COVER SHEET

SEC Registration Number

16342

Company Name

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300

Form Type	Department requiring the report	Secondary License Type, If Applicable
20-IS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	857-0100	–

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,237	04/29	12/31

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
Mr. Jose T. Sio	–	857-0100	–

Contact Person's Address

10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300

Note: In case of death, resignation 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.

INVESTMENTS CORPORATION

Notice of Annual Stockholders' Meeting
April 29, 2015 at 2:30 p.m.
SMX Convention Center, 2nd Floor, Function Room 3
Seashell Drive, Mall of Asia Complex, Pasay City 1300

To all Stockholders:

Please take notice that the 2015 annual stockholders' meeting of SM Investments Corporation will be held on April 29, 2015 at 2:30 p.m. at the Function Room 3, SMX Convention Center, Seashell Drive, J.W. Diokno Boulevard, Mall of Asia Complex, Pasay City. The proposed agenda of the meeting is set forth below:

A G E N D A

1. Call to order
2. Certification of notice and quorum
3. Approval of minutes of annual meeting of stockholders held on April 30, 2014
4. Annual Report for the Year 2014
5. Ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting up to the date of this meeting
6. Election of directors for 2015 – 2016
7. Appointment of external auditors
8. Other Matters
9. Adjournment

Attached are the rationale for the above agenda items for reference.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on March 30, 2015 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournment thereof.

In case you cannot personally attend the meeting, you may accomplish the attached proxy form and submit the same to the office of the Corporate Secretary at the Suite 2401, The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City 1600 at least five (5) days before the date set for the annual meeting, as provided in the By-laws.

For your convenience in registering your attendance, please bring some form of identification, such as a passport, driver's license, or company I.D.

Pasig City, March 4, 2015.

BY THE ORDER OF THE BOARD OF DIRECTORS

ELMER B. SERRANO
Corporate Secretary
SM INVESTMENTS CORPORATION

Rationale for Agenda Items:

Agenda Item 3: To acknowledge and consider the Minutes of Annual Stockholders' Meeting held on April 30, 2014 for approval.

The Minutes of the ASM held on April 30, 2014 were made and submitted to the SEC within the period prescribed by pertinent laws, rules and regulation. The Minutes were also posted on the Company's website. The Board of Directors recommends the stockholders to consider subject minutes for approval on April 29, 2015.

Agenda Item 4: To acknowledge and consider for approval the Annual Report of the Company for 2014.

The Company's 2014 performance results have been duly summarized in the Annual Report which includes the Audited Financial Statements (AFS) of the Company for the year ended 2014. The AFS have been reviewed by the Audit and Risk Management Committee and the Board of Directors, and have been audited by the external auditors who expressed an unqualified opinion on the aforementioned financial statements. Any stockholder who would like to receive a hard copy or CD of the 2014 Annual Report may do so through the office of the Investor Relations Office.

Agenda Item 5: To acknowledge and ratify all the acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting.

The Company's performance in 2014, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors which were effectively executed and complied with by Management in conformance with good corporate governance and ethical best practices.

Agenda Item 6: To elect the Board of Directors for 2015 to 2016

The same set of Directors have been duly reviewed and recommended by the Company's Nomination Committee for re-election. Their proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its stockholders.

Agenda Item 7: To consider and approve the appointment of the external auditor and delegation of authority to the Board to determine appropriate audit fees for 2015.

Based on the recommendation of the Audit and Risk Management Committee, the Board nominates SyCip Gorres Velayo & Co. (SGV & Co.) as the Company's external auditor for 2015. SGV & Co. is one of the top auditing firms in the country which is duly accredited with the Securities and Exchange Commission. The stockholders are also endorsed to delegate approval authority to the Board to approve the appropriate audit fee for 2015.

Pasig City, March 04, 2015.

(SAMPLE PROXY FORM FOR INDIVIDUALS)

PROXY

The undersigned stockholder of SM Investments Corporation (the "Company") hereby appoints ______________________ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 29, 2015 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors.
   ____ Vote for all nominees listed below:
   - Henry Sy, Sr.
   - Teresita T. Sy
   - Henry T. Sy, Jr.
   - Harley T. Sy
   - Jose T. Sio
   - Vicente S. Perez, Jr. (Independent Director)
   - Ah Doo Lim (Independent Director)
   - Joseph R. Higdon (Independent Director)

   ____ Withhold authority for all nominees listed above

   ____ Withhold authority to vote for the nominees listed below:

   _________________ _________________
   _________________ _________________
   _________________ _________________
   _________________ _________________

2. Approval of minutes of previous annual stockholders' meeting.
   ___ Yes ___ No ___ Abstain

3. Approval of 2014 Annual Report.
   ___ Yes ___ No ___ Abstain

4. Ratification of all acts and resolutions of the Board of Directors and Executive Officers.
   ___ Yes ___ No ___ Abstain

5. Election of SyCip Gorres Velayo & Co. as external auditor.
   ___ Yes ___ No ___ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting.
   ___ Yes ___ No ___ Abstain

____
Printed Name of Stockholder

____
Signature of Stockholder /
Authorized Signatory

____
Date

(SAMPLE PROXY FORM FOR CORPORATIONS)

SECRETARY'S CERTIFICATE

I, ____________________, Filipino, of legal age and with office address at ____________________________, do hereby certify that:

1. I am the duly appointed Corporate Secretary of ___________________________ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at _________________________;

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on ______________________, the following resolution was passed and approved:

   > "RESOLVED, That ____________________ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of SM Investments Corporation (SMIC) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in SMIC and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.
   >
   > "RESOLVED, FINALLY, That SMIC be furnished with a certified copy of this resolution and SMIC may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in ____________ on _______________.

____
Printed Name and Signature of the
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on __________________ in _________________. Affiant exhibited to me his Competent Evidence of Identity by way of _____________________ issued on _______________ at ________________.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of _______.

THE PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 24, 2015 (FRIDAY)**, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED 'FOR' THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

PROFILES OF THE BOARD OF DIRECTORS

HENRY SY, SR.

Chairman of the Board
Non-Executive Director
90 yrs.

EDUCATION/EXPERIENCE	Henry Sy, Sr., is the Chairman of the Board of Directors of SMIC. He is the founder of the SM Group and is currently Chairman of SM Prime, SM Development, and Highlands Prime Inc., among others. Mr. Sy opened the first ShoeMart store in 1958 and has since evolved into a dynamic group of companies with five lines of businesses - shopping malls, retail, financial services, real estate development and tourism, hotels and conventions. He is likewise Chairman Emeritus of BDO Universal Bank, Inc. and Honorary Chairman of China Banking Corporation.
BOARD ATTENDANCE	100%; 7 of 7 Meetings
DATE OF FIRST APPOINTMENT	1960
NO. OF YEARS ON THE BOARD	55 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	SM Prime Holdings, Inc. — Non-Executive Director (Chairman) BDO Unibank, Inc. — Non-Executive Director (Chairman Emeritus) China Banking Corporation — Non-Executive Director (Honorary Chairman)

TERESITA T. SY

Vice Chairperson of the Board
Non-Executive Director
Chairperson, Compensation and Remuneration Committee
Member, Nomination Committee
64 yrs.

EDUCATION/EXPERIENCE	Teresita T. Sy, is the Vice Chairperson of SMIC. She has varied experiences in retail merchandising, mall development and banking businesses. A graduate of Assumption College, she was actively involved in Shoemart's development. At present, she is the Chairperson of the Board of Directors of BDO Unibank, Inc. She also holds board positions in several companies within the SM Group.
BOARD ATTENDANCE	100%; 7 of 7 Meetings
DATE OF FIRST APPOINTMENT	1979
NO. OF YEARS ON THE BOARD	36 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	BDO Unibank, Inc. — Executive Director (Chairperson) BDO Leasing and Finance, Inc. — Non-Executive Director (Chairperson) SM Prime Holdings, Inc. — Adviser to the Board

HENRY T. SY, JR.

Vice Chairman of the Board
Non-Executive Director
61 yrs.

EDUCATION/EXPERIENCE	Henry T. Sy, Jr., is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. and SM Development Corporation. He is also the Vice Chairman – President of Highlands Prime, Inc. He is likewise the President of National Grid Corporation of the Philippines. He is responsible for the real estate acquisitions and development activities of the SM Group which include the identification, evaluation and negotiation for potential sites as well as the input of design ideas. He graduated with a Management degree from De La Salle University.	
BOARD ATTENDANCE	100%; 7 of 7 Meetings	
DATE OF FIRST APPOINTMENT	1979	
NO. OF YEARS ON THE BOARD	36 yrs.	
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.	
POSITIONS IN OTHER REPORTING COMPANIES	SM Prime Holdings, Inc. National Grid Corporation	Non-Executive Director (Chairman) Executive Director (President)

HARLEY T. SY

President
Executive Director
55 yrs.

EDUCATION/EXPERIENCE	Harley T. Sy, is the President of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group and Adviser to the Board of Directors of BDO Private Bank. He is the Vice Chairman of the Retail Group of SM Retail, Inc. He holds a degree in Bachelor of Science, Major in Finance from De La Salle University.	
BOARD ATTENDANCE	100%; 7 of 7 Meetings	
DATE OF FIRST APPOINTMENT	1993	
NO. OF YEARS ON THE BOARD	22 yrs.	
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.	
POSITIONS IN OTHER REPORTING COMPANIES	China Banking Corporation	Non-Executive Director

JOSE T. SIO

Executive Director

Member, Audit and Risk Management Committee

Member, Compensation and Remuneration Committee

75 yrs.

EDUCATION/EXPERIENCE	Jose T. Sio, is the Executive Vice President and Chief Finance Officer of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, and Atlas Consolidated Mining and Development Corporation. Mr. Sio is also Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a master's degree in Business Administration from New York University, is a certified public accountant and was formerly a senior partner at SyCip Gorres Velayo & Co. Mr. Sio was voted as CFO of the Year in 2009 by Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based business publications.
BOARD ATTENDANCE	100%; 7 of 7 Meetings
DATE OF FIRST APPOINTMENT	2005
NO. OF YEARS ON THE BOARD	10 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	China Banking Corporation — Non-Executive Director Belle Corporation — Non-Executive Director Atlas Consolidated Mining and Development Corp. — Non-Executive Director SM Prime Holdings, Inc. — Member, Audit and Risk Committee

VICENTE S. PEREZ, JR.

Independent Director

Chairman, Audit and Risk Management Committee

Member, Nomination Committee

Member, Compensation and Remuneration Committee

56 yrs.

EDUCATION/ EXPERIENCE	Vicente S. Perez, Jr.'s career has ranged from international banker, debt trader, investment bank partner, private equity investor to cabinet secretary. He is the Chief Executive Officer of Alternergy, Chairman of Merritt Partners, Chairman of Solar Pacific, and Vice-Chairman of Ten Knots Philippines, the resort operating company of El Nido Resorts. He was the youngest and longest serving Secretary of the Department of Energy. In 2007, he briefly served as Undersecretary for Industry and Investments at the Department of Trade and Industry and Managing Head of the Board of Investments. He is Chairman of WWF Philippines and member of the WWF-International Board. Mr. Perez also currently serves as an independent director of Double Dragon Properties Corp. and ST Telemedia. Mr. Perez is a member of the advisory boards of Coca-Cola FEMSA Phils., Pictet Clean Energy Fund, Roxas Holdings, and the Yale Center for Business and Environment. He obtained his master's degree in Business Administration from the Wharton School of the University of Pennsylvania, and his bachelor's degree in Business Economics from the University of the Philippines. He was a 2005 World Fellow at Yale University where he lectured an MBA Class on renewable power in emerging countries.
BOARD ATTENDANCE	85.7%; 6 of 7 Meetings
DATE OF FIRST APPOINTMENT	2005
NO. OF YEARS ON THE BOARD	10 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	Double Dragon Properties Corp. — Independent Director

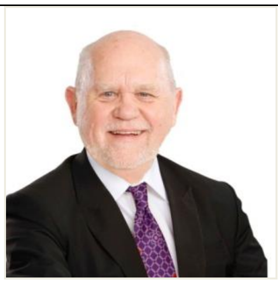
AH DOO LIM

Independent Director
Member, Audit and Risk Management Committee
65 yrs.

EDUCATION/EXPERIENCE	Ah Doo Lim, a Singaporean, is an Independent Director of SMIC. He is currently a Director and Chairman of the Audit Committee of Sembcorp Marine Ltd., a world leading rig builder in the offshore marine and engineering sector, and of ARA-CWT Trust Management (Cache) Ltd., GP Industries Ltd., Linc Energy Limited, and U Mobile Sdn Bhd. He is also a Director of Sateri Holdings Limited, a world leader in the specialty cellulose industry. He obtained a degree in Engineering from Queen Mary College, University of London in 1971, and a Master's Degree in Business Administration from Cranfield School of Management, England in 1976.
BOARD ATTENDANCE	100%; 7 of 7 Meetings
DATE OF FIRST APPOINTMENT	2008
NO. OF YEARS ON THE BOARD	7 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	Sembcorp Marine Ltd. — Director Sateri Holdings Limited — Director Linc Energy Limited — Director GP Industries Ltd. — Director ARA-CWT Trust Management Ltd. — Director

JOSEPH R. HIGDON

Independent Director
Chairman, Nomination Committee
73 yrs.



EDUCATION/EXPERIENCE	Joseph R. Higdon, an American, is an Independent Director of SMIC. Until his retirement, he was a Senior Vice-President of Capital Research and Management Company, a United States investment company. He joined Capital Research in 1974 and worked there until 2006. He analyzed Philippine Stocks from 1989 until 2006. He was a US Peace Corps volunteer in the Philippines from 1962 to 1964. He is also an Independent Director of International Container Terminal Services, Inc. and Security Bank Corporation. For six years until 2012, he served as a member of the Advisory Board for the Coca-Cola Bottling Company, Philippines.
BOARD ATTENDANCE	100%; 7 of 7 Meetings
DATE OF FIRST APPOINTMENT	2010
NO. OF YEARS ON THE BOARD	5 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	International Container Terminal Services, Inc. — Independent Director Security Bank Corporation — Independent Director

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:
   SM INVESTMENTS CORPORATION

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

4. SEC Identification Number: **0000016342**

5. BIR Tax Identification Code: **000-169-020-000**

6. Address of principal office: **10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, Pasay City**
   Postal Code **1300**

7. Registrant's telephone number, including area code: **(632) 857-0100 / fax (632) 857-0132**

8. Date, time and place of the meeting of security holders: **April 29, 2015, 2:30 p.m.,**
   2nd Floor, Function Room No. 3,
   SMX Convention Center,
   Seashell Drive, Mall of Asia Complex,
   Pasay City 1300

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 7, 2015**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common shares	**798,856,971**

11. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes ✓ No __

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    Philippine Stock Exchange

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. BUSINESS AND GENERAL INFORMATION

ITEM 1. Date, Time And Place Of Meeting Of Security Holders

(a) Date : April 29, 2015

Time : 2:30 p.m.

Place : 2nd floor, Function Room 3
SMX Convention Center
Seashell Drive, Mall of Asia Complex
Pasay City 1300

Mailing Address of Registrant : **SM Investments Corporation**
10th floor, One E-Com Center,
Harbor Drive, Mall of Asia Complex,
Pasay City 1300

(b) The approximate date on which the Information Statement will be sent or given to the stockholders is on April 7, 2015.

Statement that proxies are not solicited

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

Voting Securities

The record date for purposes of determining the stockholders entitled to vote is March 30, 2015. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 798,856,971 shares. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Corporation Code.

ITEM 2. Dissenters' Right of Appraisal

SM Investments Corporation (SMIC or the "Company") respects the inherent rights of stockholders under the law. SMIC recognizes that all stockholders should be treated fairly and equally whether they be controlling, majority or minority, local or foreign.

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

(a) 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 shares of any class, or of extending or shortening the term of corporate existence.
(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
(c) In case of merger or consolidation.

Procedure:

The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

(a) A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.
(b) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within 30 day period shall be deemed a waiver on his appraisal right;
(c) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 86), the fair value thereof; and
(d) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

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

(a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have 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 of the Company has informed in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

(a) Voting Securities

As of February 28, 2015, the total number of common shares outstanding and entitled to vote in the stockholders' meeting is 798,856,971 shares. Out of the aforesaid outstanding common shares, 279,330,616 shares are held by foreigners. Each share is entitled to notice of and to one vote at the Annual Stockholders' Meeting..

(b) Record Date

The record date for purposes of determining the stockholders entitled to notice and to vote is March 30, 2015.

(c) Voting Rights

Stockholders shall be entitled to vote in person or by proxy and, unless otherwise provided by law, he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made statute. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by proxy if there be by proxy, and shall state the number of shares voted by him.

Provided however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Title III, Section 24 of the Corporation Code of the Philippines.

(d) Security Ownership of Certain Record and Beneficial Owners as of February 28, 2015

As of February 28, 2015, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Teresita T. Sy (Director and Vice Chairperson) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	57,085,450	7.14%
-do-	Harley T. Sy (Director and President) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	58,528,292	7.33%
-do-	Hans T. Sy (Stockholder of Issuer) No. 11 Harvard Road, Forbes Park, Makati City	Same as the Record Owner	Filipino	65,969,521	8.26%
-do-	Henry T. Sy, Jr. (Director and Vice Chairperson) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	58,460,450	7.32%
-do-	Herbert T. Sy (Stockholder of Issuer) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	65,960,450	8.26%
-do-	Elizabeth T. Sy (Stockholder of Issuer) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	46,722,988	5.85%
-do-	PCD Nominee Corp. (Filipino)	Various clients [1]	Filipino	63,617,276	7.96%
-do-	PCD Nominee Corp. (Non-Filipino)	Various clients [1]	Foreign	279,330,616	34.97%

(1) The Company has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

Security Ownership of Management as of February 28, 2015

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct / (I) indirect		Citizenship	Percent of Class
Common	Henry Sy, Sr.	P 31,825,500	D	Filipino	0.40%
Common	Teresita T. Sy	570,854,500	D	Filipino	7.14%
Common	Harley T. Sy	585,282,920	D	Filipino	7.33%
Common	Henry T. Sy, Jr.	584,604,500	D	Filipino	7.32%
Common	Jose T. Sio	140	D	Filipino	0.00%
Common	Vicente S. Perez, Jr.	140	D	Filipino	0.00%
Common	Ah Doo Lim	1,250	D	Singaporean	0.00%
Common	Joseph R. Higdon	1,250	D	American	0.00%
Common	Grace F. Roque	0		Filipino	0.00%
Common	Marianne M. Guerrero	0		Filipino	0.00%
Common	Elizabeth Anne C. Uychaco	0		Filipino	0.00%
Common	Franklin C. Gomez	0		Filipino	0.00%
Common	Cecilia Reyes-Patricio	0		Filipino	0.00%
Common	Corazon P. Guidote	21,250	D	Filipino	0.00%
Common	Frederic C. DyBuncio	0		Filipino	0.00%
Common	Elmer B. Serrano	0		Filipino	0.00%
		P 1,772,591,450			22.19%

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

(e) Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Company.

