

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

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

Others Required Information (SEC Circular 11)

Alliance Global Group, Inc. and Subsidiaries
Schedule A - Financial Assets (Marketable Securities)
December 31, 2014

Financial Asset/Name of Banks		Amount Shown in Statement of Financial Position		Income Received and Accrued
Financial Assets at Fair Value Through Profit or Loss				
Citi Private Bank	P	1,805,735,294	P	234,508,441
HSBC Private Bank		1,608,299,414		176,208,735
Bank of Singapore		937,186,733		142,757,742
		4,351,221,441		553,474,919
Available-for-sale Securities				
Bank of Singapore		1,742,206,901		265,383,104
HSBC Private Bank		1,090,577,040		119,485,961
Citi Private Bank		775,972,877		100,774,566
ALFA Holding		60,624,556		1,612,676
Alfa Bank		9,729,016		326,028
Sberbank		9,845,856		221,983
Steel /Severstal		9,676,312		190,699
Vimpelcom Holdings		9,332,761		222,840
VTB Cap/Bank		9,394,109		270,622
Various unquoted equity instruments		104,037,490		-
Various quoted equity instruments		2,087,530,210		-
Various club shares		63,160,000		-
		5,972,087,128		488,488,478
Total Financial Assets	**P**	**10,323,308,569**	**P**	**1,041,963,397**

Alliance Global Group, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2014

			Deductions		*Ending Balance*		
Name and Designation of Debtor	*Balance at the Beginning of Period*	*Additions*	*Amounts Collected*	*Amounts Written off*	*Current*	*Not current*	*Balance at the End of Period*
Advances to Officers and Employees:							
Philipps Cando VP for Operations, Megaworld	P 214,884	P -	(P 135,716)	P -	P 79,168	P -	P 79,168
Garry V. De Guzman VP for Legal Affairs, Megaworld	662,919	-	(165,293)	-	497,626	-	497,626
Monica V. Solomon VP for Corporate Management, Megaworld	-	560,546	(125,732)	-	434,814	-	434,814
Rolando D. Siatela Assistant Corporate Secretary, Megaworld	356,060	2,990	(110,838)	-	248,212	-	248,212
Catherine Marcelo VP for Human Resource and Corporate Services, GERI	669,415	-	(271,272)	-	398,143	-	398,143
Abraham Mercado VP for Sales and Marketing, GERI	4,694,314	-	(4,694,314)	-	-	-	-
Jennifer Romualdez VP for Contracts, Procurement and Project Management, GERI	915,081	3,498,723	(3,437,487)	-	976,317	-	976,317
Melody Macaraig-Binag Junior Legal Counsel, Titling, Permits and Taxation Department, GERI	563,190	200,095	(560,730)	-	202,555	-	202,555
Chia Darvin Officer, GERI	1,375,000	182,725	(1,557,725)	-	-	-	-
Salvino Globio Officer, GERI	458,979	19,478	(132,467)	-	345,990	-	345,990
Federico Artuz Officer, GERI	410,265	-	(410,265)	-	-	-	-
Lailani Villanueva CFO and Compliance Officer, GERI	361,893	-	(129,876)	-	232,017	-	232,017
Carmen Villanueva Officer, GERI	1,351,901	799,772	(1,858,473)	-	293,200	-	293,200
Travellers - Officers and employees	121,738,390	882,203,750	(902,465,441)	-	101,476,699	-	101,476,699
	P 133,772,291	**P 887,468,079**	**(P 916,055,629)**	**P -**	**P 105,184,741**	**P -**	**P 105,184,741**

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31,2014

			Deductions		*Ending Balance*		
Name and Designation of Debtor	***Balance at Beginning of Period***	***Additions***	***Amounts Collected***	***Amounts Written off***	***Current***	***Not current***	***Balance at End of Period***
Due from Related Parties							
Newtown Land Partners, Inc.	3,285,356,908	-	49,846,323	-	3,235,510,585		3,235,510,585
Emperador International, Ltd.	900,671,942	7,731,938,041		-	8,632,609,983		8,632,609,983
Venezia Universal, Ltd.	3,174,705,938	1,912,032,103		-	5,086,738,041		5,086,738,041
Greenspring Investment Property Holdings, Inc.	8,268,224,758		4,922,249,983	-	3,345,974,775		3,345,974,775
First Centro, Inc.	204,124,733	5,500,000	165,106,979	-	44,517,754		44,517,754
Tradewind Estates, Inc.	1,203,582,033	160,896,019		-	1,364,478,052		1,364,478,052
Alliance Global Brands, Inc.	1,059,406,479	-	-	-	1,059,406,479		1,059,406,479
Megaworld	12,498,408	-	12,498,408	-	-		-
Alliance Global Group Cayman Islands, Inc.	16,246,550	-	-	-	16,246,550		16,246,550
Emperador Distillers, Inc.	48,130,000	67,095,010	115,225,010	-	-		-
McKester Pik-Nik International, Ltd.	13,493,991,438	57,731,555	-	-	13,551,722,993		13,551,722,993
Global Estate Resorts, Inc.	92,810,787		92,810,787	-	-		-
Anglo Watsons Glass, Inc.	8,955,576	8,960,000	8,390,000	-	9,525,576		9,525,576
Travellers International Hotel Group, Inc.	1,869,508,250	1,673,995,439	1,852,445,750	-	1,691,057,939		1,691,057,939

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2014

			Deduction			
Description	***Beginning Balance***	***Additions at Cost***	***Charged to Cost and Expenses***	***Charged to Other Accounts***	***Other Changes - Additions (Disposals)***	***Ending Balance***
Intangible Assets						
Goodwill	P 10,700,039,578	P -	P -	P -	P 7,685,650,440	P 18,385,690,018
Trademarks	329,058,362	-	(102,872,668)	-	9,972,144,142	10,198,329,836
Leasehold Rights	20,878,190	1,139,304,336	(3,008,274)	-	(1,219,544)	1,155,954,708
Computer Software	-	6,386,098	(1,435,303)	-	-	4,950,795
	P 11,049,976,130	**P 1,145,690,434**	**(P 107,316,245)**	**P -**	**P 17,656,575,038**	**P 29,744,925,357**

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2014

Title of Issue and Type of Obligation		*Amount Authorized by Indenture*		*Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Statement of Financial Position*		*Amount Shown Under Caption "Long-Term Debt" in Related Statement of Financial Position*	
Loans:							
Interest bearing loans	P	37,652,820,445	P	12,016,123,866	P	8,038,681,649	a, b, c, d, e, f
Foreign borrowings	$	328,350,364		14,644,452,582		-	g, h, i
				26,660,576,448		8,038,681,649	
Bonds Payable:							
Issuer:							
AG Cayman	$	500,000,000		-		22,129,059,932	j
Travellers	$	300,000,000		-		13,209,060,653	k
Megaworld Corporation	$	200,000,000		-		8,843,936,590	l
	$	250,000,000		-		7,505,468,158	m
	P	5,000,000,000		5,000,000,000		-	n
				5,000,000,000		51,687,525,333	
			P	**31,660,576,448**	**P**	**59,726,206,982**	

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

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

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

3.) Outstanding portion of a ten-year loan obtained from a local bank in 2006, with a three-year grace period on principal payments, payable quarterly thereafter.

4.) Loan obtained by Megaworld from a local bank payable for a term of seven years. The principal repayments on this loan will commence in August 2015 while interest is payable semi-annually.

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

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

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

2.) Balance from short-term loan obtained by SPI from local banks with a total amount of P1.2 billion. Both principal and interest of the loans are payable on a monthly basis.

d *Loan drawn by Travellers in 2012 from an P11.0 billion loan facility with a local bank, to settle Travellers' secured loans from the same bank. Quarterly principal amortization at P375.0 million starts in March 2014. In 2014, Travellers prepaid P4.2 billion of the outstanding loan balance.*

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

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

2.) On December 2012, GADC entered into a loan facility agreeement with BDO for a credit line amounting to P1.0 million. GADC has fully utilized its credit line with the bank. The loan is payable in 20 quarterly installments, with interest rates of 5.15% and shall be payable in quarterly installments starting on various dates, earliest being March 2015. However, in 2014, GADC prepaid P47.6 million of these outstanding loans.

3.) Loans with interest rate from 4.18% to 5.17% obtained by GADC from local bank with equal quarterly payments starting September 26, 2016.

f *Short-term loan obtained by OFPI from a local bank which bears variable annual interest rate of 3.0% subject to repricing every 30 to 180 days.*

g *Euro-denominated short-term loan availed by RHGI from a foreign commercial bank amounting to €1.3 million or a peso equivalent of P69.2 million.*

h *Short-term interest-bearing loans denominated in foreign currency obtained by EIL from international financial institutions.*

i *Dollar-denominated short-term loan received by EDI from a local commercial bank with annual interest of 1.38%.*

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

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

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

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

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

Legend:

AGI - Alliance Global Group, Inc.
Megaworld - Megaworld Corporation
AG Cayman - Alliance Global Group Cayman Islands, Inc.
NTLPI - Newtown Land Partners, Inc.
EELHI - Empire East Land Holdings, Inc.
SPI - Suntrust Properties, Inc.
GADC - Golden Arches Development Corporation
RHGI - Richmonde Hotel Group International Ltd.
EDI - Emperador Distillers, Inc.
EIL - Emperador International Ltd.
OFPI - Oceanfront Properties, Inc.

Alliance Global Group, Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2014

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

Alliance Global Group, Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2014

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is Filed	*Title of Issue of Each Class of Securities Guaranteed*	*Total Amount Guaranteed and Outstanding*	*Amount Owned by Person for which this Statement is Filed*	*Nature of Guarantee*
Alliance Global Group Cayman Islands, Inc. by Alliance Global Group, Inc.	US$ 500.0 million, 7-year, 6.5% note listed in the Singapore Exchange Securities Trading Limited	P 22,129,059,932	P 22,129,059,932	Guarantee of Principal and Interest

Alliance Global Group, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2014

				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties***	***Directors, officers and employees***	***Others***
Common shares - P1 par value	12,950,000,000	10,269,827,979	105,600,000	5,839,590,932	68,690,940	4,361,546,107

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

SCHEDULE I - Reconciliation of Parent Company Retained Earnings
Available for Dividend Declaration
For the Year Ended December 31, 2014

Unappropriated Retained Earnings at Beginning of Year	P	9,406,645,419
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		9,406,645,419
Net Profit Realized during the Year		
Net profit per audited financial statements		7,812,287,628
Other Transactions During the Year		
Cash dividends declared	(	3,902,534,632)
Retained Earnings Restricted for Treasury Shares		-
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**13,316,398,415**

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE J - FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2014 and 2013

	12/31/14	12/31/13
Current ratio	2.39	3.91
Quick ratio	1.40	2.62
Liabilities-to-equity ratio	0.88	0.75
Interest-bearing debt to total capitalization ratio	0.42	0.39
Asset-to-equity ratio	1.88	1.75
Interest rate coverage ratio	710%	677%
Net profit margin	16.83%	18.69%
Return on assets	5.15%	6.94%
Return on equity/investment	9.71%	12.12%
Return on investment of equity owners	10.47%	15.99%

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

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

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

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

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

Schedule K

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as at December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans**	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments* *(effective January 1, 2018)*			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 Transition Disclosures*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2018)*			✓

Schedule K

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative* *(effective January 1, 2016)*			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 – Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions* *(effective July 1, 2014)*			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

Schedule K

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions**	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives**	✓		
	Amendment to PAS 39: Eligible Hedged Items**	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting**			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC – 14, Prepayments of a Minimum Funding Requirement and their Interaction	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation **			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Levies	✓		

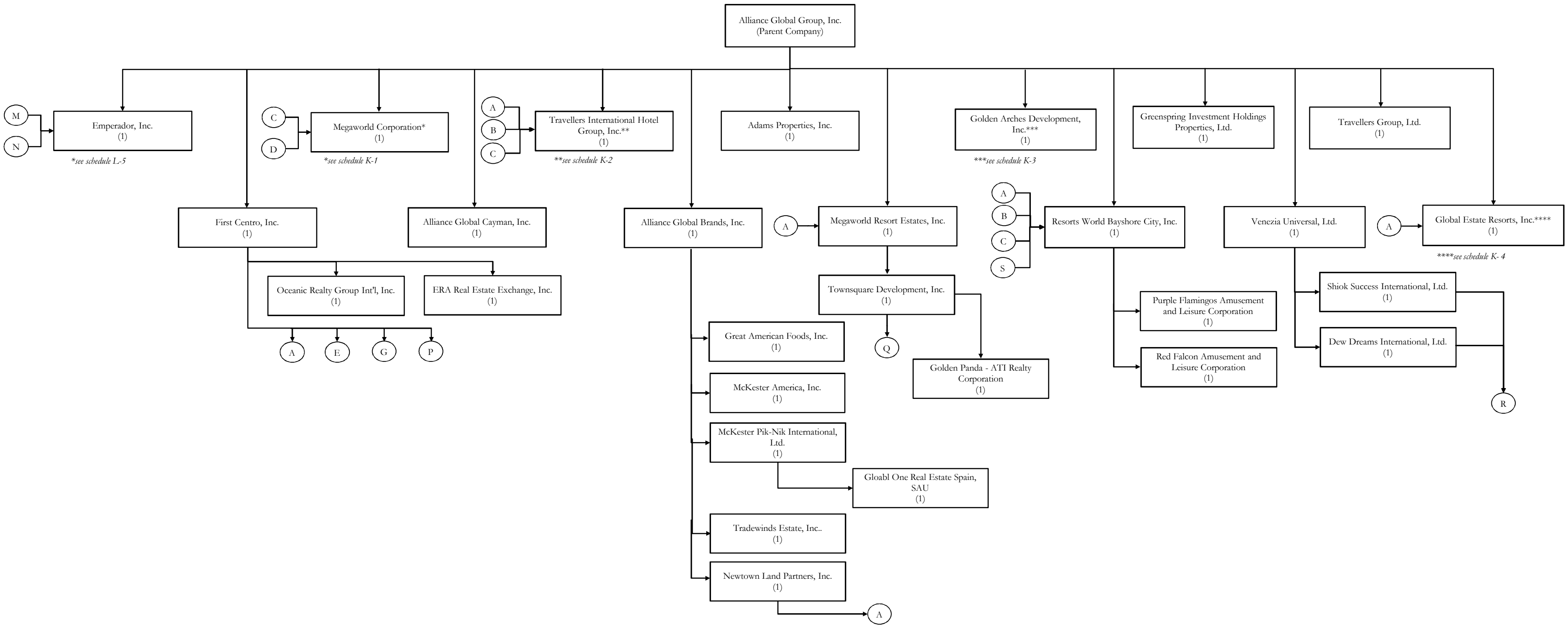
Schedule K

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance – No Specific Relation to Operating Activities			✓
SIC-12	Consolidation – Special Purpose Entities			✓
	Amendment to SIC – 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases – Incentives	✓		
SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue – Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets – Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2014 and are not early adopted by the Group.

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

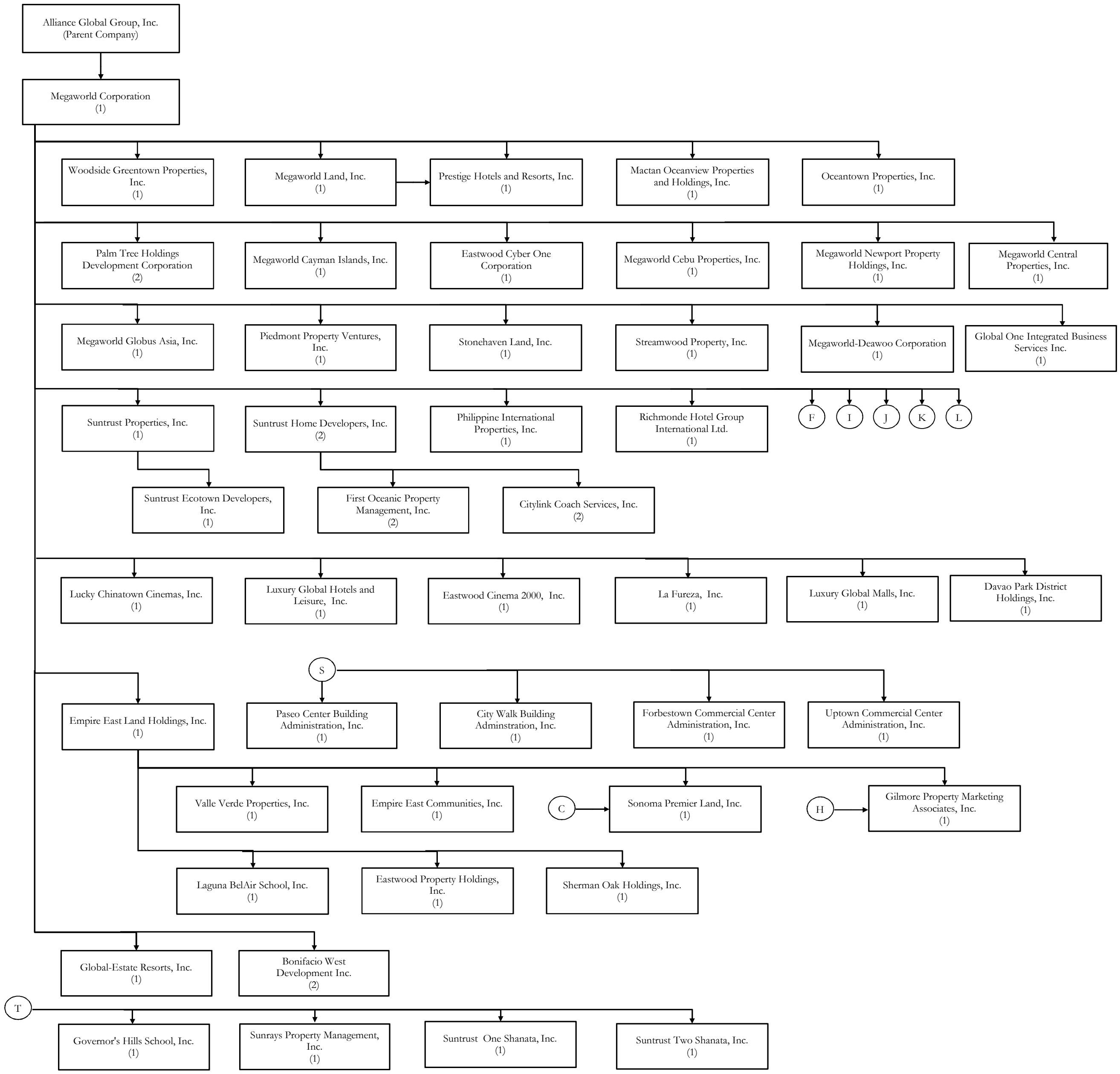
ALLIANCE GLOBAL GROUP, INC.
Schedule L
Map Showing the Relationship Between the Company and its Related Entities
December 31, 2014



Legend

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

ALLIANCE GLOBAL GROUP, INC.
Schedule L-1
Map Showing the Relationship Between the Company and its Related Entities
December 31, 2014



Legend

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

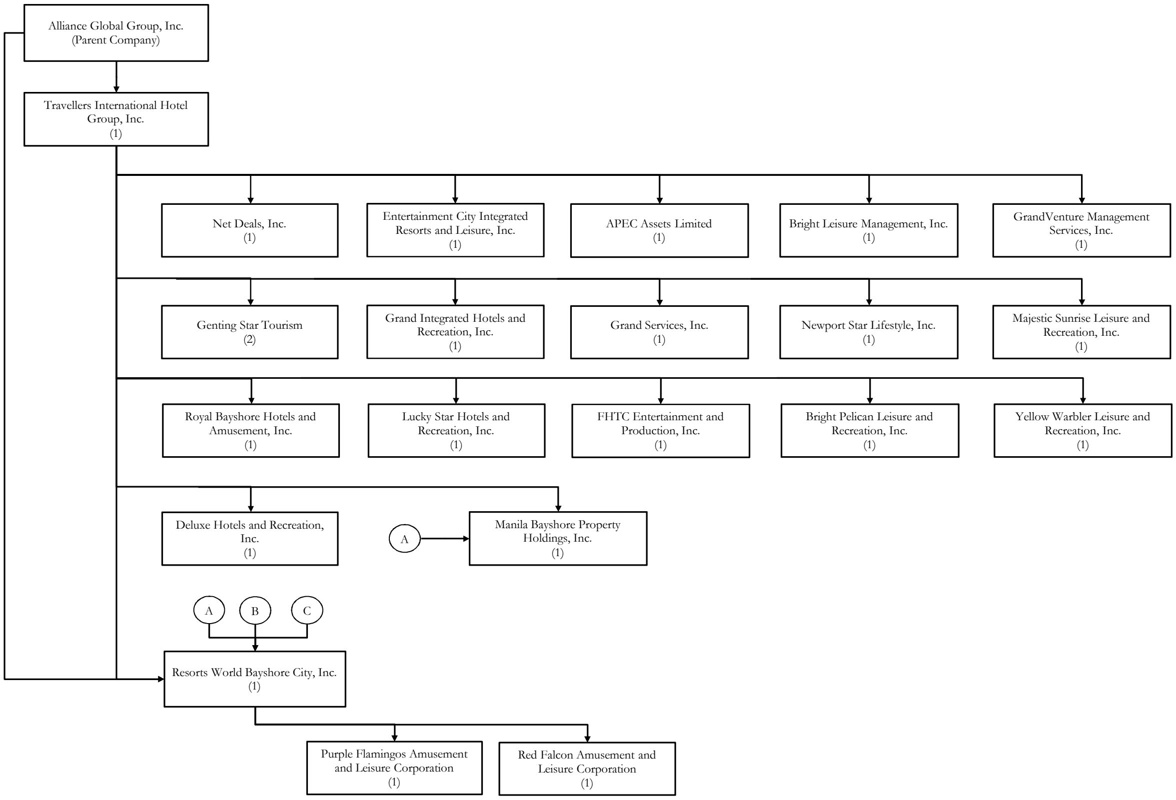
A	Megaworld, Corp.	J	Twin Lakes Corporation	S	Megaworld Land Inc.
B	Adams Properties, Inc.	K	Megaworld Global-Estates, Inc.	T	Suntrust Properties, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.		
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.		
E	Travellers International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

ALLIANCE GLOBAL GROUP, INC.

Schedule L-2

Map Showing the Relationship Between the Company and its Related Entities

December 31, 2014



Legend

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

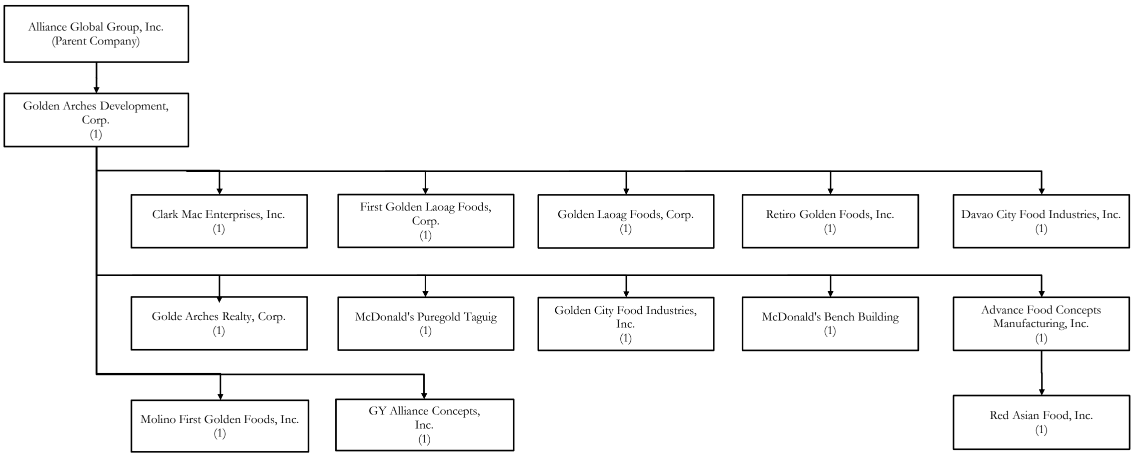
A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global-Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International,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

ALLIANCE GLOBAL GROUP, INC.

Schedule L-3

Map Showing the Relationship Between the Company and its Related Entities

December 31, 2014



Legend

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

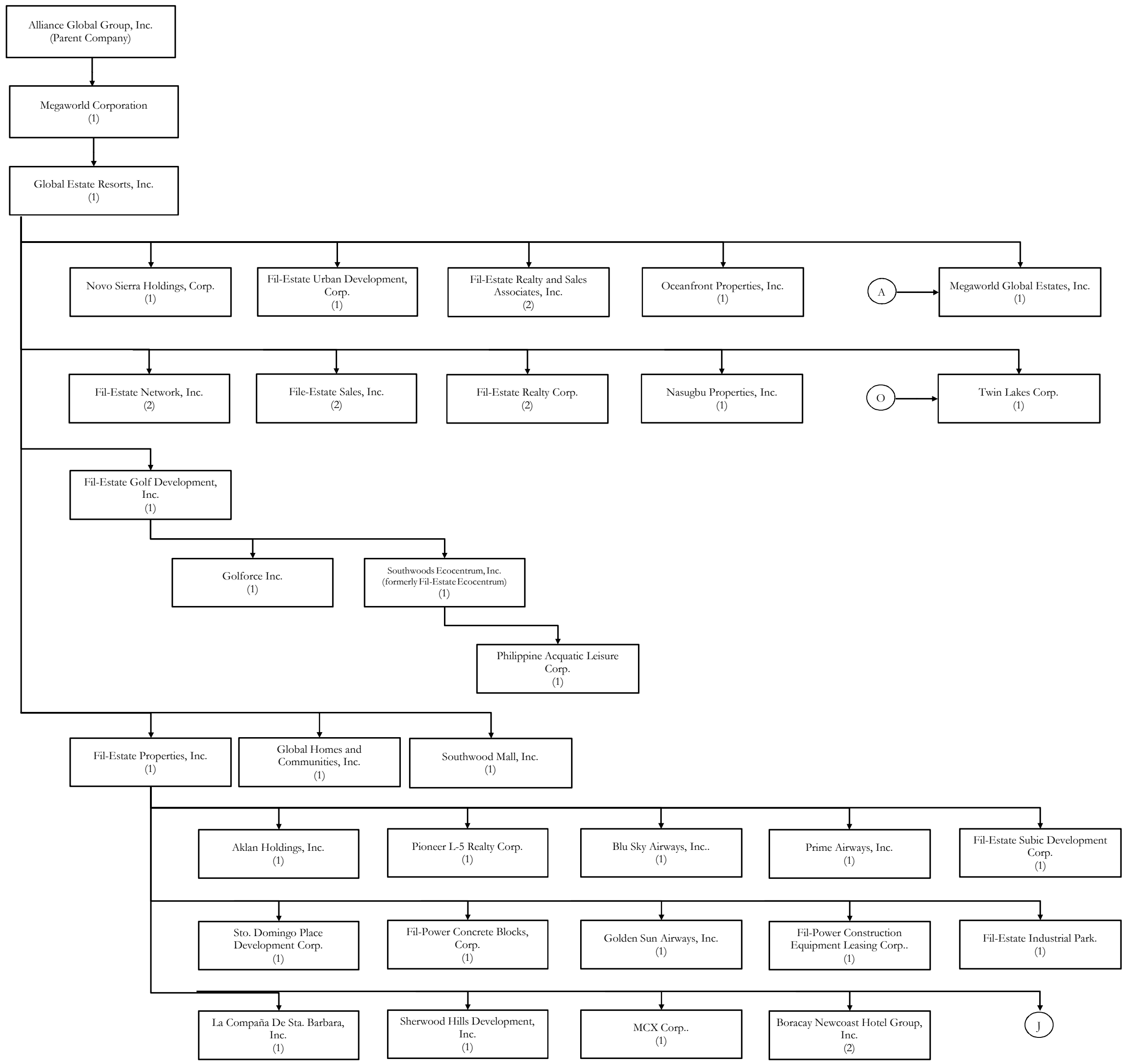
A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global-Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International,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

ALLIANCE GLOBAL GROUP, INC.