ITEM 5. Directors and Executive Officers of the Registrant

(a) The incumbent Directors and Executive Officers of the Company are as follows:

Office	Name	Age	Citizenship
Chairman	Henry Sy, Sr.	90	Filipino
Vice Chairman	Teresita T. Sy	64	Filipino
Vice Chairman	Henry T. Sy, Jr.	61	Filipino
Director and President	Harley T. Sy	55	Filipino
Director and Executive Vice President and CFO	Jose T. Sio	75	Filipino
Independent Director	Vicente S. Perez, Jr.	56	Filipino
Independent Director	Ah Doo Lim	65	Singaporean
Independent Director	Joseph R. Higdon	73	American
Treasurer	Grace F. Roque	64	Filipino
Senior Vice President - Legal, Alternate Compliance Officer and Asst. Corp. Sec	Marianne Malate-Guerrero	50	Filipino
Senior Vice President - Corporate Services	Elizabeth Anne C. Uychaco	59	Filipino

Office	Name	Age	Citizenship
Senior Vice President - Finance	Franklin C. Gomez	45	Filipino
Senior Vice President - Taxes	Cecilia Reyes-Patricio	57	Filipino
Senior Vice President - Investor Relations	Corazon P. Guidote	54	Filipino
Senior Vice President - Investments Portfolio	Frederic C. DyBuncio	55	Filipino
Corporate Secretary	Elmer B. Serrano	47	Filipino

MANAGEMENT

Board of Directors

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

The following are the business experience/s of the Company's Directors during the last five years:

Henry Sy, Sr., is the Chairman of the Board of Directors of SMIC. He is the founder of the SM Group and is currently Chairman of SM Prime, SM Development, and Highlands Prime Inc., among others. Mr. Sy opened the first ShoeMart store in 1958 and has since evolved into a dynamic group of companies with five lines of businesses - shopping malls, retail, financial services, real estate development and tourism, hotels and conventions. He is likewise Chairman Emeritus of BDO Universal Bank, Inc. and Honorary Chairman of China Banking Corporation.

Teresita T. Sy, is the Vice Chairperson of SMIC. She has varied experiences in retail merchandising, mall development and banking businesses. A graduate of Assumption College, she was actively involved in Shoemart's development. At present, she is the Chairperson of the Board of Directors of BDO Unibank, Inc. She also holds board positions in several companies within the SM Group.

Henry T. Sy, Jr., is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. and SM Development Corporation. He is also the Vice Chairman – President of Highlands Prime, Inc. He is likewise the President of National Grid Corporation of the Philippines. He is responsible for the real estate acquisitions and development activities of the SM Group which include the identification, evaluation and negotiation for potential sites as well as the input of design ideas. He graduated with a Management degree from De La Salle University.

Harley T. Sy, is the President of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group and Adviser to the Board of Directors of BDO Private Bank. He is the Vice Chairman of the Retail Group of SM Retail, Inc. He holds a degree in Bachelor of Science, Major in Finance from De La Salle University.

Jose T. Sio, is the Executive Vice President and Chief Finance Officer of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, and Atlas Consolidated Mining and Development Corporation. Mr. Sio is also Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a master's degree in Business Administration from New York University, is a certified public accountant and was formerly a senior partner at SyCip Gorres Velayo & Co. Mr. Sio was voted as CFO of the Year in 2009 by Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based business publications.

Vicente S. Perez, Jr. *, is an Independent Director of SMIC. His career has ranged from international banker, debt trader, investment bank partner, private equity investor to cabinet secretary. He is the Chief Executive Officer of Alternergy, Chairman of Merritt Partners, Chairman of Solar Pacific, and Vice-Chairman of Ten Knots Philippines, the resort operating company of El Nido Resorts. He was the youngest and longest serving Secretary of the Department of Energy. in 2007, he briefly served as Undersecretary for Industry and Investments at the Department of Trade and Industry and Managing Head of the Board of Investments. He is Chairman of WWF Philippines and member of the WWF-International Board. Mr. Perez also currently serves as an independent director of Double Dragon Properties Corp. and ST Telemedia. Mr. Perez is a member of the advisory boards of Coca-Cola FEMSA Phils., Pictet Clean Energy Fund, Roxas Holdings, and the Yale Center for Business and Environment. He obtained his master's degree in Business Administration from the Wharton School of the University of Pennsylvania, and his bachelor's degree in Business Economics from the University of the Philippines. He was a 2005 World Fellow at Yale University where he lectured an MBA Class on renewable power in emerging countries.

Ah Doo Lim *, a Singaporean, is an Independent Director of SMIC. He is currently a Director and Chairman of the Audit Committee of Sembcorp Marine Ltd., a world leading rig builder in the offshore marine and engineering sector, and of ARA-CWT Trust Management (Cache) Ltd., GP Industries Ltd., Linc Energy Limited, and U Mobile Sdn Bhd. He is also a Director of Sateri Holdings Limited, a world leader in the specialty cellulose industry. He obtained a degree in Engineering from Queen Mary College, University of London in 1971, and a Master's Degree in Business Administration from Cranfield School of Management, England in 1976.

Joseph R. Higdon*, an American, is an Independent Director of SMIC. Until his retirement, he was a Senior Vice-President of Capital Research and Management Company, a United States investment company. He joined Capital Research in 1974 and worked there until 2006. He analyzed Philippine Stocks from 1989 until 2006. He was a US Peace Corps volunteer in the Philippines from 1962 to 1964. He is also an Independent Director of International Container Terminal Services, Inc. and Security Bank Corporation. For six years until 2012, he served as a member of the Advisory Board for the Coca-Cola Bottling Company, Philippines.

** Independent director – the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

<u>Period of Directorship</u>

Name	Period Served
Henry Sy, Sr.	1960 to present
Teresita T. Sy	1979 to present
Henry T. Sy, Jr.	1979 to present
Harley T. Sy	1993 to present
Jose T. Sio	2005 to present
Vicente S. Perez, Jr.	2005 to present
Ah Doo Lim	2008 to present
Joseph R. Higdon	2010 to present

Directorships in Other Reporting Companies

The following are directorships held by Directors and Executive Officers in other reporting companies during the last five years:

Name of Director	Name of Reporting Company	Position Held
Henry Sy, Sr.	SM Prime Holdings Inc.	Chairman Emeritus
	BDO Unibank, Inc.	Chairman Emeritus
	China Banking Corporation.	Honorary Chairman
Teresita T. Sy	BDO Unibank, Inc.	Chairperson
	SM Prime Holdings, Inc.	Adviser to the Board
	BDO Leasing and Finance Corp.	Chairperson
Henry T. Sy, Jr.	SM Prime Holdings, Inc.	Chairman
Harley T. Sy	China Banking Corporation	Director
Jose T. Sio	China Banking Corporation	Director
	Belle Corporation	Director
	Atlas Consolidated Mining and Development Corporation	Director
	BDO Unibank Inc.	Adviser to the Board
	Premium Leisure Corporation	Adviser to the Board
Vicente S. Perez, Jr.	DoubleDragon Properties Corp.	Independent Director
Ah Doo Lim	Sembcorp Marine Ltd.	Director
	Sateri Holdings Limited	Director
	Linc Energy Limited	Director
	GP Industries Ltd.	Director
	ARA-CWT Trust Management (Cache) Ltd.	Director
Joseph R. Higdon	International Container Terminal Services, Inc.	Independent Director
	Security Bank Corporation.	Independent Director

The following are the business experience/s of the members of the Board during the last five years:

Elmer B. Serrano is the Corporate Secretary of SMIC. He is Name Partner of the law firm of Martinez Vergara Gonzalez & Serrano and has been practicing corporate law for over two decades. He is also the Corporate Secretary of Crown Equities, Inc. and its subsidiaries, BDO Capital & Investment Corporation, BDO Securities Corporation, BDO Insurance Brokers, Inc., BDO Elite Savings Bank, Inc., Banco De Oro Savings Bank and Averon Holding Corporation. He was previously a director of OCLP Holdings, Inc. until November 2014. He is a graduate of the Ateneo Law School and holds a degree of B.S. Legal Management from the Ateneo de Manila University.

Marianne Malate-Guerrero is Senior Vice President, Legal Department Head, Alternate Compliance Officer and Assistant Corporate Secretary of SMIC. She formerly worked as Senior Vice President and Legal Department Head of United Overseas Bank Philippines. Previous to that, she was Vice President and Legal Officer of Solidbank Corporation. She began her practice with the law firm of Castillo Laman Tan & Pantaleon Law office. She graduated from the Ateneo School of Law in 1988.

Period of Membership

Name	Office	Period Served
Elmer B. Serrano	Corporate Secretary	2014 to present
Marianne Malate-Guerrero	Senior Vice President - Legal, Alternate Compliance Officer and Asst. Corp. Secretary	2014 to present

Nomination of Directors

The Nomination Committee created by the Board under its Corporate Governance Manual qualified the following for re-election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

1. Henry Sy, Sr.
2. Teresita T. Sy
3. Henry T. Sy, Jr.
4. Harley T. Sy
5. Jose T. Sio
6. Vicente S. Perez, Jr. (Independent Director)
7. Ah Doo Lim (Independent Director)
8. Joseph R. Higdon (Independent Director)

Atty. Marianne M. Guerrero nominated to the Board, for inclusion in the Final List of Candidates for Independent Director, the following stockholders:

1. Vicente S. Perez, Jr.
2. Ah Doo Lim
3. Joseph R. Higdon

Atty. Marianne M. Guerrero, Mr. Vicente S. Perez, Jr., Mr. Ah Doo Lim and Mr. Joseph Higdon are not related either by consanguinity or affinity, nor has any other professional / business dealings with each other.

The Company has complied with the Guidelines set forth by SRC Rule 38 regarding the Nomination and Election of Independent Director. The same provision has been incorporated in the Amended By-Laws of the Company.

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified. The same set of directors have been nominated in the coming regular annual stockholders' meeting. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

The procedure for nomination of directors shall be as follows:

- Nomination of Independent Directors shall be reviewed and passed upon by the Nomination Committee prior to the stockholders' meeting.

- The Nomination Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of Independent Directors and which list shall contain all the information about these nominees.

- Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

- In case of resignation, disqualification or cessation of Independent Directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nomination Committee otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

- The Nominations Committee is composed of the following members, two of whom are Independent Directors:

    1. Joseph R. Higdon - Chairman (Independent director)
    2. Teresita T. Sy - Member
    3. Vicente S. Perez, Jr. - Member (Independent director)

All new directors undergo an orientation program soon after date of election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and its Committees, SMIC's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at SMIC's expense to promote relevance and effectivity and to keep them abreast of the latest developments in corporate directorship and good governance.

Officers

Grace F. Roque is the Treasurer of SMIC. She is also the Director of Metro Manila Shopping Mecca and of Mercantile Stores Group, Inc. She is also the Treasurer and Director of HFS Corporation, Mindanao Shoppers Daily Destination Corp., and SM Arena Complex Corp. She holds a Bachelor Degree in Economics from Maryknoll College and a Masters in Business Administration Degree from the University of the Philippines.

Marianne Malate-Guerrero, is Senior Vice President, Legal Department Head, Alternate Compliance Officer and Assistant Corporate Secretary of SMIC. She formerly worked as Senior Vice President and Legal Department Head of United Overseas Bank Philippines. Previous to that, she was Vice President and Legal Officer of Solidbank Corporation. She began her practice with the law firm of Castillo Laman Tan & Pantaleon Law office. She graduated from the Ateneo School of Law in 1988.

Elizabeth Anne C. Uychaco, is Senior Vice President, Corporate Services of SMIC. She is also a Board Director of Belle Corporation, Megawide Construction Corporation, Republic Glass Holdings Corp., Generali Pilipinas Holding Company, Inc., and Premium Leisure & Amusement, Inc. She was formerly Senior Vice President and Chief Marketing Officer of Philippine American Life Insurance Company and Board Director of Philam Call Center. Prior to that, she was Vice President of Globe Telecom, Inc., Kuok Philippine Properties, Inc. and Transnational Diversified Corp. Ms. Uychaco graduated from St. Scholastica's College in 1978 with a Bachelor of Arts Degree. She obtained a Master's Degree in Business Economics from the University of Asia and Pacific in 1988 and a Master's Degree in Business Administration from the Ateneo Business School in 1992.

Franklin C. Gomez is Senior Vice President for Finance of SMIC. Prior to joining SM Investments in 2013, he spent over 20 years at Unilever where he held several senior positions, his last being Finance Director and Chief Financial Officer of Unilever Indonesia since May 2009. His previous senior posts in the same company include Chief Financial Officer at Unilever Philippines; Innovation and Learning Director at the Finance Excellence Centre in London; and Finance Director of Selecta Wall's Ice Cream, Philippines. Mr. Gomez holds a Bachelor of Arts in Economics and Bachelor of Science in Commerce Major in Accountancy from De La Salle University, Manila.

Cecilia Reyes-Patricio is the Senior Vice President, Corporate Tax Department of SMIC. Prior to joining SMIC in 1988, she was a financial and tax auditor at SyCip, Gorres Velayo & Co. She holds a Master of Science degree (with highest honors) in Commerce, Major in Taxation, from the Manuel Luis Quezon University. A Certified Public Accountant, she graduated magna cum laude with a Bachelor of Science degree in Business Administration from the University of the East.

Corazon P. Guidote is Senior Vice President for Investor Relations of SMIC. She was formerly a Presidential Consultant for Investor Relations and Executive Director of the Investor Relations Office of the Republic of the Philippines. Prior to government service, she was a Director and Chief Operating Officer of ABN AMRO Asia Securities Philippines, Group Vice President for Corporate Communications and Investor Relations at Metro Pacific Corporation, and Managing Director of Citibank Securities, Philippines, Inc. and UBS Securities Phils., Inc. Ms. Guidote also served as Equities Research Head in Peregrine Securities, Inc., Barclays de Zoete Wedd (BZW), and Vickers da Costa. A Certified Public Accountant, Ms. Guidote is a Bachelor of Science graduate of the University of Santo Tomas. She holds a Masters degree in Applied Business Economics from the University of Asia and the Pacific and is a Chevening Fellow of the United Kingdom Foreign and Commonwealth Office. She is also a fellow at the Institute of Corporate Directors.

Frederic C. DyBuncio is Senior Vice President, Investments Portfolio of SMIC. Prior to joining SMIC, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He obtained his undergraduate degree in Business Management from the Ateneo de Manila University, and his master's degree in Business Administration from the Asian Institute of Management.

Period of Officership

Name	**Office**	**Period Served**
Harley T. Sy	President	2005 to present
Jose T. Sio	Executive Vice President and Chief Financial Officer	2005 to present
Grace F. Roque	Treasurer and Senior Vice President	2010 to present
Marianne Malate-Guerrero	Senior Vice President - Legal, Alternate Compliance Officer and Asst. Corp. Secretary	2006 to present
Elizabeth Anne C. Uychaco	Senior Vice President - Corporate Services	2009 to present
Franklin C. Gomez	Senior Vice President - Finance	2013 to present
Cecilia Reyes-Patricio	Senior Vice President - Taxes	2010 to present
Corazon P. Guidote	Senior Vice President - Investor Relations	2011 to present
Frederic C. DyBuncio	Senior Vice President - Investment Portfolio	2011 to present

Directorships in Other Reporting Companies

The following are directorships held by Officers in other reporting companies during the last five years:

Name of Director	**Name of Reporting Company**	**Position Held**
Elizabeth Anne C. Uychaco	Belle Corporation	Director
	Megawide Construction Corporation	Director
	Republic Glass Holdings Corp.	Director
Frederic C. DyBuncio	Atlas Consolidated Mining and Development Corporation	Vice-Chairman
	APC Group, Inc.	President/CEO/Director
	Belle Corporation	President/CEO/Director
	Premium Leisure Corp.	President/CEO/Director
	Pacific Online Systems Corporation	Director

Nomination of Officers:

The following will be nominated as officers at the Organizational meeting of the Board of Directors:

Office	Name
Chairman	Henry Sy, Sr.
Vice Chairperson	Teresita T. Sy
Vice Chairman	Henry T. Sy, Jr.
Director and President	Harley T. Sy
Director and Executive Vice President & CFO	Jose T. Sio
Treasurer and Senior Vice President	Grace F. Roque
Senior Vice President - Legal, Alternate Compliance Officer and Asst. Corp. Secretary	Marianne Malate-Guerrero
Senior Vice President - Corporate Services	Elizabeth Anne C. Uychaco
Senior Vice President - Finance	Franklin C. Gomez
Senior Vice President - Taxes	Cecilia Reyes-Patricio
Senior Vice President - Investor Relations	Corazon P. Guidote
Senior Vice President - Investment Portfolio	Frederic C. DyBuncio
Corporate Secretary	Elmer B. Serrano

(b) Significant Employees

The Company has no employee who is not an executive officer but is expected to make a significant contribution to the business.

(c) Family Relationships

Mr. Henry Sy, Sr. is the father of Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy and Harley T. Sy. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

(d) Certain Relationships and Related Transactions

There are no known related party transactions other than those described in Note 22 (Related Party Transactions) of the Notes to the Consolidated Financial Statements herein incorporated herein by reference.