Schedule L-4

Map Showing the Relationship Between the Company and its Related Entities

December 31, 2014



Legend

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

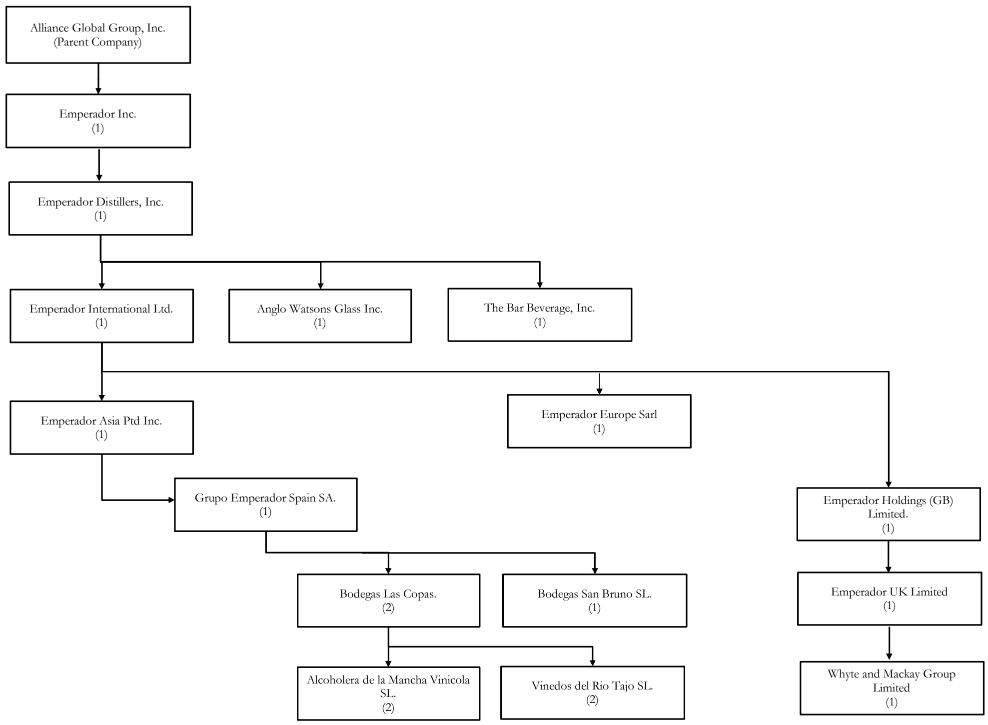
A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Globa- Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International,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

ALLIANCE GLOBAL GROUP, INC.

Schedule L-5

Map Showing the Relationship Between the Company and its Related Entities

December 31, 2014



Legend

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

ALLIANCE GLOBAL GROUP, INC.

INTERIM FINANCIAL STATEMENTS

AS OF 31 MARCH 2015

COVER SHEET

SEC Registration Number

A	S	0	9	3	-	7	9	4	6	

Company Name

ALLIANCE GLOBAL GROUP, INC.
AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	*Certificate of Permit to Offer Securities for Sale*

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
intingdin@yahoo.com	709-2038 to 41	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,272	SEPTEMBER 3RD TUESDAY	DECEMBER 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
DINA INTING	intingdin@yahoo.com	709-2038 to 41	

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. *For the quarterly period ended* **March 31, 2015**

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

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

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

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

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

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

8. **(632) 70920-38 to -41**
Registrant's telephone number, including area code

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

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

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

11. *(a) AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.*

(b) AGI has been subject to such filing requirements for the past ninety (90) days.

PART I – FINANCIAL INFORMATION

1. FINANCIAL STATEMENTS

Consolidated Statements of Financial Position
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to Interim Consolidated Financial Statements
Schedule of Financial Soundness Indicators
Aging Schedule of Trade and Other Receivables Under Current Assets

The interim consolidated financial statements (ICFS) have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2014 (ACFS). The accounting policies and methods used in the ICFS are consistent with those applied in ACFS, except for changes brought about by the adoption of new standards that become effective on January 1, 2015 (see Note 2 to the ICFS).

Accounting estimates, assumptions and judgments are used in preparing these statements; and while these are believed to be reasonable under the circumstances, actual results may ultimately differ from such estimates (see Note 2).

The ICFS comprise the financial statements of the Company and its subsidiaries, after elimination of material intercompany transactions. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and these are presented at cost as a deduction in the consolidated statements of changes in equity. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital (APIC).

Business Segments

The Group is organized into four major business segments, which aptly correspond to its operating subsidiaries, namely Megaworld, Emperador, Travellers or RWM, and GADC, which in turn represent the main products and services provided by the Group and the lines of business in which the Group operates, i.e. real estate development and leasing, manufacture and distribution of distilled spirits, tourism-entertainment and gaming and quick-service restaurants operations (see Note 4).

Please refer to Note 1 to the ICFS and ACFS for a comprehensive list of subsidiaries, associates and joint ventures.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF INTERIM FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Key Performance Indicators

Presented below are the top five (5) key performance indicators:

In Million Philippine Pesos

	Jan- March 2015	Jan- March 2014	*Growth*
REVENUES	**32,307**	**31,230**	3.45%
Non-recurring Gain*		(604)	
Excl. Non-recurring Gain	32,307	30,626	5.49%
NET PROFIT	**5,576**	**6,254**	-10.84%
Non-recurring Gain*		(604)	
Excl. Non-recurring Gain	5,576	5,650	-1.31%
NET PROFIT TO OWNERS OF AGI	**3,476**	**3,943**	-11.84%
Non-recurring Gain*		(604)	
Excl. Non-recurring Gain	3,476	3,339	4.10%
		Dec 31, 2014	
TOTAL ASSETS	412,307	409,619	0.66%
CURRENT ASSETS	215,228	220,868	-2.55%
CURRENT LIABILITIES	83,968	92,541	-9.26%
Net profit rate	17.26%	20.03%	
Recurring NP rate	17.26%	18.09%	
NP Attributable to parent	10.76%	12.63%	
Recurring NP attributable to parent	10.76%	10.69%	
Return on investment/assets	1.35%	1.86%	
Current ratio	2.56x	2.39x	
Quick ratio	1.45x	1.40x	

*In 2014, MEG reported P603.8 million one-time gain on acquisition of a subsidiary.

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

Results of Operations – First Quarter

By Subsidiary groups:

	MEG	EMP	RWM	GADC	Others	TOTAL
2015						
Revenues	10,471	8,895	7,612	4,782	601	**32,361**
Intercompany	-39	0	0	0	-15	
Consolidated	**10,432**	**8,895**	**7,612**	**4,782**	**586**	**32,307**
% contribution	32%	28%	24%	15%	1.00%	100.00%
Costs and expenses	7,381	7,134	5,860	4,520	641	**25,536**
Intercompany	0	0	0	0	-15	
Consolidated	**7,381**	**7,134**	**5,860**	**4,520**	**626**	**25,521**
Net profit	2,349	1,401	1,745	161	-40	**5,616**
Intercompany	-39	0	0	0		
Consolidated	**2,310**	**1,401**	**1,745**	**161**	**-40**	**5,577**
% contribution	41%	25%	31%	3%	-0.70%	100%
Net profit to owners	**2,259**	**1,401**	**1,745**	**160**	**-40**	**5,525**
Intercompany and conso adjustment	**-775**	**-260**	**-933**	**-81**		
Consolidated	**1,484**	**1,141**	**812**	**79**	**-40**	**3,476**
% contribution	43%	33%	23%	2%	-1%	100%
2014						
Revenues	9,946	7,694	8,052	4,361	1,452	**31,505**
Intercompany	-204	0	0	0	-71	
Consolidated	**9,742**	**7,694**	**8,052**	**4,361**	**1,381**	**31,230**
% contribution	31%	25%	26%	14%	4%	100%
Costs and expenses	6,614	5,467	6,325	4,141	1,196	**23,743**
Intercompany	0	0	0	0	-33	
Consolidated	**6,614**	**5,467**	**6,325**	**4,141**	**1,163**	**23,710**
Net profit	2,692	1,717	1,718	171	199	**6,497**
Intercompany and conso adjustment	-204	0	0	0	-39	
Consolidated	**2,488**	**1,717**	**1,718**	**171**	**160**	**6,254**
% contribution	40%	27.50%	27.50%	2%	3%	100%
Net profit to owners	**1,518**	**1,503**	**717**	**85**	**120**	**3,943**
% contribution	39%	38%	18%	2%	3%	100%
Year-on-year Change						
Revenues	7.07%	15.60%	-5.47%	9.65%	-57.46%	3.45%
Costs and expenses	11.59%	30.50%	-7.34%	9.14%	-46.17%	7.64%
Net profit	-7.19%	-18.40%	1.57%	-6.17%	-124.84%	-10.84%
Net profit to owners	-2.21%	-24.07%	13.23%	-7.81%	-133.06%	-11.84%

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

Profit and loss accounts:

	2015	2014	Growth
REVENUES			
Sale of goods	16,446	15,006	9.59%
Consumer goods	8,781	7,762	13.14%
Revenues from real estate (RE) sales	7,665	7,244	5.80%
RE sales	6,239	5,865	6.38%
Realized gross profit on RE sales	980	990	-1.16%
Interest income on RE sales	446	389	14.67%
Rendering of services	14,878	14,298	4.06%
Gaming	6,796	7,210	-5.74%
Sales by company-operated quick-service restaurant	4,337	3,993	8.60%
Franchise revenues	422	311	35.46%
Rental income	1,997	1,720	16.16%
Other services	1,326	1,064	24.68%
Hotel operations	751	776	-3.23%
Other services	575	288	99.92%
Share in net profits of associates and joint ventures	71	1	n/m
Finance and other income	912	1,925	-52.63%
TOTAL	32,307	31,230	3.45%
COSTS AND EXPENSES			
Cost of goods sold	11,312	9,683	16.82%
Consumer goods sold	6,398	4,884	30.98%
RE sales	3,653	3,480	5.00%
Deferred gross profit on RE sales	1,261	1,319	-4.40%
Cost of services	6,652	6,286	5.83%
Gaming-license fees, promo allowances	2,216	2,168	2.24%
Services	4,436	4,118	7.72%
Other operating expenses	6,118	5,877	4.10%
Selling and marketing	2,160	2,991	-27.77%
General and administrative	3,958	2,886	37.14%
Finance costs and other charges	1,439	1,864	-22.80%
TOTAL	25,521	23,710	7.64%

The Group maintained the same level of net profit at P5.6 billion, minus one-time gains year-on-year. This was achieved on consolidated revenues of P32.3 billion which is 5.5% higher than P30.6 billion a year ago. Net profit that went to owners totaled P3.5 billion, up 4.1% over last year's P3.3 billion.

All businesses showed profitable results and contributions.

Megaworld posted net profit of P2.35 billion in the first quarter this year from P2.09 billion a year ago, which is 12.48% growth from recurring operations year-on-year. In same period last year, it reported P603.8 million one-time gain from acquisition of a subsidiary. Residential sales from various townships across the country remained strong and leasing income from its office and retail portfolio continued to grow in the first quarter, such that recurring revenues went up by 12.08% to P10.47 billion from P9.34 billion a year ago. Fifty percent of sales came from McKinley Hill, Uptown Bonifacio, and Newport City while GERI, ELI and Suntrust contributed 36% of total sales. Two new township projects were launched in Bacolod, Negros Occidental – the Upper East and Northhill over a total land area of 84 hectares – which bring the total number of township developments under the LIVE-WORK-PLAY-LEARN lifestyle communities to 17. Rental income from office developments and lifestyle malls reached an all-time high of P1.99 billion which is 16.37% higher than last year's P1.71 billion. These operating results brought in 32% and 41% of AGI's consolidated revenues and net profit, respectively.

Emperador ended the first three months of the year with net profit of P1.40 billion, on the back of P8.89 billion revenues for a net profit rate of 15.8%. Revenues totaled P8.89 billion up 15.6% from P7.69 billion a year ago. Domestic sales volume of Emperador a year ago was extraordinarily high due to trade loading that happened in March 2014 caused by the price increase that took effect in April 2014. This, coupled with the trade loading in December 2014 caused by the price increase effective January 2015, slowed down sales volume for the current first quarter. Whyte and Mackay group (WMG) brought in additional revenues as it was consolidated full quarter this year. For this quarter, Emperador group contributed 28% and 25% of AGI's consolidated revenues and net profit, respectively.

Travellers reported net profit of P1.74 billion, up 1.57% from P1.72 billion a year ago, on gross revenues of P7.61 billion as it continues to pursue quality of earnings and operating efficiency while growing its stronghold in the mass and retail segment. Gaming revenues totaled P 6.80 billion. Daily foot traffic strengthened by 9% year-on-year despite prolonged holidays during the Pope's visit, Holy Week, and the temporary inconveniences caused by the ongoing Skyway construction, but mass segment volume got affected. Hotel occupancy rates were above 85% for the 1,226 rooms in the three hotels –Maxims Manila Hotel, Remington Hotel, and Marriott Hotel Manila. Costs and expenses remained in check as these contracted at a faster rate over last year, due to operating efficiency initiatives by management. The group accounted for 24% and 31% of AGI's consolidated revenues and net profit, respectively, in the current quarter.

GADC ended the first quarter with total revenues of P4.78 billion, up 9.65% from P4.36 billion for the same period last year. This is primarily due to the opening of 53 new restaurants (26 company-owned, 27 franchised), reimaging of 36 existing restaurants, expansion of business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of new products (BFF Mix Bundles; New Chicken McDo Plus Meals, Bacon Burgers); Limited Time Offers Products (Shake Shake fries, twister fries, Dessert campaigns), and aggressive advertising and promotional campaigns to support Everyday McSavers (Fries, Float, Sundae, Sides), McSaver Meals, Desserts and Breakfast. The 53 new restaurants contributed 10% to total system sales while business extensions comprise 22% of the total. Drive-thru is the extension which has the biggest contribution of 11% of total revenues. There were 461 restaurants operating by the end of the period, as compared to 412 restaurants a year ago. Price increases were also strategically implemented in order to mitigate the impact of increase in cost of raw materials and to maintain the level of product quality. Impact of price adjustment to gross profit is an increase of 0.5% for 2015 and 2014. Cost of sales and services went up by 9.20%, primarily due to cost of inventory which increased by 10.6% brought about by increase in sales volume, higher prices of imported raw materials and the shift in product mix. These resulted in net profit of P 161 million in the first quarter, as compared to P171 million a year ago. GADC contributed 15% and 3% to consolidated revenues and net profit of AGI and subsidiaries

Revenues from sale of goods (real estate, alcoholic beverages and snack products) were up 9.59% as a result of 13.14% and 6.38% increases in sales of consumer goods and real estate, respectively. Rendering of services (gaming, hotel, quick-service restaurants, rentals, cinemas) climbed 4.06% from contraction of gaming revenues from where almost half of service revenues come from. Real estate sales increased by 6.38% and quick-service restaurants sales were up 8.6% year-on-year.

Costs and expenses went up 7.64%. Cost of goods sold expanded by 16.82% while cost of services by 5.83% year-on-year. Other operating expenses were up by 4.10%.

Finance and other income was down by 52.63% this year because of the one-time gain on MEG's acquisition of a subsidiary which amounted to P604 million. There were also fair value gains on marked-to-market securities and gains on sale of AFS last year. **Finance costs and other charges** contracted by 22.80% due to lower forex losses from a year ago .

Income tax decreased by 4.51% this year as compared to a year ago, which is attributed to higher taxable income resulting in the higher tax expended by Travellers and Megaworld. Provision is made for the corporate income tax to be imposed by the Bureau of Internal Revenue on PAGCOR licensees.

Earnings before interest, taxes, depreciation and amortizations (EBITDA), computed as net profit before non-recurring income, share in net profits of associates and joint ventures, income taxes, interest expense, depreciation, amortizations and impairment provisions, amounted to P9.05 billion as compared to P9.02 billion a year ago, or 0.3% improvement year-on-year.

Financial Condition

Consolidated total assets amounted to P412.31 billion at end of the interim period from P409.62 billion at beginning of year. The Group is strongly liquid with current assets exceeding current liabilities 2.56times. Current assets amounted to P215.23 billion while current liabilities amounted to P83.97 billion at end of the interim period.

Cash and cash equivalents dipped by P6.33 billion or 7.71% to end at P75.73 billion from P82.06 billion at the beginning of the year, primarily due to Emperador's debt payments and property additions plus Megaworld's business expansion expenditures. Cash flows from operating, financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

Current trade and other receivables fell by P2.38 billion or 5.58% primarily due to good collections of accounts from Emperador's customers and suppliers. Noncurrent trade and other receivables grew by P1.54 billion or 5.32% due to additional RE sales during the period.

Financial assets at FVTPL went up by P942 million or 21.66% due to additional investments made during the interim period.

Other current assets increased by P316 million or 5.59% from additional prepaid expenses at Megaworld.

Advances to landowners and joint ventures increased by P485 million or 10.05% as a result of advances made during the period.

Available-for-sale financial assets went down by P592 million or 9.91% as a result of asset disposal to get fresh funds for financing purposes.

Land for future development increased by P3.39 billion or 25.69% primarily from additional acquisition of land and contribution of a new MEG subsidiary.

Trade and other payables were down by P6.40 billion or 17.01% primarily due to settlement of Emperador's settlement of year-end accrued expenses and advances, and the lower output vat payable.

Current Interest bearing loans and borrowings were reduced by P2.13 billion or 7.99% following the payment in January of foreign-currency-denominated bank loan obtained in connection with the acquisition of Whyte and Mackay in 2014; all loans incurred for such purpose were fully paid in April 2015.

Income tax payable increased by P392 million or 42.74% due to higher tax liabilities of Emperador and GADC.

Non-current Interest-bearing loans went up by P4.65 billion or 57.86% due to additional loan availed by Megaworld.

Liquidity and Capital Resources

The consolidated balance sheet showed strong liquidity with current assets exceeding current liabilities 2.56times. Total-liabilities-to-equity ratio is at 0.84:1. Assets exceeded liabilities 2.2 times, and equity 1.8times.

Working capital was sourced internally from operations during the period. In addition, the Group has net cash position that will enable it to pursue strategic activities. It may also from time to time seek other sources of funding, if necessary, which may include debt or equity financings, depending on its financing requirement and market conditions.

Amounts in Million Pesos	March 31,2015	Dec 31, 2014
Cash and equivalents	75,730	82,059
Interest-bearing debt –current	29,529	31,661
Interest-bearing debt- noncurrent*	69,714	64,980
Net cash (debt)	-23,513	-14,582
Cash and cash equivalents to interest-bearing debt	76%	85%%
Interest-bearing debt to total equity	44%	44%

*Includes equity-linked securities presented under Other Non-current liabilities.

Prospects for the future

AGI remains concentrated on its business programs. Management will continue to adopt prudent measures to ensure financial sustainability and look for new opportunities that will enhance the overall profitability of the group while maintaining the established markets. In 2015, all the business segments are expected to grow revenues and profits in line with targets. Megaworld is aggressively building more townships this year, aiming to end 2015 with 20 township developments. Emperador will have its busiest year so far with eight product launches in the offing. Travellers will have more hotels, additional gaming area and retail space by 2017. And, GADC targets 500 branches nationwide by end-2015.

Others

There were no known material events subsequent to the end of the interim period that would have a material impact in the interim period.

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

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

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

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

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

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

SIGNATURE

Pursuant to the requirements of Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Alliance Global Group, Inc.
Issuer

By:

DINA D.R. INTING
Chief Financial Officer/
Corporate Information Officer/
Principal Accounting Officer
May 19, 2015

ALLIANCE GLOBAL GROUP, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
March 31, 2015

	3/31/15	12/31/14
Current ratio	2.56	2.39
Quick ratio	1.45	1.40
Liabilities-to-equity ratio	0.84	0.88
Interest-bearing debt to total capitalization ratio	0.43	0.43
Asset -to-equity ratio	1.84	1.88
		3/31/14
Interest rate coverage ratio	652%	719%
Net profit margin	17.26%	20.03%
Return on assets	1.35%	1.86%
Return on equity/investment	2.49%	3.17%
Return on equity/investment of owners	2.69%	3.53%

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

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

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

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

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015 AND DECEMBER 31, 2014
(Amounts in Philippine Pesos)

		March 31, 2015 (UNAUDITED)		December 31, 2014 (AUDITED)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**75,729,705,741**	P	82,058,836,647
Trade and other receivables - net		**40,326,450,200**		42,708,285,496
Financial assets at fair value through profit or loss		**5,293,530,576**		4,351,221,441
Inventories - net		**76,034,014,007**		73,706,121,918
Property development costs		**11,874,905,726**		12,390,474,097
Other current assets		**5,969,790,379**		5,653,565,184
Total Current Assets		**215,228,396,629**		220,868,504,783
NON-CURRENT ASSETS				
Trade and other receivables - net		**30,451,535,433**		28,914,555,021
Advances to landowners and joint ventures		**5,308,693,518**		4,823,705,981
Available-for-sale financial assets		**5,380,476,077**		5,972,087,128
Land for future development		**16,606,602,669**		13,212,623,684
Investments in and advances to associates and other related parties		**7,983,801,190**		8,157,122,260
Property, plant and equipment - net		**56,470,637,104**		54,218,737,647
Investment property - net		**39,047,934,307**		37,742,292,122
Intangible assets - net		**29,715,879,725**		29,744,925,357
Deferred tax assets		**773,263,991**		775,835,966
Other non-current assets		**5,339,579,038**		5,188,534,145
Total Non-current Assets		**197,078,403,052**		188,750,419,311
TOTAL ASSETS	**P**	**412,306,799,681**	P	409,618,924,094

- 2 -

		March 31, 2015 (UNAUDITED)		December 31, 2014 (AUDITED)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	**P**	**31,230,559,223**	P	37,631,587,475
Interest-bearing loans		**24,529,184,449**		26,660,576,448
Bonds payable		**5,000,000,000**		5,000,000,000
Income tax payable		**1,308,810,922**		916,910,601
Other current liabilities		**21,899,282,721**		22,331,619,569
Total Current Liabilities		**83,967,837,315**		92,540,694,093
NON-CURRENT LIABILITIES				
Interest-bearing loans		**12,689,726,997**		8,038,681,649
Bonds payable		**51,769,787,755**		51,687,525,333
Advances from related parties		**890,719,281**		903,152,243
Retirement benefit obligation		**2,734,748,122**		2,736,675,951
Redeemable preferred shares		**1,877,548,684**		1,854,419,622
Deferred tax liabilities - net		**10,464,179,157**		10,259,066,064
Other non-current liabilities		**24,374,977,456**		24,115,293,267
Total Non-current Liabilities		**104,801,687,452**		99,594,814,129
Total Liabilities		**188,769,524,767**		192,135,508,222
EQUITY				
Equity attributable to owners of the parent company		**129,160,758,179**		126,497,113,102
Non-controlling interest		**94,376,516,735**		90,986,302,770
Total Equity		**223,537,274,914**		217,483,415,872
TOTAL LIABILITIES AND EQUITY	**P**	**412,306,799,681**	P	409,618,924,094

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(Amounts in Philippine Pesos)
(UNAUDITED)

	2015	2014
REVENUES		
Sale of goods	**P 16,445,967,815**	P 15,006,417,388
Rendering of services	**14,878,121,593**	14,297,943,896
Share in net profits of associates and joint ventures - net	**71,222,523**	1,303,801
Finance and other income	**911,616,158**	1,924,578,580
	32,306,928,089	31,230,243,665
COSTS AND EXPENSES		
Cost of goods sold	**11,311,896,238**	9,682,790,519
Cost of services	**6,652,196,385**	6,285,863,280
Other operating expenses	**6,118,212,995**	5,877,020,632
Finance costs and other charges	**1,438,948,183**	1,863,919,057
	25,521,253,801	23,709,593,488
PROFIT BEFORE TAX	**6,785,674,288**	7,520,650,177
TAX EXPENSE	**1,209,567,839**	1,266,663,326
NET PROFIT	**5,576,106,449**	6,253,986,851
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequently to profit or loss		
Net unrealized fair value gains (losses) on available-for-sale financial assets	**(652,984,307)**	(15,268,767)
Translation adjustments	**(172,721,988)**	(54,673,663)
	(825,706,295)	(69,942,430)
TOTAL COMPREHENSIVE INCOME	**P 4,750,400,154**	P 6,184,044,421
Net profit attributable to:		
Owners of the parent company	**P 3,475,960,417**	P 3,942,854,247
Non-controlling interest	**2,100,146,032**	2,311,132,604
	P 5,576,106,449	P 6,253,986,851
Total comprehensive income attributable to:		
Owners of the parent company	**P 2,650,254,122**	P 3,872,911,817
Non-controlling interest	**2,100,146,032**	2,311,132,604
	P 4,750,400,154	P 6,184,044,421
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company :		
Basic	**P 0.3426**	P 0.3900
Diluted	**P 0.3403**	P 0.3882

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(Amounts in Philippine Pesos)
(UNAUDITED)

	2015	2014
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY		
Capital Stock	**P 10,269,827,979**	P 10,269,827,979
Additional Paid-in Capital	**34,395,380,979**	33,611,840,432
Treasury Shares - at cost	**(936,157,074)**	(955,217,410)
Net Actuarial Losses on Retirement Benefit Plan	**(523,047,616)**	(207,484,076)
Net Unrealized Losses on Available-for-Sale Securities		
Balance at beginning of year	**(507,112,055)**	(906,447,446)
Net unrealized fair value gains (losses) during the year	**(652,984,307)**	(15,268,767)
Balance at end of year	**(1,160,096,362)**	(921,716,213)
Accumulated Translation Adjustments		
Balance at beginning of year	**(1,692,314,380)**	(903,939,309)
Currency translation adjustments during the year	**(172,721,988)**	(54,673,663)
Balance at end of year	**(1,865,036,368)**	(958,612,972)
Balance carried forward	**P 40,180,871,538**	P 40,838,637,740