(e) Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

(1) 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;
(2) any conviction by final judgment, including the nature of the offense, 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;
(3) 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

(4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC 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.
(5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 6. Compensation of Directors and Executive Officers

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and executive officers of the Company are as follows:

Name and Position

1. Harley T. Sy
   President*
2. Jose T. Sio
   Executive Vice President & CFO*
3. Elizabeth Anne C. Uychaco
   Senior Vice President - Corporate Services*
4. Franklin C. Gomez
   Senior Vice President – Finance*
5. Frederic C. Dybuncio
   Senior Vice President - Investment Portfolio*

Summary Compensation Table (in million pesos)

	Year	Salary	Bonus	Other Annual Compensation
* CEO and four Most	2015 (estimate)	80	13	3
Highly Compensated	2014	69	12	3
Executive Officers	2013	51	8	2
All other officers and	2015 (estimate)	156	26	6
Directors as a group	2014	136	23	6
unnamed	2013	142	23	6

Aside from the aforementioned compensation, these officers do not receive any other form of remuneration.

There are no outstanding warrants or options held by directors and officers. There are no actions to be taken with regard to election, any bonus or profit-sharing, change in pension/retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

The members of the Compensation and Remuneration Committee are:

1. Teresita T. Sy - Chairperson
2. Jose T. Sio - Member
3. Vicente S. Perez, Jr. - Member (Independent Director)

ITEM 7. Independent Public Accountants, External Audit Fees and Services

Sycip, Gorres, Velayo & Company (SGV & Co.) is the external auditor for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and 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.

Pursuant to SRC Rule 68, Paragraph 3 (b) (iv) and (ix) (Rotation of External Auditors) which states that the signing partner shall be rotated after every five (5) years of engagement with a two-year cooling off period for the re-engagement of the same signing partner, the Company engaged Ms. Belinda Beng Hui of SGV & Co. for the examination of the Company's financial statements for 2013 and 2014. Previously, the Company engaged Mr. Ramon D. Dizon, Ms. Melinda G. Manto and Mr. Joel M. Sebastian of SGV & Co. for the examination of the Company's financial statements from 2008 to 2012, 2006 to 2007 and 2001 to 2005, respectively.

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor were P1.9 million and P2.0 million for 2014 and 2013, respectively. The audit fees for 2015 is estimated to be at P2.1 million. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, and assistance in the preparation of annual income tax returns. Also, in 2014, SGV & Co. rendered other professional services relating to the bond issuances of SMIC and none in 2013. The professional fees amounted to P11.2 million in 2014 and nil in 2013. There were no other professional services rendered by SGV & Co. during the period. Tax consultancy services are secured from other entities other than the external auditor.

The Audit and Risk Management Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the Committee's recommendation.

The members of the Audit and Risk Management Committee are:

1. Vicente S. Perez Jr. - Chairman (Independent Director)
2. Ah Doo Lim - Member (Independent Director)
3. Jose T. Sio - Member
4. Serafin U. Salvador - Member

ITEM 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. Authorization or Issuance of Securities Other than for Exchange

No action will be presented for stockholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

ITEM 10. Modification or Exchange of Securities

No action will be presented for stockholders' approval at this year's annual meeting which involves the modification of any class of SMIC's securities, or the issuance of one class of SMIC's securities in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

The Management Report and Audited Financial Statements of SMIC are incorporated herein by reference.

Representatives of SMIC's external auditor, SGV & Co., are expected to be present at the annual meeting, and 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 from the stockholders. SMIC has had no material disagreement with SGV & Co. on any matter of accounting principle or practices or disclosures in SMIC's financial statements.

ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be presented for stockholders' approval at this year's annual meeting in respect of (1) the merger or consolidation of SMIC into or with any other person, or of any other person into or with SMIC, (2) acquisition by SMIC or any of its stockholders of securities of another person, (3) acquisition by SMIC of any other going business or of the assets thereof, (4) the sale or transfer or all or any substantial part of the assets of SMIC, or (5) liquidation or dissolution of SMIC.

ITEM 13. Acquisition or Disposition of Property

The Company and its subsidiaries purchased and sold parcels of land in the normal course of their business.

No action will be presented for stockholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of SMIC.

ITEM 14. Restatement of Accounts

No action will be presented for stockholders' approval at this year's annual meeting which involves the restatement of any of SMIC's assets, capital or surplus account.

D. OTHER MATTERS

ITEM 15. Action with Respect to Reports

There is no action to be taken with respect to any report of SMIC or of its directors, officers or committees, except for the approval of the minutes of the previous annual meeting of SMIC.

At the annual meeting, stockholders will be asked to approve and ratify the acts of the Board of Directors during their term of office. The matters for stockholders' ratification are acts of the Board, its Committees and Management for the previous year up to the date of the annual meeting which were entered into or made in the ordinary course of business, the significant acts or transactions of which are covered by appropriate disclosures with the Securities and Exchange Commission and Philippine Stock Exchange, Inc., including:

I. Issuance of up to ten (10) year US Dollar Bonds;
II. Appointment of Atty. Elmer B. Serrano as the new Corporate Secretary; and
III. Amendment of By-laws pursuant to the Board's authority providing for period for submission and validation of proxies.

There are no other matters that would require approval of the stockholders.

ITEM 16. Matters Not Required To Be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

ITEM 17. Amendment of Charter, By-Laws or Other Documents

There is no action to be taken with respect to any amendment of charter, by-laws or other documents required to be submitted to a vote of the stockholders.

ITEM 18. Other Proposed Action

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

ITEM 19. Voting Procedures

At each stockholders' meeting, holders of a majority of SMIC's issued and outstanding voting shares that are present or represented by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by law. A majority of votes shall decide any matter submitted to the stockholders at the meeting, except in those cases where the law requires a greater number.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part I. B, Item 4(c) of this Information Statement.

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

SMIC's By-Laws does not prescribe a manner of voting. However, election of directors may be conducted by ballot as requested by voting stockholders.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.

SMIC's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the stockholders. The external auditor of the Company, SGV & Co. has been appointed to validate the ballots when necessary.

Stockholders holding SMIC common shares as of March 30, 2015 are entitled to vote on the following matters which are also indicated in the Notice and Agenda included in this Information Statement:

1. **Approval of the minutes of the previous annual meeting held on April 30, 2014**

   The stockholders' approval of the minutes of the meeting held on April 30, 2014 will be sought at this year's annual meeting. The following was the agenda of the said meeting.

   - Call to order.
   - Certification of notice and quorum.
   - Approval of minutes of the special meeting of stockholders held on April 25, 2013.
   - Presentation of the President's Report.
   - General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting up to the date of this meeting.

- Amendment of the Articles of Incorporation to state the specific address of the Corporation's principal office per SEC MC No. 6, Series of 2014
- Election of directors for 2014 – 2015 (including Independent Directors).
- Appointment of external auditors.
- Adjournment.

Required vote: A majority vote of stockholders present or represented at the meeting.

2. Audited Financial Statements as of December 31, 2014

SMIC's Audited Financial Statements as of December 31, 2014 is attached as Annex "A" to this Information Statement for review of the stockholders. This will enable the stockholders to assess the financial performance of SMIC for the period covered by said financial statements. Stockholders' approval of the financial statement will be sought at this year's annual meeting.

Required vote: A majority vote of stockholders present or represented at the meeting.

3. Approval and ratification of acts of the Board of Directors during their term of office

During their term, the Board approved resolutions and authorized actions in connection with their mandate to direct, manage and supervise the affairs and operations of SMIC. The acts of the Board of Directors, its Committees and management listed in Part D, Item 15, during their term of office, will be presented to the stockholders for approval and ratification. In compliance with the PSE Disclosure Rules, the Securities Regulation Code and its implementing rules, and in keeping with the policy on transparency as embodied in SMIC's Manual on Good Corporate Governance, SMIC regularly and promptly discloses actions taken by its Board and management. While stockholders' approval of such acts is not required under the Corporation Code and regulatory issuances, SMIC believes it to be sound corporate governance to present these to the stockholders for approval and ratification.

Required vote: A majority vote of stockholders present or represented at the meeting.

4. Election of Directors

At the annual meeting, stockholders will be asked to elect the directors for the ensuing year. As stated in Section 3 of Article IV of the Company's By-Laws, "At each meeting of the stockholders for the election of directors, at which a quorum is present, the persons receiving the highest number of votes of the stockholders present in person or by proxy and entitled to vote shall be the directors."

Section 24 of The Corporation Code of the Philippines states that "At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock… entitled to vote".

Required vote: Candidates receiving the highest number of votes shall be declared elected.

5. Appointment of External Auditor

Pursuant to SMIC's By-laws, Manual on Corporate Governance, and Audit and Risk Management Committee Charter, the Board, upon the recommendation of the Board Audit and Risk Management Committee, shall recommend to the stockholders, appointment of an external auditor to undertake independent audit and provide objective assurance that the Company's financial reports are in compliance with pertinent accounting standards and regulatory requirements.

At the annual meeting, the stockholders will be requested to approve the re-appointment of SGV & Co. as external auditor of SMIC for the ensuing fiscal year.

Required vote: A majority vote of stockholders present or represented at the meeting.

PART III

SIGNATURE PAGE

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 Pasay City on March 11, 2015.

By: **SM INVESTMENTS CORPORATION**

JOSE T. SIO
Executive Vice President and
Chief Financial Officer

MANAGEMENT REPORT

A.i Consolidated Audited Financial Statements

The Company's consolidated financial statements for the year ended December 31, 2014 are incorporated herein by reference.

A.ii Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosures.

A.iii Management's Discussion and Analysis or Plan of Operation

Calendar Year Ended December 31, 2014 and 2013

Results of Operation
(amounts in billion pesos)

Accounts	12 / 31 / 2014	12 / 31 / 2013	% Change
Revenue	**P 275.7**	**P 253.3**	**8.9%**
Cost and Expenses	223.5	202.0	10.7%
Income from Operations	**52.2**	**51.3**	**1.8%**
Other Income (Charges)	(5.7)	(7.7)	(24.9%)
Provision for Income Tax	7.6	5.4	39.7%
Minority Interest	10.5	10.8	(2.8%)
Net Income Attributable to Equity Holders of the Parent	**P 28.4**	**P 27.4**	**3.5%**

SM Investments Corporation and Subsidiaries (the Group) reported a *Net Income Attributable to Equity Holders of the Parent* of P28.4 billion and *Revenues* of P275.7 billion in 2014. This represents a 3.5% increase in *Net Income Attributable to Equity Holders of the Parent* and 8.9% growth in *Revenues*.

Income from Operations increased by 1.8% to P52.2 billion from P51.3 billion in 2013. *Operating Margin* and *Net Margin* is at 18.9% and 10.3%, respectively.

Merchandise Sales, which grew by 9.0% from P180.9 billion in 2013, accounts for 71.5% or P197.1 billion of the total revenues in 2014. The increase is attributable to the opening of the following new stores in 2014:

	SM Department Stores	***SM Supermarkets***	***SaveMore Stores***	***SM Hypermarkets***
1	SM Cauayan	Cauayan	SaveMore Nunez	Daet
2	SM Mega Center	-	SaveMore San Pedro	Sun
3	-	-	SaveMore Sta. Cruz	Rosario
4	-	-	SaveMore Candon	-
5	-	-	SaveMore Francis Market	-

	SM Department Stores	***SM Supermarkets***	SaveMore Stores	***SM Hypermarkets***
6	-	-	SaveMore Agora Lucena	-
7	-	-	SaveMore Solano 2	-
8	-	-	SaveMore Tumauini	-
9	-	-	SaveMore Cyberwest	-
10	-	-	SaveMore San Nicolas	-
11	-	-	SaveMore Camiling	-
12	-	-	SaveMore Guagua	-
13	-	-	SaveMore Angono 2	-
14	-	-	SaveMore Bayombong	-
15	-	-	SaveMore Santiago 2	-
16	-	-	SaveMore Roxas Isabela	-
17	-	-	SaveMore Tacloban	-
18	-	-	SaveMore Calumpang Gensan	-
19	-	-	SaveMore Fortune Town	-
20	-	-	SaveMore San Fernando Pampanga	-
21	-	-	SaveMore Cabiao	-
22	-	-	SaveMore Francis Market	-

The *Non-Food* and *Food Group* comprised 40% and 60%, respectively, of merchandise sales in 2014 and 41% and 59%, respectively, of merchandise sales in 2013.

As of December 31, 2014, *SM Retail had* 269 stores nationwide, namely: 50 *SM Stores*, 40 *SM Supermarkets*, 113 *SaveMore* stores, 42 *SM Hypermarkets* and 24 *WalterMart* stores.

Real Estate Sales increased by 6.5% to P22.6 billion from P21.2 billion in 2013 due to higher construction accomplishments of projects and increase in number of units sold in Grace Residences in Taguig, Shell Residences and Breeze Residences in Pasay, Green Residences in Manila, and Grass Residences Phase2 and Trees Residences in Quezon City.

Real Estate Gross Margin improved from 42.4% in 2013 to 44.6% in 2014. This is attributable to efficient management and the reigning-in of construction costs.

Rent Revenues, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 17.6% to P32.8 billion from P27.9 billion in 2013. The increase in *Rent Revenues* is primarily due to the new malls which opened in 2013 and 2014, namely, *SM Aura Premier* in Taguig, *SM City BF Parañaque* and *SM City Cauayan* in Isabela province, as well as the expansion of shopping spaces in Mega Fashion Hall in *SM Megamall* in Mandaluyong and *SM Center Angono* in Rizal province. The expanded mall gross floor area is now 6.5 million square meters, an increase of 0.3 million square meters from yearend 2013. Excluding the new malls and expansions, same-store rental growth is at 7%.

As of December 31, 2014, *SM Prime* had 50 malls in the Philippines and 5 malls in China.

Cinema Ticket Sales and *Amusement Revenues* increased by 16.7% to P5.8 billion from P4.9 billion in 2013 due to the opening of additional digital cinemas in the new/expanded malls and the showing of international and local blockbuster movies. Strong patronage of amusement rides and additional recreational facilities also contributed to the increase.

*Equity in Net Earnings of Associates and Joint Venture*s decreased by 2.8% to P13.2 billion from P13.6 billion in 2013. This is attributable mainly to *BDO's* exceptional trading gains in early 2013.

Gain on Sale of Available-for-sale Investments and Fair Value Changes on Investments Held for Trading-net decreased by 63.5% to P0.05 billion in 2014 from P0.14 billion in 2013 due primarily to the gain on sale of available-for-sale investments in 2013.

Dividend Income decreased by 32.6% to P0.6 billion in 2014 from P0.9 billion in 2013 due to decrease in dividends received from certain investees.

Management and Service Fees remained at P1.4 billion in 2014 and 2013.

Other Revenues, which comprise mainly of income for the promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues slightly decreased by 7.7% to 2.1 billion in 2014 from P2.2 billion in 2013.

Operating Expenses increased by 17.7% to P60.1 billion from P51.0 billion in 2013 due mainly to additional operating expenses associated with the construction of new, and/or, expansion of malls, new retail stores, store renovations and current real estate projects.

Other Charges (net) decreased by 24.9% to P5.7 billion from P7.6 billion in 2013. *Interest Expense* increased by 6.3% to P11.6 billion from P10.9 billion in 2013 due mainly to loan availments during the year. *Interest Income* decreased by 18.2% to P3.0 billion from P3.7 billion in 2013 due to lower average balance of temporary investments. *Gain on disposal of investments and properties – net* increased by 426.9% to P2.9 billion from P0.5 billion in 2013 resulting mainly from the sale of the Group's 2% stake in BDO. *Loss on Fair Value Changes on Derivatives* decreased by 81.0% to P0.2 billion from P1.0 billion in 2013. This fair value change pertains mainly to the US$250.0 million convertible bonds of SMIC. *Foreign Exchange Gain and Others* increased by 201.4% to P179.1 million from P59.4 million in 2013. This is due mainly to the favorable PHP to USD foreign exchange rate, that is, from PHP44.40 : USD1.00 in 2013 to PHP44.72 : USD1.00 in 2014.

Provision for Income Tax increased by 39.7% to P7.6 billion from P5.4 billion in 2013 resulting mainly from the SM Property group restructuring transaction in 2013, higher taxable income in 2014 as well as expiration of certain income tax holiday incentives on certain residential projects of *SM Prime* in 2014. The effective income tax rate is 16.3% in 2014 and 12.4% in 2013.

Non-controlling interest decreased by 2.8% to P10.5 billion in 2014 from P10.8 billion in 2013.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2014	12 / 31 / 2013	% Change
Current assets	P 186.0	P 162.9	14.2%
Noncurrent assets	525.9	470.1	11.9%
Total assets	**P 711.9**	**P 633.0**	**12.5%**
Current liabilities	P 96.6	P 132.1	-26.8%
Noncurrent Liabilities	265.3	200.7	32.2%
Total Liabilities	**361.9**	**332.8**	**8.8%**
Stockholders' Equity	**350.0**	**300.2**	**16.6%**
Total Liabilities and Stockholders' Equity	**P 711.9**	**P 633.0**	**12.5%**

Total *Assets* increased by 12.5% to P711.9 billion from P633.0 billion in 2013. Likewise, total *Liabilities* increased by 8.8% to P361.9 billion from P332.8 billion in 2013.

Current Assets

Current Assets increased by 14.2% to P186.0 billion from P162.9 billion in 2013.

Cash and Cash Equivalents increased by 37.7% to P69.1 billion from P50.2 billion in 2013. The increase represents the loan proceeds from availments and share sale proceeds from SM Prime's top-up placement in 2014.

Time Deposits and Short-term Investments decreased by 68.9% to P9.0 billion from P28.9 billion in 2013 due to maturity of certain Short-term deposits, a portion of which was used to pay off maturing bonds and/or reinvested in Long-term time deposits.

Investments Held for Trading and Sale increased by 274.5% to P4.2 billion from P1.1 billion in 2013 due mainly to new available-for-sale (AFS) investments and reclassification of maturing noncurrent AFS investments.

Receivables increased by 16.4% to P31.0 billion from P26.6 billion in 2013 due mainly to the P3.8 billion increase in *Receivable from Real Estate Buyers* resulting from higher construction accomplishments of sold units as well as new sales for the period and P0.6 billion increase in *Receivable from Tenants.*

Merchandise Inventories increased by 12.5% to P14.9 billion from P13.2 billion in 2013. The increase is mainly attributable to the Food Group.

Other Current Assets increased by 35.0% to P57.8 billion from P42.8 billion in 2013 due mainly to the receivable resulting from the sale of the Group's 2% stake in BDO.

Noncurrent Assets

Noncurrent Assets increased by 11.9% to P525.9 billion from P470.1 billion in 2013.

AFS Investments increased by 16.4% to P19.2 billion from P16.5 billion in 2013 due mainly to increase in market value of certain AFS investments and new AFS investments.

Investments in Shares of Stock of Associates and Joint Ventures increased by 4.7% to P145.5 billion from P139.0 billion in 2013 mainly due to the 12-month *Equity in Net Earnings* *of Associates and Joint Ventures*, net of *Dividend Income* received from these associates and sale of 2% stake in BDO.

Time Deposits increased by 74.0% to P47.1 billion from P27.1 billion in 2013 due mainly to the reinvestment of matured deposits from short-term to long-term.

Property and Equipment increased by 8.6% to P19.9 billion from P18.3 billion in 2013 due mainly from new stores in 2014.

Investment Properties increased by 15.0% to P221.4 billion from P192.6 billion in 2013. The increase mainly represents mall-related investments in land and buildings located in Cebu City, Cabanatuan, and San Mateo in the Philippines and Zibo and Tianjin in China; landbanking; and construction costs incurred for ongoing projects of the commercial and the hotel group namely, Five E-com and Conrad Hotel Manila.

Land and Development slightly increased by 3.8% to P26.6 billion from P25.7 billion in 2013 due mainly to reclassification of certain *Land and Development* project costs from noncurrent to current.

Deferred Tax Assets slightly increased by 5.6% to P2.3 billion from P2.2 billion in 2013 due to higher NOLCO from *SM Prime.*

Other Noncurrent Assets decreased by 24.4% to P21.5 billion from P28.4 billion in 2013. The decrease mainly represents the reclassification of deposits for land acquisitions to current portion of Land and development and reclassification of a portion of the receivable from real estate buyers to current.

Current Liabilities

Current Liabilities decreased by 26.8% to P96.6 billion from P132.1 billion in 2013 due mainly to net payments in 2014.

Bank Loans decreased by 49.6% to P13.9 billion from P27.6 billion in 2013.

Current Portion of Long-term Debt decreased by 68.1% to P11.0 billion from P34.6 billion in 2013.

Accounts Payable and Other Current Liabilities increased by 2.6% to P69.9 billion from P68.1 billion in 2013.

Dividends Payable increased by 26.0% to P0.3 billion from P0.2 billion in 2013. This mainly represents dividends due to minority stockholders of certain subsidiaries.

Income Tax Payable remained at P1.6 billion in 2014 and 2013.

Noncurrent Liabilities

Noncurrent Liabilities increased by 32.2% to P265.3 billion from P200.7 billion in 2013.

Long-term Debt - Net of Current Portion increased by 34.8% to P236.8 billion from P175.6 billion to in 2013 due mainly to SMIC and SMPHI's bond issuances and loan availments in 2014 obtained to fund capital expenditures and for working capital requirements.

Tenants' Deposits and Others increased by 20.3% to P21.6 billion from P18.0 billion in 2013. The increase is coming mainly from *SM Prime* and the *Net Group* relating to their leasable spaces.

Deferred Tax Liabilities decreased by 1.5% to P6.9 billion from P7.0 billion in 2013.

Noncurrent Derivative Liability decreased by 63.3% to P0.1 billion from P0.2 billion in 2013 due to marked-to-market gains on interest rate swaps used to hedge interest rate exposure on loans.

Equity

Total *Equity* increased by 16.6% to P350.0 billion from P300.2 billion in 2013.

Equity Attributable to Owners of the Parent increased by 17.1% P257.0 billion from P219.4 billion in 2013. This increase resulted mainly from (a) *Additional Paid-in Capital* which increased by 24.5% to P72.0 billion from P57.8 billion in 2013 due mainly to the recognition of Equity Reserve arising from the US$400 million top-up placement of SM Prime in November 2014 (b) *Net Unrealized Gain on AFS Investments* which increased by 39.1% to P10.2 billion from P7.3 billion in 2013 due mainly to the appreciation in market value of AFS investments of subsidiaries and associates, (c) *Equity Adjustments from Common Control Transactions* which decreased by P0.7 billion relative to the adjustment in valuation for the acquisition of a subsidiary, and (d) Remeasurement loss on defined benefit asset/obligation which decreased by P0.07 billion as a result of valuation of the Group's retirement plan. These are partially offset by the 29.7% decrease in *Cumulative Translation Adjustment* relating to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso from P1.2 billion to P0.9 billion in 2014.

Non-controlling Interests increased by 15.0% to P92.9 billion from P80.8 billion in 2013 due mainly to the increase in net assets of certain subsidiaries that are not wholly owned.

The Company has no known direct or contingent financial obligation that is material to the Company operations, including any default or acceleration of an obligation. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the company's continuing operations.

Key Performance Indicators

The following are the key financial ratios of the Group for the years ended December 31, 2014 and 2013:

Accounts	12 / 31/ 2014	12 / 31/ 2013
Current Ratio	1.9	1.2
Asset to Equity	2.0	2.1
Debt-equity Ratios:		
On Gross Basis	50 : 50	52 : 48
On Net Basis	34 : 66	37 : 63
Revenue Growth	8.9%	13.1%
Net Income to Revenues	10.3%	10.8%
Net Income Growth	3.5%	11.2%
Return on Equity	12.0%	13.0%
EBITDA *(In Billions of Pesos)*	P63.1B	P60.8B
Interest Rate Coverage	5.4x	5.6x

Current Ratio improved to 1.9 from 1.2 in 2013 due mainly to increase in *Current Assets* of 14.2% coupled with a decrease in *Current Liabilities* of 26.8%.

Asset to equity ratio slightly decreased to 2.0 from 2.1 in 2013.

Gross debt-equity ratio decreased to 50:50 from 52:48 in 2013 due to lower increase in gross debts of 10.1% from P237.7 billion to P261.7 billion in 2014 compared to a 17.1% increase in equity base from P219.4 billion to P257.0 billion in 2014.

Net debt-equity ratio decreased to 34:66 from 37:63 in 2013 due to lower increase in net debts of 4.1% from P126.5 billion to P131.6 billion in 2014.

Revenue growth decreased to 8.9% in 2014 due mainly to the 2013 exceptional trading gains of the Group’s bank associates, partially offset by the increase in merchandise and real estate sales, rent, and cinema ticket sales and amusement in 2014.

Net income growth decreased to 3.5% in 2014 due mainly to the 2013 exceptional trading gains of the Group’s bank associates.

Return on equity decreased to 12.0% from 13.0% in 2013 due mainly to slower net income growth and higher equity growth in 2014.

EBITDA increased by 3.8% to P63.1 billion from P60.8 billion in 2013.

Interest Rate Coverage minimally changed to 5.4x from 5.6x in 2013 due to higher increase in interest expense of 6.2% compared to an EBITDA increase of 3.8%.

The manner by which the Company calculates the foregoing indicators is as follows:

1. Current Ratio — Current Assets / Current Liabilities

2. Asset to Equity Ratio — Total Assets / Total Stockholders' Equity

3. Debt – Equity Ratio

   a. Gross Basis — Total Interest Bearing Debt less Pledged time deposits / Total Equity Attributable to Equity Holders of the Parent) + Total Interest Bearing Debt less Pledged time deposits

   b. Net Basis — Total Interest Bearing Debt less cash and cash equivalents, time deposits, investment in bonds held for trading and available for sale / Total Equity Attributable to Equity Holders of the Parent) + Total Interest Bearing Debt less cash and cash equivalents, time deposits, investments in bonds held for trading and available for sale

4. Revenue Growth — Total Revenues (Current Period) / Total Revenues (Prior Period) - 1

5. Net Income to Revenue — Net Income Attributable to Equity Holders of the Parent / Total Revenues

6. Net Income Growth — Net Income Attributable to Equity Holders of the Parent (Current Period) / Net Income Attributable to Equity Holders of the Parent (Prior Period) - 1

7. Return on Equity — Net Income Attributable to Equity Holders of the Parent / Average Equity Attributable to Equity Holders of the Parent

8. EBITDA — Income from Operations + Depreciation & Amortization

9. Interest Rate Coverage — EBITDA / Interest Expense

Expansion Plans / Prospects for the Future

Malls
In 2015, SM Prime will open four new malls, located in Sangandaan, Cabanatuan and San Mateo in the Philippines and Zibo in China, as well as expansion of SM City Iloilo and SM City Lipa. By year-end, SM Prime will have 53 malls in the Philippines and six in China with an estimated 7.8 million square meters of gross floor area.

Residential
In 2015, SMDC plans to launch over five new projects and six expansions of existing towers in Metro Manila and in Tagaytay that will yield around 20,000 additional condominium units.

Commercial
SM Prime is currently constructing Three E-com Center scheduled for opening in 2016. Five E-com Center is targeted for completion in the first quarter of 2015.

Hotels and Convention Centers
Park Inn by Radisson in Clark, Pampanga and Conral Hotel Manila in the Mall of Asia Complex in Pasay are expected to open in the last quarter of 2015.

The Property Group's land banking initiatives will continue in 2015.

The Retail Group will be opening three department stores, three supermarkets, seventeen SaveMore branches and two hypermarkets.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

Calendar Year Ended December 31, 2013 and 2012

Results of Operation
(amounts in billion pesos)

Accounts	12 / 31 / 2013	12 / 31 / 2012	% Change
Revenue	**P 253.3**	**P 223.8**	**13.1%**
Cost and Expenses	202.0	177.0	14.1%
Income from Operations	**P 51.3**	**P 46.8**	**9.4%**
Other Income (Charges)	(7.7)	(5.9)	28.6%
Provision for Income Tax	5.4	6.5	(17.2%)
Minority Interest	10.8	9.7	11.0%
Net Income Attributable to Equity Holders of the Parent	**P 27.4**	**P 24.7**	**11.2%**

Consolidated revenues grew by 13.1% to P253.3 billion, as against last year's P223.8 billion. Income from operations increased by 9.4% to P51.3 billion from last year's P46.8 billion. Operating income margin and net profit margin is at 20.2% and 10.8%, respectively. Net income attributable to equity holders of the Parent for the year ended December 31, 2013 increased by 11.2% to P27.4 billion compared to P24.7 billion of the same period last year.

Retail Sales accounts for 71.4% or P180.9 billion of the total revenues for the year. Consolidated Retail sales grew by 13.8% from P158.9 billion to P180.9 billion for the year ended December 31, 2013. The increase is attributable to the acquisition of Walter Mart stores in 2013 as well as the opening of the following new stores in 2013:

	SM Department Stores	***SM Supermarkets***	***SaveMore Stores***	***SM Hypermarkets***
1	SM Aura	Aura	SaveMore Zabarte	Jazz
2	SM BF Parañaque	BF Parañaque	SaveMore Bajada Plaza	FTI
3	-	-	SaveMore Parola Cainta	-
4	-	-	SaveMore TM Centerpoint	-
5	-	-	SaveMore Acacia	-
6	-	-	SaveMore Project 8	-
7	-	-	SaveMore Sta. Maria Ilocos	-
8	-	-	SaveMore ARCC Bacoor	-
9	-	-	SaveMore Pili	-
10	-	-	SaveMore San Ildefonso	-
11	-	-	SaveMore Marulas	-
12	-	-	SaveMore Free Choice	-
13	-	-	SaveMore Star J	-
14	-	-	SaveMore Lumina	-
15	-	-	SaveMore Meridien	-

Of the P180.9 billion and P158.9 billion retail sales in 2013 and 2012, respectively, the non-food group and food group contributed 40.6% and 59.4%, respectively in 2013 and 43.8% and 56.2%, respectively in 2012.

As of December 31, 2013, SM Investments' retail subsidiaries have 241 stores. These consist of 48 department stores, 39 supermarkets, 93 SaveMore stores, 39 hypermarkets and 22 Walter Mart supermarkets.

Real estate sales for the year ended December 31, 2013, derived mainly from SM Development Corporation (SMDC), amounted to P21.2 billion or a decrease of 5.6% compared to last year of P22.5 billion. The decrease in real estate sales is primarily due to lower sales take up of projects in 2013 compared to last year. This is attributable to project launches in 2010 and 2011 which were more "blockbusters" namely, Shell, Green and Jazz compared to launches in 2012 of Breeze and Grace. Projects launched in the last quarter of 2013, namely: Grass Phase 2, Shore and Trees are expected to contribute significantly to revenues starting in 2014.

Rent revenue for the year ended December 31, 2013, derived mainly from mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 13.1% to P27.9 billion in 2013 from P24.7 billion in 2012. SM Prime is the country's leading shopping mall developer and operator which owns 48 malls in the Philippines with a total gross floor area of 6.2 million square meters and five malls in China with a total gross floor area of 0.8 million square meters as of December 31, 2013. The increase in rental revenues is primarily due to the full-year effect of new malls opened in 2012 namely SM City Olongapo, SM City Consolacion, SM City San Fernando, SM City General Santos, SM Lanang Premier, and the opening in 2013 of SM Aura Premier. Excluding the new malls and expansions, rental revenues grew 7.0%. The full year recognition of revenues from TwoE-Com, which began operations in mid-2012 and is now 98% occupied, also helped push up rental revenues from commercial operations.

For the year 2013, cinema ticket sales and amusement revenues increased by 2.5% to P4.9 billion in 2013 from P4.8 billion in 2012 largely due to the opening of additional digital cinemas at the new malls, opening of new amusement rides in SM by the Bay and the Sky Ranch in Tagaytay. Amusement revenues is mainly composed of amusement income from rides, bowling and ice skating operations including the SM Science Discovery Center and the SM Storyland.

Equity in net earnings of associates increased by 50.4% to P13.6 billion in 2013 from P9.0 billion in 2012, primarily due to the 56% increase in net income of BDO to P22.6 billion, in an environment marked by high system liquidity and volatility in the capital markets. BDO's primary commercial banking businesses continued its robust growth with net interest income leading the way with a 20% rise, customer loans expanding 19% and an upsurge of 44% on total deposits led by steady growth in low-cost deposits as well as the inflow of maturing Special Deposit Accounts (SDA) funds from the Bangko Sentral ng Pilipinas (BSP). Further, non-interest income increased by 30% on the double digit expansion in both fee based income and trading and foreign exchange gains. BDO's continued branch expansion enabled it to keep cost of funds tempered with low cost deposits growing over 20%. With the Philippine economy expected to sustain its growth momentum in 2014, BDO is fully equipped to realize the promising growth opportunities in its customer segments by capitalizing on its established business franchise and wide distribution network.

Gain on sale of available-for-sale investments and fair value changes on investments held for trading increased to P0.1 billion in 2013 from P0.002 billion in 2012 primarily due to the gain on sale of available-for-sale investments of the Group in 2013.

Dividend income increased by P0.3 billion or 40.6% in 2013 to P0.9 billion from P0.6 billion in 2012 due to increase in dividends received from investees. Management and service fees, which is computed based on percentage of sales, increased by P0.3 billion or 29.2% from P1.1 billion in 2012 to P1.4 billion in 2013 mainly due to increase in sales of retail affiliates.

Other revenues, which comprise mainly of income for the promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues remained at P2.2 billion in 2013 and 2012.

Total cost and expenses went up by 14.1% to P202.0 billion for the year ended December 31, 2013 compared to 2012. Retail cost of sales increased by 17.7% from P117.9 billion to P138.7 billion mainly due to the increase in retail sales. Real estate cost of sales decreased by 13.3% from P14.1 billion to P12.2 billion due primarily to lower recognized real estate costs in line with lower recognized real estate sales in 2013 and tighter cost controls during project engineering and stricter monitoring of project costs which resulted to improved gross margins. Selling, general and administrative expenses increased by 13.5% from P45.0 billion in 2012 to P51.0 billion in 2013. The increase is primarily associated with mall expansions, new malls, department stores, supermarkets, hypermarkets, SaveMore and Walter Mart stores, as well as store renovations and current real estate projects.

Other charges of P7.7 billion in 2013 increased by 28.6% or P1.8 billion from last year's P5.9 billion. Gain on disposal of investments and properties decreased by 58.0% to P0.5 billion in 2013 from P1.3 billion in 2012 due mainly to the deferred gain on Belle-PLAI share swap that was realized in 2012. Gain (loss) on fair value changes on derivatives decreased by 28.9% to P1.0 billion in 2013 from P1.4 billion in 2012 resulting mainly from the fair value changes of the embedded derivatives related to the US$250.0 million convertible bonds of SMIC in 2013 (refer to Note 20 of the consolidated financial statements). Interest expense increased by 1.2% or P0.1 billion to P10.9 billion in 2013 from P10.8 billion in 2012. Interest income decreased by 16.0% to P3.7 billion in 2013 from P4.4 billion in 2012 due mainly from the decrease in interest rates and lower average balance of temporary investments in 2013 compared to 2012. Foreign exchange gains decreased by 89.5% from P0.6 billion in 2012 to P0.1 billion in 2013 due mainly to the increase in foreign exchange rate to P44.395:US$1.00 in 2013 from P41.05:US$1.00 in 2012.

Provision for income tax decreased by 17.2% to P5.4 billion for the year 2013 from P6.5 billion in 2012 resulting mainly from the SM Property group restructuring transaction.

Non-controlling interests increased by 11.0% to P10.8 billion in 2013 from P9.7 billion in 2012 due to the increase in net income of certain subsidiaries.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2013	12 / 31 / 2012	% Change
Current assets	P 162.9	P 145.9	11.7%
Noncurrent assets	470.1	415.9	13.0%
Total assets	**P 633.0**	**P 561.8**	**12.7%**
Current liabilities	P 132.1	P 105.1	25.7%
Noncurrent Liabilities	200.7	195.1	2.9%
Total Liabilities	**332.8**	**300.2**	**10.9%**
Total Equity	**300.2**	**261.6**	**14.8%**
Total Liabilities and Equity	**P 633.0**	**P 561.8**	**12.7%**

On the Balance Sheet side, consolidated total assets as of December 31, 2013 amounted to P633.0 billion, higher by 12.7% from P561.8 billion in the previous year. On the other hand, consolidated total liabilities grew by 10.9% to P332.8 billion in 2013 from P300.2 billion in the previous year.