- 2 -

	2015	2014
Balance brought forward	**P 40,180,871,538**	P 40,838,637,740
Dilution Gain	**19,980,402,684**	10,974,217,660
Share Options		
Balance at beginning of year	**577,813,280**	264,469,448
Share-based compensation expense recognized during the year	**13,390,955**	14,185,288
Balance at end of year	**591,204,235**	278,654,736
Retained Earnings		
Appropriated	**1,225,000,000**	2,145,000,000
Unappropriated		
Balance at beginning of year	**63,707,319,305**	53,400,459,760
Net profit for the year	**3,475,960,417**	3,942,854,247
Appropriation during the year	**(1,225,000,000)**	-
Reversal of appropriation during the year	**1,225,000,000**	-
Balance at end of year	**67,183,279,722**	57,343,314,007
Total Retained Earnings	**68,408,279,722**	59,488,314,007
Total	**129,160,758,179**	111,579,824,143
NON-CONTROLLING INTEREST		
Balance at beginning of year	**90,986,302,770**	82,528,918,594
Non-controlling interest in additional investments	**1,290,067,933**	878,679,749
Share in consolidated comprehensive income	**2,100,146,032**	2,311,132,604
Dividend from investee	**-**	(106,641,853)
Balance at end of year	**94,376,516,735**	85,612,089,094
TOTAL EQUITY	**P 223,537,274,914**	P 197,191,913,237

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THREE MONTHS ENDED MARCH 31, 2015 AND 2014
(Amounts in Philippine Pesos)
(UNAUDITED)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 6,785,674,288	P 7,520,650,177
Adjustments for:		
Interest expense	1,229,340,261	1,118,166,714
Depreciation and amortization	1,087,705,923	988,423,714
Interest income	(549,293,697)	(631,137,501)
Share in net losses (profits) of associates and joint ventures	(71,222,523)	(1,303,801)
Fair value gains - net	(68,540,830)	(293,148,017)
Impairment and other losses	18,577,195	2,909,313
Unrealized foreign currency losses	14,924,863	193,033,753
Stock option benefit expense	13,390,955	14,185,288
Unrealized loss on interest rate swap	3,585,840	10,030,630
Loss (gain) on disposal of property, plant and equipment, investment property and intangible assets	1,449,816	(1,605,457)
Gain on sale of investment in available-for-sale financial assets	(1,294,239)	(120,858,951)
Income from acquisition and deconsolidation of subsidiaries	-	(603,798,026)
Dividend income	-	(2,283,293)
Preacquisition loss	-	5,203,508
Operating income before working capital changes	8,464,297,852	8,198,468,051
Increase in trade and other receivables	(825,453,037)	(6,027,739,350)
Decrease (increase) in financial assets at fair value through profit or loss	(797,672,250)	2,728,687,985
Increase in inventories	(1,063,389,054)	(1,823,265,170)
Decrease (increase) in property development costs	(706,214,426)	126,453,118
Increase in other current assets	(347,771,276)	(92,383,547)
Decrease in trade and other payables	(6,182,318,283)	(738,373,354)
Increase (decrease) in other current liabilities	(377,670,609)	702,286,100
Increase (decrease) in retirement benefit obligation	(7,858,588)	52,531,027
Increase (decrease) in other non-current liabilities	(128,421,422)	1,084,129,274
Cash generated from operations	(1,972,471,093)	4,210,794,134
Cash paid for taxes	(582,540,804)	(707,698,361)
Net Cash From (Used in) Operating Activities	(2,555,011,897)	3,503,095,773
Balance carried forward	(P 2,555,011,897)	P 3,503,095,773

- 2 -

	2015	2014
Balance brought forward	(P 2,555,011,897)	P 3,503,095,773
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(3,179,650,415)	(2,280,054,765)
Investment in and advances to associates	(1,671,610,388)	(4,688,970,417)
Investment property	(1,530,241,693)	-
Available-for-sale financial assets	(1,200,428,017)	-
Land for future development	(375,732,375)	(299,323,951)
Other non-current assets	(151,044,893)	(291,240,024)
Intangible assets	-	(4,204,918)
Proceeds from:		
Collections of advances from associates and other related parties	253,503,975	-
Disposal of property, plant and equipment	136,968,306	54,975,470
Sale of available-for-sale financial assets	-	316,719,453
Advances to landowners and joint ventures	(484,987,537)	(2,722,720)
Interest received	321,383,239	608,419,040
Advances granted to associates and other related parties	(9,320,396)	-
Cash dividends received	-	2,283,293
Net Cash Used in Investing Activities	(7,891,160,194)	(6,584,119,539)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing loans and bonds	4,929,807,128	-
Payment of interest-bearing loans	(2,143,381,566)	(5,287,028,847)
Advances collected and received from related parties	1,635,201,368	994,672,358
Interest paid	(266,772,213)	(963,287,182)
Advances granted and paid to related parties	(37,813,532)	(403,542,102)
Dividends paid	-	(106,641,853)
Net Cash From (Used in) Financing Activities	4,117,041,185	(5,765,827,626)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,329,130,906)	(8,846,851,392)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	82,058,836,647	94,977,525,445
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARIES	-	235,935,209
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 75,729,705,741	P 86,366,609,262

Supplemental Information on Non-cash Investing and Financing Activities:

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

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015
(With Comparative Figures as of December 31, 2014)
(Amounts in Philippine Pesos)
(Unaudited)

1. CORPORATE INFORMATION

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

			Percentage of Effective Ownership of AGI		
Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	**March 2015**	December 2014	December 2013
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation	Megaworld	(a)	**67%**	67%	65%
Megaworld Resort Estates, Inc.		(b)	**83%**	83%	82%
Sonoma Premiere Land, Inc.		(c)	**73%**	73%	62%
Megaworld Land, Inc.			**67%**	67%	65%
Prestige Hotels and Resorts, Inc.			**67%**	67%	65%
Mactan Oceanview Properties and Holdings, Inc.			**67%**	67%	65%
Megaworld Cayman Islands, Inc.		(d)	**67%**	67%	65%
Richmonde Hotel Group International Ltd.		(e)	**67%**	67%	65%
Eastwood Cyber One Corporation			**67%**	67%	65%
Megaworld Cebu Properties, Inc.			**67%**	67%	65%
Megaworld Newport Property Holdings, Inc.			**67%**	67%	65%
Oceantown Properties, Inc.			**67%**	67%	65%
Piedmont Property Ventures, Inc.			**67%**	67%	65%
Stonehaven Land, Inc.			**67%**	67%	65%
Streamwood Property, Inc.			**67%**	67%	65%
Suntrust Properties, Inc.			**67%**	67%	65%
Lucky Chinatown Cinemas, Inc.			**67%**	67%	65%
Luxury Global Hotels and Leisures, Inc.			**67%**	67%	65%
Suntrust Ecotown Developers, Inc.			**67%**	67%	65%
Woodside Greentown Properties, Inc.			**67%**	67%	65%
Citywalk Building Administration, Inc.		(f)	**67%**	67%	-
Forbestown Commercial Center Administration, Inc.		(f)	**67%**	67%	-
Paseo Center Building Administration, Inc.		(f)	**67%**	67%	-
Uptown Commercial Center Administration, Inc.		(f)	**67%**	67%	-
Global One Integrated Business Services, Inc.		(f)	**67%**	67%	-
Luxury Global Malls, Inc.		(f)	**67%**	67%	-
Davao Park District Holdings Inc.		(f)	**67%**	67%	-
Governor's Hills Science School, Inc.		(f)	**67%**	67%	-
Sunrays Properties Management, Inc.		(f)	**67%**	67%	-
Suntrust One Shanata, Inc.		(f)	**67%**	67%	-
Suntrust Two Shanata, Inc.		(f)	**67%**	67%	-
Bacolod Murcia Milling Co., Inc.	BMMCI	(g)	**62%**	-	-

Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI March 2015	December 2014	December 2013
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Global-Estate, Inc.		(h)	**59%**	59%	65%
Manila Bayshore Property Holdings, Inc.		(i)	**57%**	57%	52%
Empire East Land Holdings, Inc.	EELHI		**55%**	55%	53%
Valle Verde Properties, Inc.		(j)	**55%**	55%	53%
Empire East Communities, Inc.		(j)	**55%**	55%	53%
Sherman Oak Holdings, Inc.		(j)	**55%**	55%	53%
Eastwood Property Holdings, Inc.		(j)	**55%**	55%	53%
Global-Estate Resorts, Inc.	GERI	(k)	**54%**	54%	65%
Fil-Estate Properties, Inc.	FEPI		**54%**	54%	65%
Aklan Holdings Inc.			**54%**	54%	65%
Blu Sky Airways, Inc.			**54%**	54%	65%
Fil-Estate Subic Development Corp.			**54%**	54%	65%
Fil-Power Construction Equipment Leasing Corp.			**54%**	54%	65%
Golden Sun Airways, Inc.			**54%**	54%	65%
La Compaña De Sta. Barbara, Inc.			**54%**	54%	65%
MCX Corporation			**54%**	54%	65%
Pioneer L-5 Realty Corp.			**54%**	54%	65%
Prime Airways, Inc.			**54%**	54%	65%
Sto. Domingo Place Development Corp.			**54%**	54%	65%
Fil-Power Concrete Blocks Corp.			**54%**	54%	65%
Fil-Estate Golf and Development, Inc			**54%**	54%	65%
Golforce, Inc.			**54%**	54%	65%
Fil-Estate Urban Development Corp.			**54%**	54%	65%
Novo Sierra Holdings Corp.			**54%**	54%	65%
Southwood Mall Inc.			**54%**	54%	-
Global Homes and Communities, Inc.			**54%**	54%	-
Megaworld Central Properties, Inc.			**51%**	51%	50%
Townsquare Development, Inc.			**50%**	50%	49%
Golden Panda-ATI Realty Corporation		(f)	**50%**	50%	-
Twin Lakes Corp.			**45%**	45%	45%
La Fuerza, Inc.	LFI	(f)	**45%**	45%	-
Fil-Estate Industrial Park, Inc.			**43%**	43%	51%
Megaworld-Daewoo Corporation			**40%**	40%	39%
Laguna Bel-Air School, Inc.		(j)	**40%**	40%	38%
Eastwood Cinema 2000, Inc.			**37%**	37%	35%
Gilmore Property Marketing Associates Inc.			**35%**	35%	47%
Megaworld Globus Asia, Inc.			**34%**	34%	33%
Philippine International Properties, Inc.			**34%**	34%	32%
Sherwood Hills Development Inc.			**30%**	30%	36%
Fil-Estate Ecocentrum Corp.			**30%**	30%	36%
Philippine Aquatic Leisure Corp.			**30%**	30%	36%
Oceanfront Properties, Inc.			**27%**	27%	32%
Boracay Newcoast Hotel Group, Inc.	BNHGI	(l)	**-**	-	65%
Emperador and subsidiaries					
Emperador Inc.	EMP or Emperador	(m)	**81%**	81%	88%
Emperador Distillers, Inc.	EDI		**81%**	81%	88%
Emperador International Ltd.		(e)	**81%**	81%	88%
Anglo Watsons Glass, Inc.	AWGI	(n)	**63%**	81%	88%
The Bar Beverage, Inc.			**81%**	81%	88%
Bodega San Bruno, SL	BSB	(o)	**81%**	81%	88%
Emperador Europe SARL	EES	(o)	**81%**	81%	88%
Emperador Asia Pte Ltd.	EA	(o)	**81%**	81%	-
Grupo Emperador Spain, S.A.	GES	(o)	**81%**	81%	-
Emperador Holdings (GB) Limited.	EGB	(o)	**81%**	81%	-
Emperador UK Limited	EUK	(o)	**81%**	81%	-
Whyte and Mackay Group Limited	WMG	(o)	**81%**	81%	-
Whyte and Mackay Limited	WML	(o)	**81%**	81%	-
Whyte and Mackay Warehousing Ltd.		(p)	**81%**	81%	-

Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI March 2015	December 2014	December 2013
Subsidiaries					
GADC and subsidiaries					
Golden Arches Development Corporation	GADC		**49%**	49%	49%
Golden Arches Realty Corporation			**49%**	49%	49%
Clark Mac Enterprises, Inc.			**49%**	49%	49%
Advance Food Concepts Manufacturing, Inc.			**46%**	46%	46%
Golden Laoag Foods Corporation			**38%**	38%	38%
Davao City Food Industries, Inc.			**37%**	37%	37%
First Golden Laoag Ventures			**34%**	34%	34%
Retiro Golden Foods, Inc.			**34%**	34%	34%
Red Asian Food Solutions			**37%**	37%	34%
McDonald's Anonas City Center		(q)	**34%**	34%	34%
McDonald's Puregold Taguig		(q)	**29%**	29%	29%
Golden City Food Industries, Inc.	GCFII	(q)	**29%**	29%	-
McDonald's Bench Building		(q)	**27%**	27%	27%
Molino First Golden Foods, Inc.		(r)	**26%**	26%	-
GY Alliance Concepts, Inc.		(r)	**19%**	19%	-
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.	Travellers	(s)	**47%**	47%	42%
APEC Assets Limited			**47%**	47%	42%
Bright Leisure Management, Inc.			**47%**	47%	42%
Deluxe Hotels and Recreation, Inc.			**47%**	47%	42%
Entertainment City Integrated Resorts & Leisure, Inc.			**47%**	47%	42%
Grand Integrated Hotels and Recreation, Inc.			**47%**	47%	42%
Grand Services, Inc.			**47%**	47%	42%
Grand Venture Management Services, Inc.			**47%**	47%	42%
Lucky Star Hotels and Recreation, Inc.			**47%**	47%	42%
Majestic Sunrise Leisure & Recreation, Inc.			**47%**	47%	42%
Net Deals, Inc.			**47%**	47%	42%
Newport Star Lifestyle, Inc.			**47%**	47%	42%
Royal Bayshore Hotels & Amusement, Inc.			**47%**	47%	42%
FHTC Entertainment & Production, Inc.			**47%**	47%	42%
Bright Pelican Leisure and Production, Inc.			**47%**	47%	42%
Golden Peak Leisure and Recreation, Inc. (formerly Yellow Warbler Leisure and Recreation, Inc.)			**47%**	47%	42%
Resorts World Bayshore City, Inc.	RWBCI	(t)	**47%**	47%	45%
Purple Flamingos Amusement and Leisure Corporation		(u)	**47%**	47%	45%
Red Falcon Amusement and Leisure Corporation		(u)	**47%**	47%	45%
Corporate and Others					
New Town Land Partners, Inc.	NTLPI		**100%**	100%	100%
Tradewind Estates, Inc.			**100%**	100%	100%
Great American Foods, Inc.		(v)	**100%**	100%	100%
McKester America, Inc.		(v)	**100%**	100%	100%
Alliance Global Brands, Inc.			**100%**	100%	100%
McKester Pik-nik International Limited	MPIL	(e)	**100%**	100%	100%
Venezia Universal Ltd.		(e)	**100%**	100%	100%
Travellers Group Ltd.		(e)	**100%**	100%	100%
Alliance Global Group Cayman Islands, Inc.		(d)	**100%**	100%	100%
Greenspring Investment Holdings Properties Ltd.		(e)	**100%**	100%	100%
Shiok Success International, Ltd.		(e)	**100%**	100%	100%
Dew Dreams International, Ltd.		(e)	**100%**	100%	100%
First Centro, Inc.	FCI		**100%**	100%	75%
Oceanic Realty Group International, Inc.		(w)	**100%**	100%	75%
ERA Real Estate Exchange, Inc.		(w)	**100%**	100%	75%
Global One Real Estate Spain, SAU		(x)	**100%**	100%	-
Adams Properties, Inc.	Adams		**60%**	60%	60%