Total current assets increased by 11.7% to P162.9 billion as of December 31, 2013 from P145.9 billion as of last year. Cash and cash equivalents decreased by 17.3% to P50.2 billion in 2013 from P60.7 billion in 2012 while Time deposits and Short term investments decreased by 0.6% to P28.9 billion in 2013 from P29.1 billion in 2012 due mainly to payment of bank loans, capital expenditures and new investments. Investments held for trading and sale decreased by 60.8% to P1.1 billion in 2013 from P2.9 billion in 2012 due to maturity of certain investments in bonds. Receivables increased by 62.8% to P26.6 billion from P16.4 billion due primarily to increase in Receivable from tenants and real estate buyers. Other current assets increased by 82.6% to P42.8 billion in 2013 from P23.4 billion in 2012 resulting mainly from the reclassification to current from noncurrent of ongoing land and development projects of the property group and increase in condominium units for sale, input tax and other prepayments.

Total consolidated noncurrent assets amounted to P470.1 billion as of December 31, 2013, an increase of 13.0% from last year's P415.9 billion. Investments in shares of stock of associates and joint venture increased by 8.2% or P10.6 billion to P139.0 billion from P128.4 billion due mainly to additional investments in associates and joint venture and equity share in bank's net income. The increase in Investment properties and Property and equipment by 28.4% or P42.6 billion and 6.6% or P1.1 billion, respectively, arose from new mall constructions and new store openings. Deferred tax assets increased by 238.4% to P2.2 billion in 2013 from P0.6 billion in 2012 resulting mainly from the SM Property Group restructuring transaction. Other noncurrent assets increased by 2.5% to P28.4 billion from P27.8 billion while Intangibles increased by 31.9% to P20.2 billion from P15.4 billion resulting mainly from goodwill recognized from business combinations. These were partially offset by the decrease in Available-for-sale investments by 2.4% and by the decrease in Land and development by P4.5 billion or 15% to P25.7 billion in 2013 from P30.2 billion in 2012 due mainly from the reclassification of ongoing projects to current portion. The 8.0% or P2.4 billion decrease in Time deposits represents reclassification to current portion of maturing time deposits.

Total current liabilities increased by 25.7% to P132.1 billion as of December 31, 2013 mainly due to increase in accounts payable and other current liabilities by 17.7% to P68.1 billion in 2013 from P57.9 billion in 2012 mainly arising from trade transactions, payables to mall and residential contractors and suppliers related to ongoing projects and accrued operating expenses. Bank loans decreased by 13.2% or P4.2 billion to P27.6 billion in 2013 from P31.8 billion in 2012 due to settlement of loans. See Note 18 to the audited consolidated financial statements for further discussion regarding bank loans. Income tax payable increased by 9.4% to P1.6 billion in 2013 from P1.5 billion in 2012 due mainly to higher taxable income in 2013. The 149.4% or P20.7 billion increase in Current portion of long-term debt is due mainly to the reclassification from Long-term debt of loans which will mature in 2014. See Note 20 to the audited consolidated financial statements for further discussion regarding long-term debt. The 116.1% increase in dividends payable represents dividends to minority stockholders of certain subsidiaries.

Total noncurrent liabilities increased by 2.9% or P5.6 billion to P200.7 billion in 2013 from P195.1 billion in 2012. Long-term debt – net of current portion increased by P1.1 billion or 0.6% to P175.6 billion in 2013 from P174.5 billion in 2012. See Note 20 to the audited consolidated financial statements for further discussion regarding long-term debt. Noncurrent derivative liability decreased by P0.08 billion to P0.16 billion in 2013 from P0.24 billion 2012 due to mark-to-market gains on interest rate swaps used to hedge interest rate exposure on loans. The P2.4 billion or 53.4% increase in Deferred tax liabilities arose from capitalized borrowing costs, unrealized gross profit on sale of real estate, fair value gain on investment property, unrealized foreign exchange gains and accrued rental income. Tenants' deposits and others increased by 14.1% to P18.0 billion in 2013 from P15.7 billion in 2012 due mainly to new malls and expansions and new condominium projects of the real estate group.

Total equity amounted to P300.2 billion as of December 31, 2013, while total Equity attributable to owners of the parent amounted to P219.4 billion. Additional paid-in capital increased by P14.9 billion or 34.9% to P57.8 billion in 2013 from P42.9 billion in 2012 due mainly to the conversion of US$ bonds to SMIC shares amounting to P8.4 billion and top-up placement amounting to P6.4 billion. The P0.3 billion increase in Equity adjustments from business combination under common control resulted from the SM Property Group restructuring transaction. The P0.97 billion increase in cumulative translation adjustment is related to the translation of the financial accounts of SM China malls from China Yuan Renminbi to Philippine Peso and from unrealized mark-to-market gains on cross currency swap transactions designated as a cash flow hedge. Cost of common shares held by a subsidiary decreased to P0.02 billion from P0.12 billion due mainly to the disposal by subsidiaries of parent common shares during the year. The P4.4 billion decrease in Net unrealized gain on available-for-sale investments resulted from the decrease in the market value of AFS investments of bank associates. The P0.2 billion Remeasurement loss on defined benefit asset/obligation is the result of the valuation of the Group's retirement plan. Non-controlling interest increased by 9.8% to P80.8 billion in 2013 from P73.6 billion in 2012 due mainly to increase in net assets of certain subsidiaries. See Note 21 to the audited consolidated financial statements for further discussion regarding Equity.

The Company has no known direct or contingent financial obligation that is material to the Company operations, including any default or acceleration of an obligation. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

Key Performance Indicators

The following are the major financial ratios of the Company for the years ended December 31, 2013 and 2012:

Accounts	12 / 31/ 2013	12 / 31/ 2012
Current Ratio	1.23	1.39
Asset to Equity	2.11	2.15
Debt-equity Ratios:		
On Gross Basis	52 : 48	54 : 46
On Net Basis	37 : 63	33 : 67
Return on Equity	13.5%	14.3%
Net Income to Revenue	10.8%	11.0%
Revenue Growth	13.1%	12.0%
Net Income Growth	11.2%	16.3%
EBITDA *(In Billions of Pesos)*	P60.8B	P54.9B
Interest Coverage Ratio	5.2x	5.5x

The current ratio decreased to 1.23 in 2013 from 1.39 in 2012 due to higher increase in current liabilities of 25.7% as compared to increase in current assets of 11.7%. The asset to equity ratio decreased slightly to 2.11 in 2013 from 2.15 in 2012 due to higher increase in Equity of 14.8% as compared to increase in Total Assets of 12.7%. (See Managements' Discussion and Analysis of Financial Condition).

The debt-equity ratio on gross basis decreased to 52:48 in 2013 from 54:46 in 2012 due mainly to increase in equity resulting mainly from conversion of US$ bonds to SMIC shares and the US$150 million top-up placement. On a net basis, the debt-equity ratio increased to 37:63 as some loans were used for capital expansions, investments, and general corporate purposes.

Revenue growth in 2013 is at 13.1% due primarily to growth in retail sales, rental and equity in net earnings of associates.

Return on equity decreased by 80 basis points due primarily to higher percentage increase in average equity of 17.9% compared to growth in net income of 11.2%.

Net income to revenue decreased slightly from 11.0% to to 10.8%.

EBITDA improved by P5.9 billion while Interest Coverage Ratio minimally changed to 5.2x in 2013 from 5.5x in 2012 due to higher increase in interest paid of 17.0% as compared to increase in EBITDA of 10.7%.

The manner by which the Company calculates the foregoing indicators is as follows:

1. Current Ratio — $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

2. Asset to Equity Ratio — $\dfrac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$

3. Debt – Equity Ratio

   a. Gross Basis — $\dfrac{\text{Total Interest Bearing Debt}}{\text{Total Equity Attributable to Owners of the Parent + Total Interest Bearing Debt}}$

   b. Net Basis — $\dfrac{\text{Total Interest Bearing Debt less cash and cash equivalents, time deposits, investment in bonds held for trading and available for sale}}{\text{Total Equity Attributable to Owners of the Parent + Total Interest Bearing Debt less cash and cash equivalents, time deposits, investments in bonds held for trading and available for sale}}$

4. Return on Equity — $\dfrac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$

5. Net Income to Revenue — $\dfrac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$

6. Revenue Growth — $\dfrac{\text{Total Revenue (Current Period)}}{\text{Total Revenue (Prior Period)}} - 1$

7. Net Income Growth — $\dfrac{\text{Net Income Attributable to Owners of the Parent (Current Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}} - 1$

8. EBITDA — Income from operations + Depreciation & Amortization

9. Interest Coverage Ratio — $\dfrac{\text{EBITDA}}{\text{Interest Paid}}$

Expansion Plans / Prospects for the Future

For 2014, SM Prime will open three new malls, located in Cauayan and Angono in the Philippines and Zibo in China, as well as expansion of four existing malls. By year end, SM Prime will have an estimated 7.5 million square meters of gross floor area.

In 2014, SMDC plans to launch over five new and expansion projects that will yield around 10,600 condominium units.

In the last quarter of 2015, SM Hotels will be opening Park Inn by Radisson in Pampanga. This is the second Park Inn Hotel to be managed by Carlson Rezidor. This 150-room hotel is located within the Clarkfield Air Base in Pampanga. In addition, construction of the 347-room Conrad Hotel in the Mall of Asia Complex will be continuing in 2014. This is the first Conrad Hotel in the Philippines and it will be managed by Hilton Worldwide. Conrad Hotel Manila is scheduled to start operations in the last quarter of 2015.

The Property Group's land banking initiatives will continue in 2014.

The Retail Group will be opening one department store, one supermarket, fifteen SaveMore branches and three hypermarkets.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

Calendar Year Ended December 31, 2012 and 2011

Results of Operation
(amounts in billion pesos)

Accounts	12 / 31 / 2012	12 / 31 / 2011	% Change
Revenue	**P 223.8**	**P 199.9**	**12.0%**
Cost and Expenses	177.0	162.9	8.7%
Income from Operations	**P 46.8**	**P 37.0**	**26.6%**
Other Income (Charges)	(5.9)	(1.3)	346.5%
Provision for Income Tax	6.5	5.5	19.1%
Minority Interest	9.7	9.0	8.4%
Net Income Attributable to Equity Holders of the Parent	**P 24.7**	**P 21.2**	**16.3%**

Consolidated revenues grew by 12.0% to P223.8 billion, as against last year's P199.9 billion. Income from operations increased by 26.6% to P46.8 billion from last year's P37.0 billion. Operating income margin and Net profit margin is at 20.9% and 11.0%, respectively. Net income attributable to equity holders of the Parent for the year ended December 31, 2012 increased by 16.3% to P24.7 billion compared to P21.2 billion of the same period last year.

Retail Sales accounts for 71.0% or P158.9 billion of the total revenues for the year. Consolidated Retail sales grew by 7.2% from P148.2 billion to P158.9 billion for the year ended December 31, 2012 due mainly to the opening of the following new stores in 2012:

	SM Department Stores	*SM Supermarkets / SaveMore Stores*	*SM Hypermarkets*
1	Olongapo	Consolacion Cebu	Alabang, Zapote Road Las Piñas *
2	Consolacion Cebu	San Fernando Pampanga	East Service Road Muntinlupa *
3	San Fernando Pampanga	General Santos	Monumento Caloocan City
4	General Santos	Lanang Davao	Cainta Rizal *
5	Lanang Davao	SaveMore LGZ Silver Screen	Heroes' Hall Laoag Ilocos Norte
6	-	SaveMore Basak	Antipolo, City
7	-	SaveMore Nova Plaza	Cadiz Negros Occidental
8	-	SaveMore Bangkal	-
9	-	SaveMore Sorsogon	-
10	-	SaveMore Baclaran	-
11	-	SaveMore Malinta	-
12	-	SaveMore San Jose	-
13	-	SaveMore Parian	-
14	-	SaveMore Camarin	-
15	-	SaveMore Avenida	-
16	-	SaveMore LB Centro	-
17	-	SaveMore Sta. Rosa	-
18	-	SaveMore Maribago	-
19	-	SaveMore MD Fuente	-
20	-	SaveMore Talisay	-

	SM Department Stores	***SM Supermarkets / SaveMore Stores***	***SM Hypermarkets***
21	-	SaveMore Kawit	-
22	-	SaveMore Santiago	-

** These were formerly Makro stores which were converted into Hypermarket stores*

Excluding the full year sales of Makro in 2011, the retail sales growth would be 9.3% from P145.4 billion in 2011 to P158.9 billion in 2012. Of the 2012 total retail sales, the non-food group, which is composed of SM Department stores, contributed 43.8% or P69.6 billion, while the food group, composed of SM Supermarkets, SM SaveMore stores and SM Hypermarkets contributed 56.2% or P89.3 billion.

As of December 31, 2012, SM Investments' retail subsidiaries have 202 stores. These consist of 46 department stores, 37 supermarkets, 82 SaveMore stores and 37 hypermarkets.

Real estate sales for the year ended December 31, 2012, derived mainly from condominium projects of SMDC, grew by 30.7% to P22.5 billion. The market continues to show strong acceptance of SM Residences and M Place products, backed by a deeper confidence on SMDC's proven ability to complete its projects, thereby fueling to a large extent SMDC's notable 2012 results. The consistent offerings of high-quality and well-designed residential units built by an experienced team composed of the country's top contractors, engineers, architects, and interior designers also allowed SMDC to gain further traction and brand recognition. SMDC has a total of 19 residential projects as of December 31, 2012. In 2012, SMDC introduced in the real estate market Breeze Residences in Pasay City and Grace Residences in Taguig City. For the whole of 2012, SMDC pre-sold 12,614 residential condominium units worth approximately P31.7 billion. Compared to the same period in 2011, the number of units pre-sold increased by 8%.

The other ongoing projects of SMDC are the following: Grass Residences beside SM City North Edsa; Field Residences in Sucat, Paranaque; Princeton Residences along Aurora Boulevard in Quezon City; Jazz Residences near Jupiter Road in Makati City; Sun Residences right beside the Mabuhay (formerly Welcome) Rotunda near Quezon Avenue; Light Residences near Pioneer Street in Mandaluyong; Wind Residences along the Emilio Aguinaldo Highway in Tagaytay City; Blue Residences, which is located at Loyola Heights in Quezon City; M Place South Triangle in Panay Avenue, Quezon City; Mezza II Residences in Sta. Mesa Quezon City; Rose Residences in Pasig City; Green Residences along Taft Avenue, Manila; Shell Residences near Mall of Asia Complex in Pasay City; Breeze Residences in Roxas Boulevard, Pasay City; and Grace Residences in Taguig City. Currently, SMDC has five fully completed projects namely Mezza Residences, a 38-storey four-tower high rise condominium across SM City Sta. Mesa, Quezon City; Chateau Elysee, a mid-rise condominium project in Parañaque City; Berkeley Residences in Katipunan Road, Quezon City; Sea Residences near the Mall of Asia Complex in Pasay City and Lindenwood Residences, a residential subdivision in Muntinlupa City. Further contributions to the growth in real estate sales were provided by the sale of condominium units of Costa del Hamilo and club shares in Pico de Loro.

Rent revenue for the year ended December 31, 2012, derived mainly from mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 18.5% to P24.7 billion in 2012 from P20.8 billion in 2011. SM Prime is the country's leading shopping mall developer and operator which owns 46 malls in the Philippines and five malls in China as of December 31, 2012. The increase in rental revenues is largely due to rentals from new SM Supermalls which opened in 2011 and 2012, namely SM City Masinag, SM City Olongapo, SM City Consolacion, SM City San Fernando, SM City General Santos and SM Lanang Premier, with a total gross floor area of 527,000 square meters. Excluding the new malls and expansions, same store rental growth is at 8.0%.

The four malls in China contributed P2.5 billion in 2012 and P2.0 billion in 2011, or 10.4% and 9.9%, respectively, of SMIC's consolidated rental revenue. The rental revenue of these four malls in China increased by 24.4% in 2012 compared to the same period in 2011 largely due to improvements in the average occupancy rate, lease renewals and the opening of the SM Xiamen Lifestyle and SM Suzhou which added 182,000 sqm of gross floor area. SM Chongqing, the fifth mall in China, opened in December 2012 with a gross floor area of 149,000 square meters. Average occupancy rate for the four malls is now at 92%.

For the year 2012, cinema ticket sales and amusement revenues increased by 16.6% to P4.8 billion in 2012 from P4.1 billion in 2011 largely due to more blockbuster movies both local and international, conversion of all screens to digital and roll-out of cinema turnstile system which made the cinema viewing experience more convenient for customers that altogether led to an increase in foot traffic. Amusement revenues is mainly composed of amusement income from rides, bowling and ice skating operations including the SM Science Discovery Center and the SM Storyland.

Equity in net earnings of associates increased by 40.9% to P9.0 billion in 2012 from P6.4 billion in 2011, primarily due to the increase in the net income of BDO which is attributed to the bank's robust expansion in its lending, deposit-taking, and fee-based businesses. Net interest income was up 7.1% even as volume growth was offset by the impact of regulatory changes and excess system liquidity. Total non-interest income rose 18% contributed substantially by trading gains from treasury activities. BDO was able to capitalize on market opportunities and realize exceptional gains from its investment portfolio. With the Philippine economy expected to sustain its growth momentum, BDO looks forward to tapping the promising growth opportunities in customer segments, capitalizing on its established business franchise and wide distribution network.

Gain on sale of available-for-sale investments and fair value changes on investments held for trading decreased by 95.4% to P0.002 billion in 2012 from P0.04 billion in 2011 primarily due to the gain on sale of available-for-sale investments of certain subsidiaries in 2011.

Dividend income increased by P0.2 billion or 70.3% in 2012 to P0.6 billion from P0.4 billion in 2011 due to increase in dividends received from investees. Management and service fees, which is computed based on percentage of sales, increased by P0.2B or 26.3% from P0.9 billion in 2011 to P1.1 billion in 2012 mainly due to increase in sales of retail affiliates.

Other revenues, which comprise mainly of income for the promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, increased by P0.3 billion or 18.8% from P1.8 billion in 2011 to P2.2 billion in 2012.

Total cost and expenses went up by 8.7% to P177.0 billion for the year ended December 31, 2012 compared to 2011. Retail cost of sales increased by 5.1% from P112.2 billion to P117.9 billion while real estate cost of sales and others increased by 37.3% from P10.3 billion to P14.1 billion mainly due to the increase in sales. Selling, general and administrative expenses increased by 11.3% from P40.4 billion in 2011 to P45.0 billion in 2012. Major contributors to the increase in selling, general and administrative expenses are personnel cost, depreciation and amortization, utilities, rent, taxes and licenses, outside services, advertising and promotion and repairs and maintenance totaling to P39.5 billion in 2012 which accounts for 88% of total selling, general and administrative expenses for the year ended December 31, 2012. The increase is primarily associated with new malls, department stores, supermarkets, savemore, hypermarkets and residential projects.

Other charges of P5.9 billion in 2012 increased by 346.5% or P4.6 billion from last year's other charges of P1.3 billion. Gain on disposal of investments and properties decreased by 50.4% to P1.3 billion in 2012 from P2.6 billion in 2011 due mainly to the gain on Belle-PLAI share swap in 2011 of P1.5 billion (net of minority interest). Gain (loss) on fair value changes on derivatives decreased by 483.3% to loss of P1.4 billion in 2012 from gain of P0.4 billion in 2011 resulting mainly from the fair value changes of the embedded derivatives related to the US$250.0 million convertible bonds of SMIC in 2012 (refer to Note 19 of the consolidated financial statements). Interest expense increased by 22.4% or P2.0 billion to P10.8 billion in 2012 from P8.8 billion in 2011 due mainly to new loans availed of in 2012 (refer to Note 19 of the consolidated financial statements). These were offset by the increase in interest income by 3.3% to P4.4 billion in 2012 from P4.3 billion in 2011 and increase in foreign exchange gains by 132.7% from P0.2 billion in 2011 to P0.6 billion in 2012 due mainly to the decrease in foreign exchange rate from P43.93:US$1.00 in 2011 to P41.05:US$1.00 in 2012.

Provision for income tax increased by 19.1% to P6.5 billion for the year 2012 from P5.5 billion in 2011 due mainly to the increase in taxable income.

Minority interest increased by 8.4% to P9.7 billion in 2012 from P9.0 billion in 2011 due to the increase in net income of certain subsidiaries.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2012	12 / 31 / 2011	% Change
Current assets	P 145.9	P 101.3	44.1%
Noncurrent assets	415.9	347.8	19.6%
Total assets	**P 561.8**	**P 449.1**	**25.1%**
Current liabilities	P 105.1	P 79.8	31.7%
Noncurrent Liabilities	195.1	147.0	32.7%
Total Liabilities	**300.2**	**226.8**	**32.4%**
Total Equity	**261.6**	**222.3**	**17.7%**
Total Liabilities and Equity	**P 561.8**	**P 449.1**	**25.1%**

On the Balance Sheet side, consolidated total assets as of December 31, 2012 amounted to P561.8 billion, higher by 25.1% from P449.1 billion in previous year. On the other hand, consolidated total liabilities grew by 32.4% to P300.2 billion in 2012 from P226.8 billion in previous year.

Total current assets increased by 44.1% to P145.9 billion as of December 31, 2012 from P101.3 billion as of last year. Cash and cash equivalents increased by 8.3% to P60.7 billion in 2012 from P56.1 billion in 2011 while Time deposits and short term investments increased by 3207.9% to P29.1 billion in 2012 from P0.9 billion in 2011 due mainly to proceeds from loan availments during the year and reclassification from noncurrent to current of time deposits which will mature in 2013. Receivables increased by 39.1% to P16.4 billion from P11.8 billion due primarily to increase in receivable from tenants and real estate buyers. Other current assets increased by 36.5% to P23.4 billion from P17.2 billion resulting mainly from condominium units for sale of the real estate group, prepaid taxes and other prepayments and nontrade receivables.

Total consolidated noncurrent assets amounted to P415.9 billion as of December 31, 2012, a growth of 19.6% from P347.8 billion as of December 31, 2011. Investments available for sale increased by 35.8% to P16.9 billion in 2012 from P12.4 billion in 2011 mainly due to additional investments in bonds during the year. Investments in shares of stock increased by 45.3% to P128.4 billion in 2012 from P88.4 billion in 2011 mainly due to additional investment in shares of stock of associates, increase in equity in banks and additional share in the unrealized gain on AFS investments of associates in 2012. The increase in investment properties, property and equipment and land and development by 14.2% or P18.7 billion, 13.9% or P2.1 billion and 31.2% or P7.2 billion, respectively, arose from new mall constructions, real estate developments and purchase of commercial lots in 2012. Other noncurrent assets increased by 15.3% to P27.8 billion from P24.1 billion mainly due to the non-current receivable from real estate buyers, deposits and advance rentals and non-current portion of advances for project development. These were partially offset by the decrease in deferred tax assets to P0.64 billion in 2012 from P0.69 billion in 2011 and decrease in time deposits by 21.3% to P29.4 billion in 2012 from P37.4 billion in 2011 due mainly from reclassification to current portion of maturing time deposits.

Total consolidated current liabilities increased by 31.7% to P105.1 billion as of December 31, 2012 mainly due to availment of bank loans which increased by 23.5% to P31.8 billion in 2012 from P25.7 billion in 2011 and increase in accounts payable and other current liabilities by 29.3%% to P57.9 billion in 2012 from P44.7 billion in 2011 mainly arising from trade transactions, payable arising from acquisition of land, and current derivative liability. See note 17 to the audited consolidated financial statements for further discussion regarding bank loans. Income tax payable increased by 10.7% to P1.5 billion in 2012 from P1.3 billion in 2011 due mainly to higher taxable income in 2012. The 75.0% or P5.9 billion increase in current portion of long-term debt is due mainly to the reclassification from Long-term debt of loans which will mature in 2013. See note 19 to the audited consolidated financial statements for further discussion regarding long-term debt. The 278.6% increase in dividends payable represents dividends to minority stockholders of certain subsidiaries.

Total Noncurrent Liabilities increased by P48.1 billion to P195.1 billion in 2012 from P147.0 billion in 2011. Long-term debt – net of current portion increased by P46.1 billion or 35.9% to P174.5 billion in 2012 from P128.5 billion in 2011 due mainly from bond issuances of SMIC and corporate notes issued by SMDC and SMPHI. See note 19 to the audited consolidated financial statements for further discussion regarding long-term debt. Noncurrent derivative liability remained at P0.2 billion in 2012 and 2011. Defined benefit liability decreased by P0.05 billion or 63.0% to P0.03 billion from P0.08 billion in 2011. Tenants' deposits and others increased by 14.6% to P15.7 billion in 2012 from P13.7 billion in 2011 due mainly to new malls and expansions and new condominium projects of the real estate group.

Total equity amounted to P261.6 billion as of December 31, 2012, while total Equity attributable to equity holders of the parent amounted to P188.1 billion. The 37.6% or P0.1 billion decrease in cumulative translation adjustment is related to the translation of the financial accounts of SM China malls from China Yuan Renminbi to Philippine peso. Cost of common shares held by a subsidiary decreased by 52.2% to P0.1 billion from P0.3 billion due mainly to the disposal by subsidiaries of parent common shares during the year. Minority interest increased by 13.8% to P73.6 billion in 2012 from P64.6 billion in 2011 due mainly to increase in net assets of certain subsidiaries. See Note 20 to the audited consolidated financial statements for further discussion regarding Equity.

The Company has no known direct or contingent financial obligation that is material to the Company operations, including any default or acceleration of an obligation. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the company's continuing operations.

Key Performance Indicators

The following are the major financial ratios of the Company for the years ended December 31, 2012 and 2011:

Accounts	12 / 31/ 2012	12 / 31/ 2011
Current Ratio	1.39 : 1.00	1.27 : 1.00
Debt-equity Ratios:		
On Gross Basis	54% : 46%	51% : 49%
On Net Basis	33% : 67%	28% : 72%
Return on Equity	14.3%	14.2%
Net Income to Revenue	11.0%	10.6%
Revenue Growth	12.0%	13.0%
Net Income Growth	16.3%	15.1%
EBITDA *(In Billions of Pesos)*	P54.9B	P44.2B

The current ratio increased to 1.39 : 1.00 in 2012 from 1.27 : 1.00 in 2011 due to higher increase of currents assets of 44.1% as compared to current liabilities of 31.7% (See Managements' Discussion and Analysis of Financial Condition).

The debt-equity ratio on gross basis increased to 54%:46% in 2012 from 51%:49% in 2011 due mainly to the additional loans in 2012. On a net basis, the debt-equity ratio increased to 33%:67% as some loans were used for capital expansions, investments, and general corporate purposes.

In terms of profitability, the return on equity and net income to revenue slightly improved to 14.3% and 11.0%, respectively in 2012 as compared to 14.2% and 10.6%, respectively in 2011. Revenue growth decreased to 12.0% in 2012 from 13.0% in 2011 mainly attributed to higher % growth of retail and real estate sales in 2011 as compared to 2012.

Net income growth increased to 16.3% in 2012 from 15.1% in 2011 and EBITDA improved to P54.9 billion in 2012 from P44.2 billion in 2011 due mainly from the increase in revenues by 12.0% and lower growth of costs and expenses by 8.7% as compared to last year's 12.4%.

The manner by which the Company calculates the foregoing indicators is as follows:

1. Current Ratio

    Current Assets / Current Liabilities

2. Debt – Equity Ratio

    a. Gross Basis

        Total Interest Bearing Debt / Total Equity Attributable to Owners of the Parent) + Total Interest Bearing Debt less Pledged time deposits

    b. Net Basis

        Total Interest Bearing Debt less cash and cash equivalents, time deposits, investment in bonds held for trading and available for sale / Total Equity Attributable to Ownersof the Parent) + Total Interest Bearing Debt less cash and cash equivalents, time deposits, investments in bonds held for trading and available for sale

3. Return on Equity

    Net Income Attributable to Owners of the Parent / Average Equity Attributable to Owners of the Parent

4. Net Income to Revenue

    Net Income Attributable to Owners of the Parent / Total Revenue

5. Revenue Growth

    Total Revenues (Current Period) / Total Revenues (Prior Period) - 1

6. Net Income Growth

    Net Income Attributable to Owners of the Parent (Current Period) / Net Income Attributable to Owners of the Parent (Prior Period) - 1

7. EBITDA

    Income from operations + Depreciation & Amortization

Expansion Plans / Prospects for the Future

For 2013, SM Prime is scheduled to launch SM Aura Premier in Taguig and SM City Cauayan in Isabela. SM Megamall, on the other hand, will be expanded with an additional 100,000 square meters.

By year-end, SM Prime will have 48 malls in the Philippines and five in China with an estimated combined gross floor area of 6.7 million square meters.

Retail expansion plans for 2013 include the opening of two department stores, two supermarkets, 19 SaveMore branches and seven hypermarkets.

SMDC currently has 18 residential projects under its SM Residences brand and one project under the M Place brand. In order to sustain the growth momentum and to further expand the SMDC's presence in the industry, SMDC will continue to vigorously pursue its vision of uplifting the Filipino lifestyles by launching products that will meet the demand for affordable and high quality residential units in prime locations and will also pursue projects that will cater to the preferences and financial capacity of its target market. Innovation shall remain to be its strength while continuously focusing attention to changing market needs. The broadening and strengthening of its revenue base shall also be pursued as it moves forward.

For the year 2013, SMDC is targeting to launch at least three new projects in various cities within Metro Manila. In addition, it shall continue to search for viable locations in key cities in Metro Manila in response to the increasing demands for residences. SMDC shall be open to tapping various sources of financing to support its operational needs in real estate development.

The expansion plans of Costa del Hamilo include developing the Marina Village. It is envisioned to be a vibrant mixed-use community of prime residential lots, waterfront homes, retail and water sports facilities connected by a boardwalk that surrounds the Marina which will enhance Coastal Living in Hamilo Coast.

SM Hotels is currently developing Park Inn by Radisson Davao, which will be the very first "Park Inn by Radisson" in the Asia Pacific region. The Park Inn brand is one of the hotel brands under Carlson and is the largest mid-market brand for hotels under development in Europe. Park Inn by Radisson Davao hotel project is approximately a 204-room hotel located in Lanang, Davao City. The hotel is scheduled to open in the first quarter of 2013.

SM Hotel's subsidiary SMX Manila is to manage SM Prime's SMX Convention Center in Taguig, which is scheduled to open in April 2013.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

A.iv Brief Description of the General Nature and Scope of the Company's Business and Its Subsidiaries

SM Investments Corporation (SMIC), is the holding company of the SM Group of Companies. For management purposes, the Group is organized into business units based on their products and services. As a result of the Property Group corporate restructuring in 2013, the Group changed the presentation of its segment information and has identified three reportable operating segments as follows: property, retail, and financial services and others.

The property segment is involved in mall, residential, commercial, hotels and convention centers and leisure and resorts operations. The mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers. Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure. The hotels and convention centers and leisure and resorts segments engage in and carry on the business of hotel and resort and operates and maintains any and all services and facilities incident thereto.

SMIC was incorporated in the Philippines on 15 January 1960 with its registered office at 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, Pasay City, Philippines.

<u>Retail</u>

SM Retail, Inc. ("**SM Retail**") was incorporated in June 2002 and started operations in January 2008. It is the holding company for the Group's retail and merchandising operations.

SM Retail organizes its retail and merchandising operations broadly into two categories: non-food and food. Non-food retail operations consist of the business of "The SM Store", formerly called SM Department Stores. Food retail operations comprise the SM Supermarkets, SaveMore, SM Hypermarkets, and Waltermart stores.

Non-Food

"The SM Store" signifies the business' commitment to being the fashion store for all amid rapidly changing fashion trends, highly competitive local and global labels and increased purchasing power. In line with its rebranding, the business continues to roll out new store designs and lay-outs to accommodate more brands and deliver an enhanced shopping experience. An institution that has become part of the lives of many Filipinos, it serves millions of customers through its fifty (50) stores across the country.

These fifty (50) stores are strategically located in Metro Manila and key provincial cities, making it possible for the SM brand to be available to a wide customer base. Five (5) stores, Makati, Cubao, Quiapo, Harrison, and Delgado, are standalone stores while the forty-five (45) stores are based inside the SM Supermalls.

In 2014, two (2) new stores were opened in Cauayan, Isabela and Cabanatuan, Nueva Ecija. These new stores contributed an additional 8,330 sq. m., bringing the net selling area of the fifty (50) stores to 434,607 sq. m.

In spite of the expansion of established Department Store chains as well as the entry of foreign brands, the SM Store has maintained its market leadership in the department store format. This can be attributed to product innovations, new brand entries, and the growth of in-house brands that make the offerings of the store unique to competition. Moreover, innovative store designs and improved customer service and amenities ensure that "The SM Store" is a cut above the rest of the retailers in the country. These improvements in the brand mix of The SM Store have garnered recognition from local and international associations. Testament to this is the Best of the Best Award from Retail Asia for the past five consecutive years, and the elevation of The SM Store as a Hall of Fame Awardee.

Food

SM Supermarkets, SaveMore and SM Hypermarkets currently has forty (40) *SM Supermarkets*, one hundred thirteen (113) *SaveMore* stores and forty-two (42) *SM Hypermarkets*.

SM Supermarket stores are located within the malls. SaveMore stores, on the other hand, are not limited to malls but serve as modernized neighbourhood or community store. SM Hpermarkets prov

In 2014, one (1) supermarket was opened in Cauayan, Isabela.

In 2014, twenty-two (22) savemore branches were opened in Nunez, General Santos City; San Pedro, Laguna; Sta. Cruz, Laguna; Candon, Ilocos Sur; Francis Market, Tinejeros, Malabon City; Carcar, Cebu City; Agora, Lucena City; Solano, Nueva Vizcaya; Tumauini, Isabela; Cyberwest, Quezon City; San Nicolas, Ilocos Norte; Camiling, Tarlac; Guagua, Pampanga; SM Center Angono, Rizal; Bayombong, Nueva Viscaya; Santiago City; Roxas, Isabela; Tacloban City; Calumpang, General Santos City; Fortune Town, Bacolod City; San Fernando, Pampanga; and Cabiao Nueva Ecija.

In 2014, three (3) hypermarkets were opened. These were in Daet, Camarines Norte; Sun Residences, Quezon City; and Rosario, Batangas.

The net selling area of the one hundred ninety-five (195) stores is 564,776 sq. m.

For 2015, the retail food group plans to open another 22 stores. Expansion plans for 2015 include the opening of three supermarkets, seventeen SaveMore branches and two hypermarkets.

Waltermart Supermarket, Inc. (WSI), a corporation mainly engaged in the business of supermarket retailing, was registered with the SEC in January 1994.

It opened two (2) stores in 2014 bringing the total number of stores to twenty-four (24) as of the end of the year. It plans to grow its store network by at least one (1) to two (2) stores annually.

<u>Property</u>

SM Prime Holdings, Inc. ("SM Prime"), is the country's leading shopping mall developer and operator. In 2013, the Sy family initiated a corporate restructuring exercise to consolidate all of the SM Group's real estate subsidiaries and real estate assets under SM Prime. The reorganization was approved by the Board of Directors of SM Prime on May 31, 2013. The reorganization was achieved through (1) SM Land's tender offers for SM Development Corporation (SMDC) and Highlands Prime, Inc. (HPI), (2) Merger of SM Prime and SM Land, and (3) Acquisition of Unlisted Real Estate Companies and Assets from SMIC and the Sy Family.