Subsidiaries/Associates/Jointly Controlled Entities	Short Name	Notes	Percentage of Effective Ownership of AGI March 2015	December 2014	December 2013
Associates					
BNHGI		(l)	**32%**	32%	-
Bonifacio West Development Corporation			**31%**	31%	-
Suntrust Home Developers, Inc.	SHDI		**29%**	29%	27%
First Oceanic Property Management, Inc.		(y)	**29%**	29%	27%
Citylink Coach Services, Inc.		(y)	**29%**	29%	27%
Palm Tree Holdings and Development Corporation			**27%**	27%	26%
Fil-Estate Network, Inc.		(z)	**11%**	11%	13%
Fil-Estate Sales, Inc.		(z)	**11%**	11%	13%
Fil-Estate Realty and Sales Associates, Inc.		(z)	**11%**	11%	13%
Fil-Estate Realty Corp.		(z)	**11%**	11%	13%
Nasugbu Properties, Inc.		(z)	**8%**	8%	9%
LFI			**-**	-	32%
Genting-Star Tourism Academy, Inc.			**-**	-	20%
Jointly Controlled Entities					
Bodegas Las Copas, SL	BLC	(aa)	**41%**	41%	-
GCFII		(r)	**-**	-	25%

Explanatory notes:

(a) AGI's effective ownership interest is derived from its 44% direct ownership and 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.

(b) AGI and Megaworld directly owns 49% and 51%, respectively.

(c) A subsidiary of AGI through 60% and 40% direct ownership of EELHI and FCI, respectively.

(d) Foreign subsidiaries operating under the laws of the Cayman Islands

(e) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (BVI)

(f) Newly acquired subsidiaries of Megaworld in 2014

(g) BMMCI, engaged in sugar milling, was acquired by Megaworld from a third party in March 2015.

(h) A subsidiary of AGI through 60% and 40% direct ownership of GERI and Megaworld, respectively.

(i) A subsidiary of AGI through 50/50 ownership of Travellers and Megaworld.

(j) Subsidiaries of EELHI

(k) In 2014 and 2015, AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 80% of GERI, and no direct holdings. In 2013, AGI's effective ownership interest is composed of 49% direct ownership and 16% indirect ownership through Megaworld.

(l) In 2013, FEPI owns 100% ownership interest over BNHGI. In 2014, FEPI disposed 40% of its ownership interest over BNHGI. FEPI lost its control over BNHGI thereby reclassifying it as an associate beginning 2014.

(m) In 2014, AGI's effective ownership over EMP decreased as a result of issuance of capital stock of EMP.

(n) In 2015, AWGI issued voting redeemable preferred shares to a third party resulting to the decrease in effective ownership of AGI during the period. The preferred shares are non-participating.

(o) Foreign subsidiaries of EMP. EA is operating under the laws of Singapore while GES and BSB are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB is operating under the laws of England and Wales. EUK, WMG and WML are operating under the laws of Scotland.

(p) Subsidiary of WML operating under the laws of Scotland

(q) Unincorporated joint ventures of GADC

(r) Newly acquired subsidiaries of GADC in 2014

(s) In 2014, AGI increased its common stock ownership to 25% while Megaworld decreased to 2% due to AGI's acquisition of Travellers' shares from Megaworld. At end of 2014, Travellers' common shares are directly owned 25% by AGI, 4.5% by FCI, 2% by Megaworld, 22.5% by Adams, 36% by Genting Hongkong Limited (GHL) and 10% by the public. The Group and Genting each hold 45% of listed common shares. Both hold 47% effective ownership which include the voting preferred shares, as presented above.

(t) Incorporated in 2013. Effective ownership in 2013 is through 20% direct ownership, 6% through 10% ownership of Megaworld, 4% through 5% ownership of FCI and 15% through 25% ownership of Adams. In 2014, Travellers subscribed to the increase in authorized capital stock of RWBCI resulting to 95% direct ownership. AGI direct ownership decreased to 1%.

(u) Wholly owned subsidiaries of RWBCI

(v) Subsidiaries of MPIL operating under the laws of United States of America
(w) Subsidiaries of FCI
(x) Subsidiary of MPIL operating under the laws of Spain
(y) Subsidiaries of SHDI, an associate of Megaworld
(z) Associates of GERI
(aa) A foreign jointly controlled entity under GES and operating under the laws of Spain

The Company, its subsidiaries and associates are incorporated and operating in the Philippines, except for such foreign subsidiaries and associates as identified in the preceding table (see explanatory notes d, e, o, p, v, x and aa above and in the preceding page).

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

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

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

The Board of Directors (BOD) approved on May 19, 2015, the release of the interim consolidated financial statements (ICFS) of the Group for the three months ended March 31, 2015 (including the comparative financial statements as of December 31, 2014 and for the three months ended March 31, 2014).

2. BASIS OF PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These ICFS have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and should be read in conjunction with the Group's audited consolidated financial statements (ACFS) as of and for the year ended December 31, 2014.

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

Items included in the ICFS of the Group are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

The preparation of the Group's ICFS in accordance with PFRS requires management to make judgments and estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

The presentation of the ICFS is consistent with the most recent ACFS presentation, except for the amendments introduced by the new accounting standards mentioned in Note 3.

The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation used in the preparation of these ICFS are consistent with those applied in the ACFS as of and for the year ended December 31, 2014, except for the application of standards that became effective on July 1, 2014.

3.1 Adoption of New and Amended PFRS

(a) Effective in 2015 that are Relevant to the Group

In 2015, the Group adopted for the first time the following amendment and annual improvements to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after July 1, 2014:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefits Plans (Employee Contributions)
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below and in the succeeding pages are the relevant information about these amendments and improvements to standards.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans (Employee Contributions)* which is effective for financial statements beginning on or after July 1, 2014. The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have significant impact in the Group's ICFS.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) effective for annual periods beginning on or after July 1, 2014 made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset. The amendment did not have a significant impact in the Group's ICFS.

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

(c) PFRS 2 (Amendment), *Share-based Payment*. The amendment clarifies the definitions of "vesting condition" and "market condition" and defines a "performance condition" and a "service condition." The amendment did not have a significant impact in the Group's ICFS.

(d) PFRS 3 (Amendment), *Business Combinations*. The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss. The amendment did not have a significant impact in the Group's ICFS.

(e) PFRS 8 (Amendment), *Operating Segments*. The amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker. The amendment did not result to additional disclosure in the Group's ICFS.

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

Annual Improvements to PFRS (2011-2013 Cycle)

(a) PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of assets in accordance with PAS 40, or a business combination in accordance with PFRS 3, *Business Combinations*. The amendment did not have a significant impact in the Group's ICFS.

(b) PFRS 3 (Amendment), *Business Combinations*. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself. The amendment did not have a significant impact in the Group's ICFS.

(c) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with PAS 39 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments*. The amendment did not have a significant impact in the Group's ICFS.

(b) Effective Subsequent to 2015 but are not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2015 which are adopted by the FRSC, subject to the approval of the Board of Accountancy. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's ICFS or ACFS:

(i) Effective January 1, 2016

PAS 1 (Amendment)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 (Amendment) and PAS 38 (Amendment)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 (Amendment) and PAS 41 (Amendment)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PAS 27 (Amendment)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PAS 28 (Amendment)	:	Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception

PFRS 10 (Amendment) and PAS 28 (Amendment)	:	Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures
PFRS 11 (Amendment)	:	Joint Arrangements
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

(ii) Effective January 1, 2018

PFRS 9 (2014)	:	Financial instruments

The Group does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iii) Standards with Deferred Adoption in the Philippines

PFRS 15	:	Revenue from Contracts with Customers
Philippine International Financial Reporting Interpretations Committee (IFRIC) 15	:	Agreements for Construction of Real Estate

Management is currently assessing the impact of PFRS 15 and Philippine IFRIC 15 on the Group's consolidated financial statements in preparation for the adoption of these standards in the Philippines.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates. Presented below is the basis of the Group in reporting its primary segment information.

(a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry. In June 2014, the *GERI* segment was consolidated in this segment as part of the Group's plan to align all its real estate business and to capture the growth in the tourism sector through GERI.

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

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

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

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for three months ended March 31, 2015 and 2014.

	For the three months ended March 31, 2015 (Unaudited)					
	Megaworld	Travellers	GADC	Emperador	GERI	Total
REVENUES						
Sales to external customers	P 9,962,035,299	P 7,576,725,651	P 4,758,169,047	P 8,778,621,788	P -	P 31,075,551,785
Intersegment sales	39,791,847	-	-	-	-	39,791,847
Finance and other revenues	469,312,574	35,325,123	23,648,798	116,193,336	-	644,479,831
Segment revenues	10,471,139,720	7,612,050,774	4,781,817,845	8,894,815,124	-	31,759,823,463
Cost of sales and expenses excluding depreciation and amortization	(5,604,836,162)	(3,975,276,494)	(3,559,474,093)	(6,588,386,731)	-	(19,727,973,480)
	4,866,303,558	3,636,774,280	1,222,343,752	2,306,428,393	-	12,031,849,983
Depreciation and amortization	(1,300,385,226)	(1,516,728,535)	(919,497,248)	(404,805,804)	-	(4,141,416,813)
Finance cost and other charges	(475,568,472)	(368,206,345)	(40,872,112)	(141,268,605)	-	(1,025,915,534)
Profit before tax	3,090,349,860	1,751,839,400	261,974,392	1,760,353,984	-	6,864,517,636
Tax expense	(741,265,569)	(7,111,956)	(101,340,516)	(359,479,691)	-	(1,209,197,732)
SEGMENT PROFIT	P 2,349,084,291	P 1,744,727,444	P 160,633,876	P 1,400,874,293	P -	P 5,655,319,904
SEGMENT ASSETS AND LIABILITIES						
Segment assets	P 230,857,383,819	P 65,135,446,866	P 12,265,868,941	P 87,563,581,112	P -	P 395,822,280,738
Segment liabilities	86,664,398,542	23,785,755,938	7,813,893,526	35,225,890,489	-	153,489,938,495

	For the three months ended March 31, 2014 (Unaudited)					
	Megaworld	Travellers	GADC	Emperador	GERI	Total
REVENUES						
Sales to external customers	P 8,652,526,059	P 8,001,397,475	P 4,304,300,576	P 7,478,663,762	P 584,145,635	P 29,021,033,507
Intersegment sales	203,882,776	-	-	-	-	203,882,776
Finance and other revenues	1,090,015,637	51,013,768	55,756,599	215,969,169	55,764,795	1,468,519,968
Segment revenues	9,946,424,472	8,052,411,243	4,360,057,175	7,694,632,931	639,910,430	30,693,436,251
Cost of sales and expenses excluding depreciation and amortization	(5,731,114,568)	(5,390,006,789)	(3,882,092,250)	(5,177,236,155)	(465,865,785)	(20,646,315,547)
	4,215,309,904	2,662,404,454	477,964,925	2,517,396,776	174,044,645	10,047,120,704
Depreciation and amortization	(252,707,515)	(396,429,928)	(212,174,088)	(106,874,912)	(11,403,529)	(979,589,972)
Finance cost and other charges	(630,294,885)	(538,087,338)	(45,978,429)	(183,065,946)	(16,338,933)	(1,413,765,531)
Profit before tax	3,332,307,504	1,727,887,188	219,812,408	2,227,455,918	146,302,183	7,653,765,201
Tax expense	(640,022,764)	(10,047,698)	(48,615,383)	(510,460,932)	(43,665,808)	(1,252,812,585)
SEGMENT PROFIT	P 2,692,284,740	P 1,717,839,490	P 171,197,025	P 1,716,994,986	P 102,636,375	P 6,400,952,616

The following presents the segment assets and liabilities of the Group as at December 31, 2014 (audited):

SEGMENT ASSETS AND LIABILITIES						
Segment assets	P 222,696,668,271	P 62,704,306,464	P 12,260,171,563	P 96,183,811,446	P -	P 393,844,957,744
Segment liabilities	80,666,774,428	23,106,167,980	7,980,931,664	44,775,107,154	-	156,528,981,226

4.5 Reconciliations

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

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Revenues		
Total segment revenues	**P 31,759,823,463**	P 30,693,436,251
Unallocated corporate revenue	**586,896,473**	740,690,190
Elimination of intersegment revenues	**(39,791,847)**	(203,882,776)
Revenues as reported in interim consolidated profit or loss	**P 32,306,928,089**	P 31,230,243,665
Profit or loss		
Segment operating profit	**P 5,655,319,904**	P 6,400,952,616
Unallocated corporate profit (loss)	**(39,421,608)**	56,917,011
Elimination of intersegment revenues	**(39,791,847)**	(203,882,776)
Profit as reported in interim consolidated profit or loss	**P 5,576,106,449**	P 6,253,986,851

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Assets		
Segment assets	**P 395,822,280,738**	P 393,844,957,744
Unallocated corporate assets	**16,484,518,943**	15,773,966,350
Total assets reported in the consolidated statements of financial position	**P 412,306,799,681**	P 409,618,924,094
Liabilities		
Segment liabilities	**P 153,489,938,495**	P 156,528,981,226
Unallocated corporate liabilities	**35,279,586,272**	35,606,526,996
Total liabilities reported in the consolidated statements of financial position	**P 188,769,524,767**	P 192,135,508,222

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

5. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment as at March 31, 2015 and December 31, 2014 are shown below.

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cost	**P 77,012,826,986**	P 73,961,732,271
Accumulated depreciation	**(20,542,189,882)**	(19,742,994,624)
Net carrying amount	**P 56,470,637,104**	P 54,218,737,647

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of period net of accumulated depreciation	**P 54,218,737,647**	P 41,661,804,726
Additions	**3,189,149,853**	10,420,083,120
Depreciation charges for the period	**(789,193,258)**	(2,943,921,950)
Disposals	**(138,418,122)**	(997,801,099)
Impairment loss	**(10,002,000)**	(209,995,122)
Property, plant and equipment of newly acquired subsidiaries	**362,984**	6,286,782,654
Reclassifications	**-**	1,785,318
Balance at end of period net of accumulated depreciation and impairment loss	**P 56,470,637,104**	P 54,218,737,647

6. INVESTMENT PROPERTY

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Cost	**P 44,204,621,216**	P 42,674,379,523
Accumulated depreciation	**(5,156,686,909)**	(4,932,087,401)
Net carrying amount	**P 39,047,934,307**	P 37,742,292,122

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of period net of accumulated depreciation	**P 37,742,292,122**	P 27,290,428,438
Additions	**1,530,241,693**	8,739,451,301
Depreciation charges for the period	**(224,599,508)**	(1,242,079,851)
Investment property of newly acquired subsidiaries	**-**	3,323,717,733
Disposals	**-**	(367,440,181)
Reclassifications – net	**-**	(1,785,318)
Balance at end of period net of accumulated depreciation	**P 39,047,934,307**	P 37,742,292,122

7. DIVIDENDS

There were no dividends declared and paid by the Company for the three months period ended March 31, 2015.

8. EARNINGS PER SHARE

Earnings per share is computed as follows:

		March 31, 2015 (Unaudited)		March 31, 2014 (Unaudited)
Basic:				
Net profit attributable to owners of the parent company	P	3,475,960,417	P	3,942,854,247
Divide by the weighted average number of outstanding common shares		10,146,863,779		10,109,928,996
	P	0.3426	P	0.3900
Diluted:				
Net profit attributable to owners of the parent company	P	3,475,960,417	P	3,942,854,247
Divide by the weighted average number of outstanding common shares		10,213,884,612		10,155,705,560
	P	0.3403	P	0.3882

As at March 31, 2015 and 2014, there are 85.9 million and 50.7 million potentially dilutive shares, respectively, from the Company's Executive Stock Option Plan. However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently has no material effect on the 2015 and 2014 diluted EPS.

9. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others as described below. The summary of the Group's transactions with its related parties for the periods ended March 31, 2015 and 2014, and the related outstanding balances as of March 31, 2015 and December 31, 2014 are as follows:

		Amount of Transaction		Outstanding Balance	
Related Party Category	Notes	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Subsidiaries' stockholders:					
Interest expense on loan payable	9.2	P -	P 13,481,500	P -	P -
Casino transactions	9.3	1,235,960,365	2,396,312,490	511,887,715	289,395,342
Incidental rebate charges	9.3	155,272,747	633,568,631	(160,976,449)	(168,093,697)
Management fees	9.4	154,206,453	35,218,101	(44,207,673)	(31,711,184)
Accounts payable	9.8	-	-	369,170,512	369,170,512
Redeemable preferred shares	9.10	17,379,062	-	613,810,784	596,431,722
Issuance of equity-linked securities	9.12	-	-	5,280,000,000	5,280,000,000

Related Party Category	Notes	Amount of Transaction March 31, 2015 (Unaudited)	Amount of Transaction March 31, 2014 (Unaudited)	Outstanding Balance March 31, 2015 (Unaudited)	Outstanding Balance December 31, 2014 (Audited)
Related party under common ownership:					
Purchase of raw materials	9.1	**P 1,009,905,833**	P 13,449,033	**P 887,175,866**	P 1,616,937,584
Purchase of imported goods	9.1	**698,657**	833,612	**-**	160,919
Rental income	9.5	**2,685,896**	-	**-**	-
Advances granted	9.7	**(253,503,975)**	-	**883,770,151**	1,137,274,126
Associates:					
Rental income	9.5	**-**	-	**603,436**	603,436
Advances granted	9.7	**9,320,396**	315,211,253	**1,287,102,305**	1,277,781,909
Others:					
Rental income	9.5	**153,286**	-	**186,380**	186,380
Receivable from joint venture	9.6	**-**	(17,711,146)	**-**	-
Accounts receivable	9.8	**(1,650,871,795)**	(180,457,080)	**182,163,976**	1,833,035,771
Accounts payable	9.8	**(17,050,997)**	23,098,265	**208,273,314**	225,324,311
Advances from joint venture partners and others	9.9	**(12,432,962)**	4,433,970	**890,719,281**	903,152,243
Other liabilities	9.11	**-**	11,989,406	**-**	-

9.1 Purchase of Goods

Emperador imports raw materials such as alcohol, flavorings and other items through Andresons Global, Inc. (AGL). There are also finished goods purchased from Consolidated Distillers, Inc. (Condis) and through AGL. These transactions are payable within 30 days.

Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, considered a related party under common control.

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the interim consolidated statements of financial position.

9.2 Loan from MRO

GADC has a loan agreement with MRO. The principal amount of the loan of U.S.$12.0 million is payable in full up to March 17, 2025. However, in October 2014, GADC fully paid the whole amount of loan including the accrued interest thereon.

9.3 Joint Co-operation Agreement with Genting Hongkong, Ltd. (GHL)

Travellers and GHL have a joint co-operation agreement whereby GHL handles the promotion of Travellers' casinos and will bring patrons to play in the casinos. As a consideration for such services, Travellers pays GHL an amount equivalent to a certain percentage of net turnovers.

Incidental rebate charges arising from this transaction are presented as part of Advertising and promotions under the Other Operating Expenses account in the interim consolidated statements of comprehensive income. The outstanding balances of payables are presented as part of Trade payables under the Trade and Other Payables account in the interim consolidated statements of financial position.

Travellers also recognized outstanding receivables from GHL representing show money received by GHL from foreign patrons which GHL will later remit to Travellers. The outstanding balances of receivables are presented as part of Trade receivables under Trade and Other Receivables account in the interim consolidated statements of financial position.

9.4 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. Management fees are presented as part of Management fees under the Other Operating Expenses account in the interim consolidated statements of comprehensive income. The outstanding liability arising from this transaction is presented as part of Accrued expenses under the Trade and Other Payables account in the interim consolidated statements of financial position.

9.5 Rental Income from Associates

GERI leases its investment property to certain related parties with rental payments mutually agreed before the commencement of the lease. The revenue earned from leases to related parties are included as part of Rental income under Rendering of Services account in the interim consolidated statements of comprehensive income. The outstanding receivable is short-term, unsecured, noninterest-bearing, and are generally settled in cash upon demand.

As at March 31, 2015 and December 31, 2014, based on management's assessment, the outstanding balance of rental income receivable from associates is not impaired; hence, no impairment losses were recognized.

9.6 Receivable from a Joint Venture

Receivables from GCFII are unsecured, interest free and normally settled in cash. These are included in Trade receivables under the Trade and Other Receivables account in the interim consolidated statements of financial position.

In 2014, GADC made additional investment in GCFII resulting to an increase in ownership interest from 50% to 60%, thus obtaining control. The outstanding amount of receivables from GCFII as at March 31, 2014 and December 31, 2014 were eliminated in full.

9.7 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other related parties for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements. The outstanding balances of Advances to associates and other related parties, which are shown as part of Investments in and Advances to Associates and Other Related Parties account in the consolidated statements of financial position, and movement of the account are presented as follows (these mainly represent advances granted by Megaworld):

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of year	**P 2,415,056,035**	P 2,713,925,501
Cash advances granted	**9,320,396**	959,713,523
Collections	**(253,503,975)**	(1,258,582,989)
Balance at end of year	**P 2,170,872,456**	P 2,415,056,035

As at March 31, 2015 and December 31, 2014, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

9.8 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash or through offsetting arrangements. As at March 31, 2015 and December 31, 2014, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

The details of the Due from/to Related Parties are presented under Trade and Other Receivables and Trade and Other Payables accounts, respectively, in the consolidated statements of financial position as follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Due from Related Parties		
Balance at beginning of year	**P 1,833,035,771**	P 1,239,264,958
Additions	**20,762,535**	1,658,605,190
Collections	**(1,671,634,330)**	(1,064,834,377)
Balance at end of year	**P 182,163,976**	P 1,833,035,771

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Due to Related Parties		
Balance at beginning of year	**P 594,494,823**	P 1,295,411,359
Additions	**-**	3,380,511
Repayments	**(17,050,997)**	(704,297,047)
Balance at end of year	**P 577,443,826**	P 594,494,823

9.9 Non-current Advances from Related Parties

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable on cash or through offsetting arrangements. Due to Joint Venture (JV) partners pertain to the share of JV partners in the proceeds from the sale in accordance with various JV agreements entered into by GERI. Total outstanding balance of the accounts is presented as Advances from Related Parties account in the interim consolidated statements of financial position.

Details of Advances from Related Parties are presented as follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Advances from related parties	**P 566,427,370**	P 578,860,332
Advances from JV partners	**324,291,911**	324,291,911
	P 890,719,281	P 903,152,243

9.10 Redeemable Preferred Shares

This pertains to preferred shares issued by GADC in March 2005 to MRO.

9.11 Other Liabilities

In the normal course of business, Travellers obtains from certain related parties unsecured non-interest bearing, cash advances for working capital requirements and other purposes which is presented as part of Other Current Liabilities.

9.12 Equity-linked Debt Securities

In 2014, EMP issued equity-linked debt securities (ELS) instrument to a stockholder amounting to P5.3 billion, with outstanding amount presented as Equity-linked debt securities under Other Non-current Liabilities account in the interim consolidated statements of financial position. The ELS may be converted into 480.0 million common shares of EMP with a par value of P1.0 per share. The ELS bears fixed annual interest rate of 5.0% and variable interest in an amount equal to the dividends that would be payable on the conversion shares if they were issued prior to the date that any dividend is declared by EMP.

9.13 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan).

Unit investment trust fund and equity and debt securities, which are included as plan assets under the fund consist of investments in corporations listed in the PSE. The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also does not have any investments in the Group's shares of stock.

10. COMMITMENTS AND CONTINGENCIES

10.1 Tax Contingencies of Travellers' Casino Operations

Under the Provisional License Agreement with PAGCOR, Travellers is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by Travellers to PAGCOR as required under the Provisional License Agreement.

Sections 13.2(a) and (b) of Presidential Decree (P.D.) No. 1869, as amended, otherwise known as the PAGCOR Charter, grants PAGCOR an exemption from tax of any kind or form, income or otherwise, as well as fees, charges or levies of whatever nature, whether National or Local, except for the 5% franchise tax on gross revenue or earnings derived by PAGCOR from its operation under its franchise.

The PAGCOR Charter further provides that the tax exemption granted to PAGCOR shall inure to the benefit of and extend to entities with whom PAGCOR has any contractual relationship in connection with the operation of casinos. Pursuant thereto, the Provisional License Agreement entered into by Travellers with PAGCOR included a provision on license fees in lieu of all taxes with reference to the income component of the gross gaming revenues.

In April 2013, however, the BIR issued RMC 33-2013 which clarified that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In May 2014, PAGCOR issued Guidelines for a 10% Income Tax Allocation (ITA) measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues.

The ITA measure ceases to be effective and the license fees shall automatically revert to the 25% and 15% rates indicated in the Provisional License Agreement should any of the following circumstances occur:

(a) The BIR ceases to impose income tax on the licensees, or deletes the provision of RMC 33-2013 which imposes income tax on the licensees;

(b) A court restrains or enjoins the BIR from implementing the provisions of RMC 33-2013 which imposes income tax on licensees, during the effectivity of such restraining order or injunction. In the event the court withdraws the temporary restraining order (TRO), or if the TRO expires and is not extended, the 10% ITA shall automatically be reinstated;

(c) A court, by final and executory judgment, nullifies the provision of RMC 33-2013 which imposes income tax on the licensees;

(d) The Philippine Congress amends or revokes the imposition of corporate income tax on PAGCOR and its contractees and licensees; or,

(e) Recognition of Entertainment City as a special economic and/or tourism zone with special fiscal incentives for its locators resulting in the same effect as paragraph (d) above.