Malls

SM Prime operates and maintains modern commercial shopping malls and is involved in all related businesses, such as the operation and maintenance of shopping spaces for rent, amusement centers and cinema theaters within the compound of the shopping malls. Its main sources of revenues include rental income from leases in malls and food courts, cinema ticket sales and amusement income from bowling centers and ice skating rinks. The mall business unit currently has fifty malls in the Philippines with 6.5 million square meters (sq. m.) of gross floor area (GFA) and five shopping malls in China with 0.8 million sq. m. of GFA.

In 2014, SM Prime opened two malls in the Philippines, namely, *SM City Cauayan* in Isabela province, and *SM Center Angono* in Rizal province and expanded the shopping spaces in Mega Fashion Hall in *SM Megamall* in Mandaluyong. The new malls and expansion added 213,000 sq. m. to SM Prime's total GFA. For 2015, the SM Prime is set to open four new malls, located in Sangandaan, Cabanatuan and San Mateo in the Philippines and Zibo in China, as well as the expansions of SM City Iloilo and SM City Lipa. By yearend, SM Prime will have an estimated 7.8 million square meters of gross floor area.

Residential

SM Prime's residential revenue is derived primarily from property development and sales, which is conducted by its subsidiaries, SMDC and Summerhills Home Development Corp. (SHDC). SM Prime's revenue from residential operations is derived largely from the sale of condominium units.

SMDC was incorporated in the Philippines in 1974 under the name Ayala Fund, Inc., renamed SM Fund Inc., and in May 1996, SM Fund, Inc. was renamed SM Development Corporation to reflect its new business thrust of property development, whose primary objective is to pursue opportunities in the real estate industry. SMDC's subsidiaries are namely SM Synergy Properties Holdings, Corp., SM Residences Corp, Landfactors Incorporated, Vancouver Lands, Inc., Twenty Two Forty One Properties, Inc., Guadix Land Corporation, Lascona Land Company, Inc., Metro South Davao Properties Corporation, Union-Madison Realty Company, Inc., 102 E De Los Santos Realty Co. Inc., SM Property Management Inc., SMDC HK Limited, SMDC International (USA), Inc., SMDC International (UK) Ltd and SMDC International (Italy) SRL.

In 2014, residential business unit has twenty five residential projects in the market, twenty three of which are in Metro Manila and two in Tagaytay. For the year 2015, SM Prime's residential business unit will be launching five new projects and six expansions of existing towers all in Metro Manila, except Cool Suites @ Wind Residences in Tagaytay.

SHDC was incorporated in the Philippines on September 13, 2007. SHDC is primarily engaged in real estate development and sale of residential units.

SM Prime, through its subsidiary HPI, owns leisure and resort developments including properties located in the Tagaytay Highlands and Tagaytay Midlands golf clubs in Laguna, Tagaytay City and Batangas. HPI develops and sells residential properties located at a private and exclusive mountainside resort called Tagaytay Highlands.

In addition, SM Prime, through CDHI, is the developer of Pico de Loro Cove, the first residential community within Hamilo Coast, a master planned coastal resort township development in Nasugbu, Batangas encompassing 13 coves and 31 kilometers of coastline. Pico de Loro is located in a 40-hectare valley within Hamilo Coast situated near mountains and a protected cove. The completed projects include the four-condominium cluster project, Jacana, Myna, Miranda and Carola, as well as club shares of Pico de Loro Beach and Country

Club. The Pico Sands Hotel is also located on the Pico de Loro property. CDHI was incorporated in the Philippines on September 26, 2006.

Commercial

SM Prime's commercial business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila, as well as the operations and management of such buildings and other land holdings.

SM Prime's flagship project is the MOA Complex in Pasay City, a 60-hectare master planned bayside development with the renowned SM Mall of Asia as its anchor tenant and main attraction, among other commercial, business, and entertainment establishments within the estate. A major attraction in the complex is the landmark 16,000-indoor seating SM Mall of Asia Arena, as well as its adjacent annex building that houses additional parking spaces as well as office levels. The MOA complex is also the site of SM Prime's signature business complex, the E-com Centers, a series of modern and iconic office buildings mostly targeting technology based industries, BPO companies and shipping companies. Other similar office building developments catering to the BPO industry include the SM Cyber Buildings, a mix of build-to-suit and ready-to-use office spaces in Makati City, Quezon City, and soon in other emerging locations. SM Prime is also involved in the leasing and management of properties and buildings housing selected branches of SM Retail operations, such as its department stores and supermarkets, including the warehouses that support these various retail operations. SM Prime also manages the MOA complex.

In 2014, commercial business unit has completed commercial properties namely, Cyber West, a 15-level office building located at the corner of EDSA and West Avenue, Quezon City.

SM Prime's commercial business unit is currently constructing Three E-com Center scheduled for opening in 2016. Five E-com Center is targeted for completion by the first quarter of 2015.

PMI, 60% owned by SM Prime, was incorporated on June 1, 1995. PMI converted the concentration of its business operations from wholesale/retail of food and non-food articles to leasing.

SM Arena Complex Corporation (SMACC) was incorporated on March 15, 2012 to primarily engage in and carry on the business to manage the operations of Mall of Asia Arena, a five-story first class multipurpose venue for sporting events, concerts, entertainment shows, and other similar events.

Hotels and Convention Centers

SM Prime's hotels and convention centers business unit is operated through SM Hotels and Conventions Corp. (SMHCC), formerly SM Hotels Corp., which was incorporated in March 2008. The primary purpose of SMHCC is to develop and manage the various hotel and convention center properties of SM Prime. In addition, SMHCC is assessing the feasibility of establishing additional conference centers, in conjunction with its mid-market hotels, by using existing land bank situated around SM Prime's existing malls.

Park Inn by Radisson Davao, which is the very first "Park Inn by Radisson" in Asia Pacific region, started its operations in March 2013. The Park Inn brand for hotels under Carlson Rezidor and is the largest mid-market brand for hotels under development in Europe. Second Park Inn by Radisson located adjacent to SM City Clark in Pampanga is scheduled to open in the last quarter of 2015 with 155 rooms.

In 2013, SMHCC together with Hilton Worldwide signed an agreement to manage the first Conrad Hotel in the Philippines. The 347-room *Conrad Hotel Manila* will be located within the Mall of Asia Complex with stunning views of the famed Manila Bay. The eight-storey hotel will incorporate two levels of retail and entertainment facilities on the ground floor. It will also have other hotel facilities as well as a 1,446-square meter ballroom and other function and meeting spaces. Conrad Hotel Manila is scheduled for completion by last quarter of 2015.

As of December 31, 2014, the SMHCC portfolio is composed of four hotels located in Tagaytay City, Batangas, Cebu City and Davao City and four convention centers with over 35,715 sq. m. located in Pasay City, Taguig City, Davao City and Bacolod City.

Financial Services

BDO Unibank, Inc. ("BDO"), is a full-service universal bank in the Philippines. It is the product of a merger heralded as unprecedented in size and scale in the Philippine banking industry. BDO today represents a firm consolidation of distinct strengths and advantages built over the years by the entities behind its history. BDO is an institution that honors its past, continues to improve on its present, and moves towards the future with confidence and strength.

BDO has the ability to provide a complete array of industry-leading products and services including Lending (corporate, middle market, SME, and consumer), Deposit-taking, Foreign Exchange, Brokering, Trust and Investments, Credit Cards, Corporate Cash Management and Remittances in the Philippines. Through its local subsidiaries, the Bank offers Leasing and Financing, Investment Banking, Private Banking, Bancassurance, Insurance Brokerage and Stock Brokerage services.

BDO's institutional strengths and value-added products and services hold the key to its successful business relationships with customers. On the front line, its branches remain at the forefront of setting high standards as a sales and service-oriented, customer-focused force. BDO has one of the largest distribution networks, with 875 operating branches, 30 international offices, and over 2,500 ATMs nationwide.

Through selective acquisitions and organic growth, BDO has positioned itself for increased balance sheet strength and continuing expansion into new markets. As of 31 December 2014, BDO is the country's largest bank in terms of total resources, capital, customer loans, total deposits, and assets under management.

The China Banking Corporation (China Bank), was incorporated on July 20, 1920 and commenced business on August 16 of the same year as the first privately owned local commercial bank in the Philippines. It resumed operations after World War II on July 23, 1945 and played a key role in the post-war reconstruction and economic recovery by providing financial support to businesses and entrepreneurs. China Bank (CHIB) was listed by 1947 on the local stock exchange and acquired its universal banking license in 1991. The Bank started by catering mainly to the Chinese-Filipino commercial sector, but has since expanded its market scope to include the retail and consumer segments. Its core banking franchise stems mainly from its 94-year history in the Philippines, a factor that has enabled it to become deeply entrenched within the socioeconomic fabric of the Chinese-Filipino community. The Bank's market comprises the corporate, commercial and consumer markets. It provides a wide range of domestic and international banking services, and is one of the largest commercial banks in the country in terms of assets and capital.

China Bank offers a wide range of financial products and services through its network of 470 branches (including 78 branches of China Bank Savings and 78 branches of Plantersbank) as of Dec 2014. Complementing this branch network are convenient and secure electronic banking channels for day & night banking service – China Bank TellerCard ATM, China Bank Online (mobile and internet banking), and China Bank TellerPhone (phone banking).

2014 marked several corporate milestones for China Bank such as its P8 billion stock rights offer, the P1.86 billion acquisition of Plantersbank, the increase in ownership stake from 5% to 40% in the bancassurance joint venture Manulife China Bank Life Assurance Corp. (MCBLife). China Bank was PSE Bell Awardee for the third year in a row, the highest citation given by the Philippine Stock Exchange to Top 5 listed companies and trading participants with exemplary corporate governance practices. The Bank was also named Asia's Outstanding Company on Corporate Governance by Corporate Governance Asia, the most authoritative quarterly magazine on corporate governance in Asia. China Bank was also among the 50 highest scoring publicly listed companies cited in the ASEAN Corporate Governance Scorecard Country Reports and Assessments 2013-2014.

In addition, Fitch Ratings affirmed CBC's national rating of AA- which is one notch below the top bank rating in the country. Capital Intelligence rating agency also affirmed its credit rating on China Bank (Financial Strength BBB-) and recently upgraded its Foreign Currency Long-Term rating to BBB- from BB- and short-term foreign currency rating to A3 from B.

For 2015, the Bank will focus on acquiring customers, deepening relationships, and becoming the best bank for its customers. The Bank will continue to maximize value from network expansion to reach broader retail and consumer segments by setting up branches in strategic locations. It will solidify its presence in all market segments by strengthening product and service capabilities for Top 1000 corporations and fast-growing commercial clients. To diversify and expand fee-based businesses, the Bank plans to broaden the menu of offshore investment outlets, provide "family office" services and tap the next generation of clients. With the expected integration of Planters Development Bank (PDB) with China Bank Savings by the first quarter of 2015, the Bank will create a bigger business footprint with better access to commercial and consumer segments. To achieve this, the savings bank will focus on cementing relationships with "rising affluent SMEs, market merchants, store owners, retailers, and suppliers. It will intensify marketing of end-user home financing, auto & personal loans. The Bank will continue to improve operational efficiency and technology processes with the upgrading of the core banking system as the centerpiece of its technology plans.

Others

Belle Corporation ("Belle") was incorporated in 1973 as Belle Mining and Oil Exploration, Incorporated ("Belle Resources") and, in 1976, was listed on the Philippine Stock Exchange. In 1989, Belle Resources developed a golf club named Tagaytay Highlands International Golf Club, Incorporated ("Tagaytay Highlands"), which became its initial foray into the property development sector. In 1994, Belle Resources changed its name to Belle Corporation to underscore the shift in its principal activity of real estate development. Belle mainly develops property within the Tagaytay Highlands, Midlands and Greenlands complex ("Complex"), a 1,280-hectare property that provides excellent views of Taal lake, Laguna de Bay and the towering mountains of Batangas and Laguna. The Complex is located less than 90 minutes south of Makati City in Tagaytay City and adjoining areas in Batangas province.

Since 1989, Belle has launched a total of 19 real estate projects, two golf clubs and one country club, with total gross land area of approximately 600 hectares in Tagaytay City and Batangas.

In 2009, the Belle entered into a Memorandum of Agreement with SM Commercial Properties and its related companies, for Belle's acquisition of all the outstanding capital stock of Premium Leisure & Amusement, Inc. ("PLAI"). PLAI and its consortium members were granted a license by the Philippine Amusement and Gaming Corporation, to develop and operate an integrated resort complex. This marked the Company's strategic entry into the integrated resort industry. The construction of the integrated resort began in January 2010 on 6.2-hectares of prime land at the corner of Roxas Boulevard and Aseana Avenue in Parañaque City only about 1 kilometer away from the Mall of Asia complex, and is almost complete as of the end of 2014. In 2012, Belle and PLAI entered into a Cooperation Agreement with Melco Crown Entertainment Limited ("MCE") of Hong Kong for a collaborative partnership in the development and operation of the integrated resort. MCE is a developer and operator of resorts focused on the Macau market, with its flagship property therein being the successful "City of Dreams" integrated resort complex. The Cooperation Agreement places Belle as the licensee and owner of the site's land and buildings, with MCE being the developer and operator of all facilities within the integrated resort, which has been named City of Dreams Manila. The integrated resort has approximately 30 hectares of gross floor area, and will house approximately 2 hectares of gaming areas, more than 2 hectares of retail and restaurant facilities, entertainment facilities and more than 900 hotel rooms of 4-star, 5-star and 6-star quality. City of Dreams Manila had its soft opening on December 14, 2014 and is planned for a grand opening during the first quarter of 2015.

Atlas Consolidated Mining & Development Corporation ("Atlas") is a company primarily engaged in metallic mineral exploration and mining.

Through its wholly-owned subsidiary Carmen Copper Corporation ("Carmen Copper"), it operates the Toledo copper mine in the province of Cebu.

The Toledo Copper Mine is one of the Philippines' largest copper mines, thus making Carmen Copper a principal producer and exporter of copper concentrate in the country.

To optimize its operations, and in line with the expansion of its beneficiation plant, Carmen Copper is pursuing the development and commercial distribution of marketable by-products from its copper concentrate processing such as molybdenum, magnetite, and pyrite. It has recently expanded its nameplate capacity from 40,000 tonnes per day to 60,000 tonnes per day.

Atlas Mining also has a 25% stake in the nickel laterite mining project of Berong Nickel Corporation ("Berong Nickel") in Palawan. Berong Nickel has been engaged in the direct shipping of nickel laterite ore since 2007.

The Net Group includes ten legal entities namely, 19-1 Property Holdings Inc., Crescent Park 19-1 Property Holdings Inc., 18-2 Property Holdings Inc., Crescent Park 18-2 Property Holdings Inc., 6-3 Property Holdings Inc., Crescent Park 6-3 Property Holdings Inc., 6-24 Property Holdings, Inc., Crescent Park 6-24 Property Holdings Inc., 14-678 Property Holdings Inc., and Crescent Park 14-678 Property Holdings, Inc. The portfolio assets are strategically located within the E-square Zone, the largest and only PEZA certified IT park in Bonifacio Global City.

The Portfolio consists of prime Grade A Philippine Economic Zone Authority (PEZA) registered office buildings and land. The gross lot areas is 13,300 square meters while the gross leasable area is 147,000 square meters more or less. The occupancy rate as of December 31, 2014 is at 100%. Its tenants base includes top tier local and multinational companies.

A.v Company's Directors and Executive Officers

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Company's directors and executive officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.

A.vi Market Price, Stockholder and Dividend Information

Market Information

The Company's shares of stock are traded in the Philippine Stock Exchange.

	2014				2013			
Stock Prices		High		Low		High		Low
1st Quarter	₱	724.0	₱	680.0	₱	892.0	₱	720.0
2nd Quarter		832.0		717.5		962.4		728.0
3rd Quarter		826.5		770.0		961.5		634.0
4th Quarter		820.5		752.5		863.0		695.0

As of February 28, 2015, the closing price of the Company's shares of stock is ₱880/share.

Stockholder and Dividend Information

The number of stockholders of record as of February 28, 2015 was 1,235. Capital stock issued and outstanding as of February 28, 2015 was 796,340,646. As of December 31, 2014, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to P108.3 billion, representing accumulated equity in net earnings of subsidiaries. These earnings are not available for dividend distribution until such time that the Parent Company receives the dividends from the subsidiaries.

On April 30, 2014, the BOD approved the declaration of cash dividends of 103.4% of the par value or P10.34 per share for a total amount of P8,233.5 million in favor of stockholders on record as at May 30, 2014. This was paid on June 26, 2014.

On April 25, 2013, the BOD approved the declaration of cash dividends of 118.0% of the par value or 11.80 per share for a total amount of P7,423.0 million in favor of stockholders on record as at May 24, 2013. This was paid on June 20, 2013.

On the same date, the BOD approved the declaration of 25% stock dividends in favor of stockholders on record to be fixed by the Philippine SEC.

On June 24, 2013 and July 12, 2013, SEC approved the issuance of 157,000,000 and 629,986 shares as stock dividends to stockholders on record as of July 8, 2013. The stock dividends were issued on August 1, 2013.

The top 20 stockholders as of February 28, 2015 are as follows:

	Name	No. of Shares Held	% to Total
1	PCD Nominee Corp. (Non-Filipino)	279,330,616	34.97%
2	Hans T. Sy	65,969,521	8.26%
3	Herbert T. Sy	65,960,450	8.26%
4	PCD Nominee Corp. (Filipino)	63,617,276	7.96%
5	Harley T. Sy	58,528,292	7.33%
6	Henry T. Sy, Jr.	58,460,450	7.32%
7	Teresita T. Sy	57,085,450	7.14%
8	Elizabeth T. Sy	46,722,988	5.85%
9	Syntrix Holdings, Inc.	31,250,000	3.91%
10	Felicidad T. Sy	25,730,173	3.22%
11	Sysmart Corporation	19,283,830	2.41%
12	Henry Sy Foundation, Inc.	15,000,000	1.88%
13	Felicidad T. Sy Foundation, Inc.	7,500,000	0.94%
14	Henry Sy, Sr.	3,182,550	0.40%
15	Susana Fong	301,999	0.04%
16	Value Plus, Inc.	101,413	0.01%
17	SM Prime Holdings, Inc.	97,403	0.01%
18	Alberto S. Yao	52,135	0.01%
19	Belle Corporation	32,585	0.00%
20	Hector Yap Dimacali	26,068	0.00%

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the Securities and Exchange Commission:

(1) On June 10, 2014, SMIC issued US$350 million senior bonds which bear a fixed interest rate of 4.875% per annum, payable semi-annually in arrears. The bonds will mature on June 10, 2024. The bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to 10.1 (l) of RA No. 8799. The underwriter is Citigroup Global Markets Limited and Standard Chartered Bank and the total underwriting fees and expenses amounted to US$1.749 million.