The 10% ITA measure is in keeping with the true spirit and intent of the terms of the Provisional License Agreement insofar as the license fees are intended and contemplated to be in lieu of all taxes with reference to the income component of the gross gaming revenues while preserving at the same time the financial benefits of the Provisional License Agreement for the Philippine Government. It is neither intended to modify, amend or revise the Provisional License Agreement, specifically Article IV Section 20 on License Fees, nor is it an admission by PAGCOR or Travellers of the validity of RMC 33-2013 or a waiver of any of the remedies available to PAGCOR or its licensees against any assessment on income tax on gaming revenues pursued by BIR.

On December 10, 2014, the Supreme Court (SC) en banc issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under P.D. No. 1869, as amended. A similar case filed on behalf of a PAGCOR licensee is pending with the SC as at the reporting period. The Group awaits the final outcome of the said case.

Management is of the opinion that the similar case pending with the SC will result in a positive outcome, considering the unequivocal SC declaration in the PAGCOR v. BIR, *G.R. No. 215427* that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes. Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the foregoing ITA measure.

In view of the foregoing, no provision has been recognized in the consolidated financial statements as at the end of the reporting periods for those periods not covered by the ITA measure.

10.2 Other Commitments and Contingencies

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying ICFS. The management is of the opinion that losses, if any, from these items will not have any material impact on the ICFS.

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

11. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS financial assets, interest-bearing loans, bonds payable, trade receivables and payables and derivative asset and liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

11.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in the functional currencies of the individual subsidiaries making the transactions. The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)	
	U.S. Dollars	**HK Dollars**	U.S. Dollars	HK Dollars
Financial assets	**P 12,160,239,224**	**P 2,721,669,040**	P 26,693,102,110	1,912,550,620
Financial liabilities	**(41,758,175,073)**	**(987,766,650)**	(68,385,830,251)	(671,284,910)
	(P 29,597,935,849)	**P 1,733,902,390**	(P 41,692,728,141)	P 1,241,265,710

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the US dollar – Philippine peso exchange rate assumes +/- 17% and +/- 18% changes in exchange rate for the three months ended March 31, 2015 and for the year ended December 31, 2014, respectively. The HK dollar – Philippine peso exchange rate assumes +/-16% and +/- 20% changes for the three months ended March 31, 2015 and for the year ended December 31, 2014, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened (or weakened) against the U.S. dollar, with all other variables held constant, consolidated income before tax would have increased (or decreased) by P4.9 billion for the three-month period ended March 31, 2015 and P7.8 billion for the year ended December 31, 2014. If in 2015 and 2014, the Philippine peso had strengthened (or weakened) against the HK dollar, with all other variables held constant, consolidated income before tax would have decreased (or increased) by P0.3 billion and P0.2 billion, respectively.

The Group periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its U.S. dollar-denominated time deposits in times when the Philippine peso is depreciating or decreases its U.S. dollar-denominated placements in times when the Philippine peso is appreciating.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Sensitivity

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 0.65% for Philippine peso and +/- 0.09% for U.S. dollar in 2015, and +/-0.83% for Philippine peso and +/-0.03% for U.S. dollar in 2014 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at March 31, 2015 and December 31, 2014, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have increased by P0.5 billion for the three-month period ended March 31, 2015 and P0.7 billion for the year ended December 31, 2014. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been lower by the same amount.

11.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivable arising mainly from transactions with approved franchisees, installment receivables, rental receivables and other financial assets.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. In addition, accounts receivable are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from the other financial assets of the Group, composed of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

Trade and other receivables that are past due but not impaired are as follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Not more than 30 days	**P 2,329,304,057**	P 6,057,980,911
31 to 60 days	**2,655,693,360**	1,365,362,281
Over 60 days	**3,614,324,238**	1,075,817,654
	P 8,599,321,655	P 8,499,160,846

11.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As at March 31, 2015, the Group's financial liabilities have contractual maturities which are presented below.

	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later than 5 Years**
Trade and other payables	P 25,197,299,240	P 6,033,259,983	P -	P -
Interest-bearing loans	25,718,282,784	889,997,517	7,085,228,656	5,384,615,385
Bonds payable	5,673,285,950	461,785,950	47,088,202,362	7,550,049,971
Equity-linked debt securities	-	-	6,738,766,650	-
Advances from related parties	-	-	1,020,537,966	-
Redeemable preferred shares	-	-	1,263,737,900	1,574,159,348
Security deposits	63,351,441	-	41,600,304	121,943,596
Derivative liability	-	76,618,568	883,271,038	-
Other liabilities	126,456,510	-	-	-
	P56,778,675,924	**P 7,461,662,018**	**P 64,121,344,876**	**P 14,630,768,300**

As at December 31, 2014, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P 30,312,159,497	P 4,740,592,169	P -	P -
Interest-bearing loans	25,587,778,814	1,072,797,634	6,966,234,589	1,080,183,150
Bonds payable	5,461,785,950	461,785,950	44,245,200,955	7,505,468,158
Equity-linked debt securities	-	-	6,738,766,650	-
Advances from related parties	-	-	384,565,490	-
Redeemable preferred shares	-	-	1,257,987,900	1,574,159,348
Security deposits	102,003,672	-	26,663,649	102,100,032
Derivative liability	233,751,463	-	-	-
Other liabilities	146,729,480	-	-	-
	P 61,844,208,876	P 6,275,175,753	P 59,619,419,233	P 10,261,910,688

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

11.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as of March 31, 2015 and December 31, 2014 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2015 - Investment in equity securities	**+17.61%**	**-17.61%**	**P 484,352,670**	**(P 484,352,670)**
2014 - Investment in equity securities	+20.82%	-20.82%	P 463,852,651	(P 463,852,651)

The maximum additional estimated loss in 2015 and 2014 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past three months in 2015 and 12 months in 2014.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

12. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of assets and liabilities presented in the interim consolidated statements of financial position are shown below.

	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets				
Loans and receivables:				
Cash and cash equivalents	**P 75,729,705,741**	**P 75,729,705,741**	P 82,058,836,647	P 82,058,836,647
Trade and other receivables	**70,630,507,691**	**70,630,507,691**	63,663,499,864	63,663,499,864
Other financial assets	**1,868,639,239**	**1,868,639,239**	1,824,034,893	1,824,034,893
	P 148,228,852,671	**P 148,228,852,671**	P147,546,371,404	P147,546,371,404
Financial assets at FVTPL:				
Marketable debt and equity securities	**P 5,290,185,115**	**P 5,290,185,115**	P 4,351,221,441	P 4,351,221,441
Derivative asset	**3,345,461**	**3,345,461**	-	-
	P 5,293,530,576	**P 5,293,530,576**	P 4,351,221,441	P 4,351,221,441
AFS Financial Assets:				
Debt securities	**P 2,629,456,154**	**P 2,629,456,154**	P 3,717,359,428	P 3,717,359,428
Equity securities	**2,751,019,923**	**2,751,019,923**	2,254,727,700	2,254,727,700
	P 5,380,476,077	**P 5,380,476,077**	P 5,972,087,128	P 5,972,087,128

	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Liabilities				
Financial liabilities at FVTPL -				
Derivative liabilities	**P 959,889,606**	**P 959,889,606**	P 1,268,699,964	P 1,268,699,964
Financial liabilities at amortized cost				
Current				
Trade and other payables	**P 31,230,559,223**	**P 31,230,559,223**	P 33,906,586,092	P 33,906,586,092
Interest-bearing loans and borrowings	**24,529,184,449**	**24,529,184,449**	26,660,576,448	26,660,576,448
Bonds payable	**5,000,000,000**	**5,000,000,000**	5,000,000,000	5,000,000,000
Other current liabilities	**13,085,400,945**	**13,085,400,945**	10,263,243,481	10,263,243,481
	P 73,845,144,617	**P 73,845,144,617**	P 75,830,406,021	P 75,830,406,021
Non-current				
Bonds payable	**P 51,769,787,755**	**P 51,769,787,755**	P 51,687,525,333	P 51,687,525,333
Interest-bearing loans and borrowings	**12,689,726,997**	**12,689,726,997**	8,038,681,649	8,038,681,649
Equity-linked debt securities	**5,254,950,433**	**5,254,950,433**	5,253,911,638	5,253,911,638
Redeemable preference shares	**1,877,548,684**	**1,877,548,684**	1,854,419,622	2,240,108,833
Due to related parties	**890,719,281**	**890,719,281**	903,152,243	903,152,243
Security deposits	**340,930,910**	**340,930,910**	294,947,826	294,947,826
	P 72,823,664,060	**P 72,823,664,060**	P 68,032,638,311	P 68,418,327,522

13. FAIR VALUE MEASUREMENT AND DISCLOSURES

13.1 Fair Value Hierarchy

The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets or for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value of Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

13.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at March 31, 2015 and December 31, 2014.

	March 31, 2015 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at FVTPL -				
Debt and equity securities	P 5,293,530,576	P -	P -	P 5,293,530,576
AFS financial assets:				
Debt securities	2,629,456,154	-	-	2,629,456,154
Equity securities	2,583,822,433	63,160,000	104,037,490	2,751,019,923
	P 10,506,809,163	**P 63,160,000**	**P 104,037,490**	**P 10,674,006,653**
Financial liability:				
Financial liabilities at FVTPL -				
Derivative liabilities	**P 959,889,606**	**P -**	**P -**	**P 959,889,606**

	December 31, 2014 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL -				
Debt and equity securities	P 4,351,221,441	P -	P -	P 4,351,221,441
AFS financial assets:				
Debt securities	3,717,359,428	-	-	3,717,359,428
Equity securities	2,024,370,210	63,160,000	167,197,490	2,254,727,700
	P 10,092,951,079	P 63,160,000	P 167,197,490	P 10,323,308,569
Financial liability:				
Financial liabilities at FVTPL -				
Derivative liabilities	P 1,268,699,964	P -	P -	P 1,268,699,964

13.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the interim consolidated statements of financial position on a recurring basis as at March 31, 2015 and December 31, 2014.

	March 31, 2015 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 75,729,705,741	P -	P -	P 75,729,705,741
Trade and other receivables	-	-	70,630,507,691	70,630,507,691
	P 75,729,705,741	**P -**	**P70,630,507,691**	**P 146,360,213,432**
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P 31,230,559,223	P 31,230,559,223
Interest-bearing loans	-	-	24,529,184,449	24,529,184,449
Bonds payable	5,000,000,000	-	-	5,000,000,000
Other current liabilities	-	-	13,085,400,945	13,085,400,945
Non-current:				
Interest-bearing loans	-	-	12,689,726,997	12,689,726,997
Bonds payable	51,769,787,755	-	-	51,769,787,755
Equity-linked debt securities	-	-	5,254,950,433	5,254,950,433
Due to related parties	-	-	890,719,281	890,719,281
Redeemable preferred shares	-	-	1,877,548,684	1,877,548,684
Security deposits	-	-	340,930,910	340,930,910
	P 56,769,787,755	**P -**	**P89,899,020,922**	**P 146,668,808,677**

	December 31, 2014 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 82,058,836,647	P -	P -	P 82,058,836,647
Trade and other receivables	-	-	63,663,499,864	63,663,499,864
	P 82,058,836,647	P -	P 63,663,499,864	P 145,722,336,511
Financial liabilities:				
Current:				
Interest-bearing loans	P -	P -	P 26,660,576,448	P 26,660,576,448
Trade and other payables	-	-	33,906,586,092	33,906,586,092
Bonds payable	5,000,000,000	-	-	5,000,000,000
Other current liabilities	-	-	10,263,243,481	10,263,243,481
Non-current:				
Interest-bearing loans	-	-	8,038,681,649	8,038,681,649
Bonds payable	51,687,525,333	-	-	51,687,525,333
Equity-linked debt securities	-	-	5,253,911,638	5,253,911,638
Due to related parties	-	-	903,152,243	903,152,243
Redeemable preferred shares	-	-	1,854,419,622	1,854,419,622
Security deposits	-	-	294,947,826	294,947,826
	P 56,687,525,333	P -	P 87,175,518,999	P 143,863,044,332

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

13.4 Investment Property Measured at Cost for which Fair Value is Disclosed

As at December 31, 2014, the fair value of the Group's investment property amounting to P172.9 billion is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a discounted cash flow model. Also, there were no transfers into or out of Level 3 fair value hierarchy. There was no valuation update made for the current period.

14. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

There were no changes in the Group's approach to capital management during the period.

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Total liabilities	P 188,769,524,767	P 192,135,508,222
Equity attributable to owners of the parent company	129,160,758,179	126,497,113,102
Debt-to-equity ratio	P 1.46 : 1	P 1.52 : 1

15. SEASONAL FLUCTUATIONS

For Travellers, casino operations tend to experience seasonality in visitations during public holidays, festivals in the Philippines and around South East Asian region.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
AGING SCHEDULE OF CURRENT TRADE AND OTHER RECEIVABLES
MARCH 31, 2015
(Amounts in Philippine Pesos)

Current	P	31,544,964,569
1 to 30 days		2,329,304,057
31 to 60 days		2,655,693,360
Over 60 days		3,614,324,238
Total		40,144,286,224
Due from other related parties		182,163,976
Balance as at March 31, 2015	**P**	**40,326,450,200**

ALLIANCE GLOBAL GROUP, INC.

7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City
Metro Manila, Philippines

NOTICE

TO ALL STOCKHOLDERS:

The SEC Form 17-Q Quarterly Report for the period ending 30 June 2015 of Alliance Global Group, Inc. (AGI) can be viewed at its website, www.allianceglobalinc.com, at least five (5) business days before the Annual Stockholders' Meeting on 15 September 2015. A copy of the interim financial statements and management discussion for the period ended 30 June 2015 will be available upon written request addressed to Ms. Dina Inting, First Vice President for Finance and Corporate Information Officer, at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines.

Makati City, Metro Manila, Philippines, 12 August 2015.

DOMINIC V. ISBERTO
Corporate Secretary