(2) On October 17, 2012, SMIC issued US$500 million senior bonds which bear a fixed interest rate of 4.250% per annum, payable semi-annually in arrears. The bonds will mature on October 17, 2019. The bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to Section 10.1 (k) and 10.1 (l) of RA No. 8799. The underwriter is Citibank N.A. London and the total underwriting fees and expenses amounted to US$2.5 million.

(3) On February 15, 2012, SMIC issued a US$250.0 million Convertible Bonds due on February 15, 2017. The Convertible Bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to Section 10(g) of R.A. No. 8799. The lead underwriter is Citibank N.A. London and the total underwriting fees and expenses amounted to US$3.125 million.

(4) On September 26, 2011, the Company issued corporate notes comprised of 7-year notes (Series A) and 10-year notes (Series B) amounting to P916.0 million and P4,084.0 million, respectively. Series A and Series B notes will mature on September 26, 2018 and September 26, 2021, respectively, and bear fixed interest rate of 5.75% and 6.625% per annum, respectively. Interests in arrears are payable semi-annually starting March 26, 2012. The corporate notes, which were issued to less than 20 entities, are considered as exempt pursuant to Section 10 (1) of RA 8799. The arrangers are BDO Capital, First

Metro Investment Corporation and Hongkong Shanghai Banking Corporation and the total arrangers fees amounted to P18.8 million. The Series A and B Notes were pre-terminated on April 16, 2013.

(5) On February 7, 2011, the Company issued fixed rate notes amounting to P7,000.0 million which bear a fixed interest rate of 6.165% per annum, payable semi-annually. The fixed rate notes will mature on February 8, 2016. The fixed rate notes, which were issued to less than 20 entities, are considered as exempt pursuant to Section 10 (1) of RA 8799. The arrangers are ING Bank, BPI Capital Corporation, Allied Banking Corporation, First Metro Investment Corporation, RCBC Capital Corporation and United Coconut Planters Bank and the total arrangers fees amounted to P24.1 million. This was pre-terminated on March 7, 2013.

(6) On October 13, 2010, SMIC issued US$400 million bonds which bear a fixed interest rate of 5.5% per annum, payable semi-annually in arrears. The bonds will mature on October 13, 2017. Of this amount, US$82.9 million and US$130.8 million were exchanged from the existing US$350 million 6.75% bonds due 2013 and US$500 million 6.00% bonds due 2014, respectively. The balance of US$186.3 million represents the new money component. The bonds, which were listed in the Singapore Stock Exchange, are considered as exempt pursuant to Section 10 (1) of RA No. 8799. The underwriters are Citi, HSBC and BDO and the total underwriting fees and expenses amounted to US$1.7 million.

(7) On September 22, 2009, SMIC issued US$500.0 million bonds which bear a fixed interest rate of 6.0% per annum, payable semi-annually in arrears. The bonds, which were listed in Singapore Stock Exchange, are considered as exempt security pursuant to Section 10 (1) of RA No. 8799. The underwriters are Barclays Capital and Citi and the total underwriting fees and expenses amounted to US$2.1 million. The bonds matured on September 22, 2014.

(8) On July 17, 2008, SMIC issued a US$350.0 million 6.75% bonds due on July 18, 2013. The Bonds, which were listed in the Singapore Stock Exchange, are considered as exempt security pursuant to Section 10(l) of R.A. No. 8799. The sole underwriter is UBS and the total underwriting fees and expenses amounted to US$1.5 million. The Bonds matured on July 18, 2013.

Please refer to Note 20 of the 2014 consolidated financial statements for the details of the Company's fixed rate bonds.

There are no existing or planned stock options/ stock warrant offerings.

A.vii Corporate Governance

Corporate Governance

SMIC's Board of Directors (the "Board") remains the driving force behind the company's corporate governance development. All directors and members of senior management have undergone training on corporate governance and continue to actively participate in continuing education programs. The Board is composed of eight (8) directors, three (3) of which are Non-Executive Independent Directors, namely, Mr. Vicente S. Perez, Jr., Mr. Ah Doo Lim and Mr. Joseph R. Higdon. As prescribed by the company's Manual on Corporate Governance (the "Manual"), an independent director must be independent of Management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment. Furthermore, none of SMIC's independent directors have served the Company as a regular director, officer or employee. SMIC's independent directors provide balance at the board-level by ensuring impartial discussions during board meetings, monitoring and challenging the performance of Management, and by safeguarding the interests of the company's stakeholders.

The Manual and the Code of Ethics (the "Code") provide SMIC with the foundation needed to foster its corporate governance culture. The Manual institutionalizes the principles of good corporate governance throughout the organization. It lays down SMIC's compliance system and identifies the roles and responsibilities of the Board and management in relation to corporate governance. The Manual also provides the policies on disclosure and transparency, the conduct of communication and training programs on corporate governance, the rights and equitable treatment of stockholders, and the protection of SMIC's stakeholders. There have been no deviations from the Manual since its adoption.

The Code reflects SMIC's mission, vision, and values and serves as a guiding principle for SMIC's directors, officers, and employees in the performance of their duties and responsibilities. Primarily, the Code regulates the relationships and treatment that directors, officers, and employees should employ when dealing with customers, investors, creditors, contractors, supplies, regulators, the public, and the other various stakeholders of the company. To align with the Code, SMIC has adopted several supplemental policies, such as the Guidelines on Acceptance of Gifts, the Insider Trading Policy and the Policy on Accountability, Integrity and Vigilance (PAIV), to name a few. SMIC continues to keep pace with best practice in corporate governance through the continuous review and development of its policies and programs.

Since the establishment of its corporate governance culture, SMIC has been recipient to numerous awards and citations for its good governance programs and policies. The Asset, a multi-media entity that serves the Asian financial markets, has awarded SMIC with its prestigious Platinum Award for all-around excellence in management, financial performance, corporate governance, social and environmental responsibility and investor relations for five (5) consecutive years. Likewise, Corporate Governance Asia (CG Asia) a regional publication based in Hong Kong, has annually recognized SMIC as one of the best in corporate governance in the Philippines.

Through the collective efforts of its stakeholders; SMIC continues to develop its corporate governance practices to meet regional and global standards.

A.viii Undertaking to provide without charge a copy of the Company's Annual Report

The Company will provide without charge a copy of the Company's Annual Report on SEC Form 17-A to its stockholders upon receipt of a written request addressed to Ms. Corazon P. Guidote, Senior Vice President for Investor Relations at 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, Pasay City 1300.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SM Investments Corporation and Subsidiaries (the Group) 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 the 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 and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of SM Investments Corporation and Subsidiaries in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

TERESITA T. SY	**HARLEY T. SY**	**JOSE T. SIO**
Vice Chairperson of the Board	President	Chief Financial Officer

Signed this 4th day of March 2015.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)

SUBSCRIBED AND SWORN to before this MAR 09 2015 at Makati City, affiants exhibiting to me their Community Tax Certificates, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
TERESITA T. SY	EB0826424	August 25, 2010	Manila
HARLEY T. SY	EB4055697	November 12, 2011	Manila
JOSE T. SIO	EB5104390	April 11, 2012	Manila

ARTHUR A. SY
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
PTR NO. 4758714 / 01.08.15 / MAKATI CITY
IBP LRN 548832 / 01.07.02 / PPLM
TIN-174-674-196 ROLL NO. 40024

DOC. No. 433
PAGE No. 87
BOOK No. XIV
SERIES OF 2015

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

SECRETARY'S CERTIFICATE

I, **ELMER B. SERRANO,** of legal age, Filipino and with office address at Suite 2401, The Orient Square, F. Ortigas, Jr. Road, Ortigas Center, Pasig City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **SM INVESTMENTS CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine Law with principal address at 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, Pasay City;

2. At the meeting of the Board of Directors of the Corporation held on April 28, 2014, at which a quorum was present, the Board unanimously adopted and duly approved the following resolutions;

> "**RESOLVED,** That the Corporation's Vice-Chairperson, Teresita T. Sy-Coson, as an alternate to the Chairman, Henry Sy. Sr., be, as she is hereby, authorized and empowered to receive, sign, execute, and deliver the Corporation's Annual Reports and Statement of Management Responsibilities to any government or regulatory body;
>
> "**RESOLVED, FINALLY,** That the Vice-Chairperson be, as she is hereby, authorized and empowered to sign, execute, deliver, receive and receipt, for and on behalf of the Corporation, any and all contracts, documents and instruments which may be required or necessary to carry out the foregoing resolution."

3. The foregoing resolutions are in accordance with the records of the Corporation in my possession and I certify that the above resolutions have not been amended nor revoked and are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand this MAR 0 6 2015 in Pasig City, Metro Manila.

ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 0 6 2015 at Pasig City, affiant exhibited to me his Tax Identification No. 153-406-995.

Doc. No. 427;
Page No. 87;
Book No. I;
Series of 2015.

ANNABELLE THERESE G. PALOMAR
Appointment No. 291 (2014-2015)
Notary Public for Pasig City
Until December 31, 2015
Attorneys Roll No. 63620
Suite 2401 The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR No. 0381605; 01.07.15; Pasig City
IBP No. 0985151; 01.06.15; RSM

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 29)	**₱69,133,381**	₱50,209,657
Time deposits and short-term investments (Notes 8 and 29)	**9,000,324**	28,912,650
Investments held for trading and sale (Notes 9 and 29)	**4,190,449**	1,118,980
Receivables (Notes 10, 29 and 30)	**31,009,820**	26,637,734
Merchandise inventories - at cost (Note 23)	**14,882,200**	13,232,308
Other current assets (Notes 11 and 29)	**57,801,636**	42,827,624
Total Current Assets	**186,017,810**	162,938,953
Noncurrent Assets		
Available-for-sale investments (Notes 12 and 29)	**19,205,044**	16,499,092
Investments in associates and joint ventures (Note 13)	**145,476,174**	138,994,366
Time deposits (Notes 8 and 29)	**47,124,000**	27,080,950
Property and equipment (Note 14)	**19,903,014**	18,323,380
Investment properties (Note 15)	**221,429,714**	192,609,189
Land and development (Note 16)	**26,629,864**	25,666,930
Intangibles (Note 17)	**22,303,203**	20,255,055
Deferred tax assets - net (Note 27)	**2,293,944**	2,172,799
Other noncurrent assets (Notes 17 and 29)	**21,501,842**	28,453,455
Total Noncurrent Assets	**525,866,799**	470,055,216
	₱711,884,609	₱632,994,169
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 18, 22 and 29)	**₱13,892,641**	₱27,588,259
Accounts payable and other current liabilities (Notes 19 and 29)	**69,861,065**	68,088,327
Income tax payable	**1,593,060**	1,612,784
Current portion of long-term debt (Notes 20 and 29)	**10,669,108**	34,566,619
Dividends payable (Note 29)	**264,882**	210,189
Total Current Liabilities	**96,280,756**	132,066,178
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 20, 22, 29 and 30)	**237,113,555**	175,589,418
Derivative liabilities (Notes 29 and 30)	**58,705**	159,974
Deferred tax liabilities - net (Note 27)	**6,867,925**	6,970,527
Tenants' deposits and others (Notes 15, 26, 28, 29 and 30)	**21,615,259**	17,967,224
Total Noncurrent Liabilities	**265,655,444**	200,687,143
Total Liabilities	**361,936,200**	332,753,321
Equity Attributable to Owners of the Parent		
Capital stock (Note 21)	**7,963,406**	7,962,723
Additional paid-in capital (Note 21)	**71,952,082**	57,799,360
Equity adjustments from common control transactions (Note 21)	**(1,902,933)**	(2,584,210)
Cost of Parent common shares held by subsidiaries (Note 21)	**(25,386)**	(25,386)
Cumulative translation adjustment of a subsidiary	**866,360**	1,233,177
Remeasurement loss on defined benefit asset/obligation (Note 26)	**(126,530)**	(195,074)
Net unrealized gain on available-for-sale investments (Notes 12 and 13)	**10,207,259**	7,338,500
Retained earnings (Note 21):		
Appropriated	**27,000,000**	27,000,000
Unappropriated	**141,069,856**	120,904,727
Total Equity Attributable to Owners of the Parent	**257,004,114**	219,433,817
Non-controlling Interests	**92,944,295**	80,807,031
Total Equity	**349,948,409**	300,240,848
	₱711,884,609	₱632,994,169

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Sales:			
Merchandise	**₱197,080,971**	₱180,873,042	₱158,888,415
Real estate	**22,629,335**	21,242,138	22,499,679
Rent (Notes 15, 22 and 28)	**32,845,909**	27,929,390	24,695,579
Equity in net earnings of associates and joint ventures (Note 13)	**13,225,022**	13,602,269	9,042,034
Cinema ticket sales, amusement and others	**5,771,529**	4,945,795	4,824,228
Management and service fees (Note 22)	**1,452,771**	1,437,561	1,112,302
Gain on sale of available-for-sale investments and fair value changes on investments held for trading - net (Notes 9, 12 and 30)	**51,525**	141,163	2,055
Dividend income (Note 22)	**595,204**	883,494	628,385
Others	**2,065,870**	2,237,952	2,184,597
	275,718,136	253,292,804	223,877,274
COST AND EXPENSES			
Cost of sales:			
Merchandise (Note 23)	**150,917,587**	138,720,368	117,896,688
Real estate	**12,529,076**	12,243,534	14,124,779
Selling, general and administrative expenses (Note 24)	**60,081,307**	51,043,797	44,978,822
	223,527,970	202,007,699	177,000,289
OTHER INCOME (CHARGES)			
Interest expense (Note 25)	**(11,627,529)**	(10,943,401)	(10,811,736)
Interest income (Note 25)	**3,032,635**	3,709,484	4,416,746
Gain on disposal of investments and properties - net (Notes 13 and 15)	**2,879,746**	546,552	1,301,888
Loss on fair value changes on derivatives - net (Note 30)	**(189,554)**	(997,576)	(1,403,411)
Foreign exchange gain - net (Note 29)	**179,080**	59,411	565,132
	(5,725,622)	(7,625,530)	(5,931,381)
INCOME BEFORE INCOME TAX	**46,464,544**	43,659,575	40,945,604
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**7,723,852**	7,367,602	6,453,836
Deferred	**(149,863)**	(1,947,105)	91,250
	7,573,989	5,420,497	6,545,086
NET INCOME	**₱38,890,555**	₱38,239,078	₱34,400,518
Attributable to			
Owners of the Parent (Note 31)	**₱28,398,584**	₱27,445,682	₱24,674,381
Non-controlling interests	**10,491,971**	10,793,396	9,726,137
	₱38,890,555	₱38,239,078	₱34,400,518
Basic/Diluted Earnings Per Common Share Attributable to Owners of the Parent (Note 31)	**₱35.66**	₱34.85	₱31.76

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱38,890,555**	₱38,239,078	₱34,400,518
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Net unrealized gain on available-for-sale investments (Note 12)	**4,243,049**	2,290,960	4,753,031
Share in unrealized gain (loss) on available-for-sale investments of associates - net (Notes 12 and 13)	**435,121**	(2,756,754)	1,514,343
Cumulative translation adjustment of a subsidiary	**(720,937)**	892,452	(205,702)
Income tax relating to items to be reclassified to profit or loss in subsequent periods	**112,849**	(2,841,627)	3,772
	4,070,082	(2,414,969)	6,065,444
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 26)	**129,883**	(201,304)	–
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	**(38,965)**	60,391	–
	90,918	(140,913)	–
TOTAL COMPREHENSIVE INCOME	**₱43,051,555**	₱35,683,196	₱40,465,962
Attributable to			
Owners of the Parent	**₱30,969,070**	₱23,836,811	₱29,223,730
Non-controlling interests	**12,082,485**	11,846,385	11,242,232
	₱43,051,555	₱35,683,196	₱40,465,962

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Per Share Data)

	Equity Attributable to Owners of the Parent											
	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment of a Subsidiary	Net Unrealized Gain on Available-for-Sale Investments	Remeasurement Loss on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at December 31, 2013	₱7,962,723	₱57,799,360	(₱2,584,210)	(₱25,386)	₱1,233,177	₱7,338,500	(₱195,074)	₱27,000,000	₱120,904,727	₱219,433,817	₱80,807,031	₱300,240,848
Net income	–	–	–	–	–	–	–	–	28,398,584	28,398,584	10,491,971	38,890,555
Other comprehensive income	–	–	–	–	(366,817)	2,868,759	68,544	–	–	2,570,486	1,590,514	4,161,000
Total comprehensive income	–	–	–	–	(366,817)	2,868,759	68,544	–	28,398,584	30,969,070	12,082,485	43,051,555
Issuance of Parent common shares (Note 21)	683	47,194	–	–	–	–	–	–	–	47,877	–	47,877
Cash dividends - ₱10.34 a share (Note 21)	–	–	–	–	–	–	–	–	(8,233,455)	(8,233,455)	–	(8,233,455)
Decrease in non-controlling interests	–	–	–	–	–	–	–	–	–	–	(729,736)	(729,736)
Common control transactions (Note 5)	–	–	681,277	–	–	–	–	–	–	681,277	–	681,277
Re-issuance by a subsidiary of treasury shares to non-controlling shareholders	–	14,105,528	–	–	–	–	–	–	–	14,105,528	3,541,096	17,646,624
Cash dividends received by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(2,756,581)	(2,756,581)
Balance at December 31, 2014	₱7,963,406	₱71,952,082	(₱1,902,933)	(₱25,386)	₱866,360	₱10,207,259	(₱126,530)	₱27,000,000	₱141,069,856	₱257,004,114	₱92,944,295	₱349,948,409
Balance at December 31, 2012	₱6,229,746	₱42,858,920	(₱2,332,796)	(₱125,906)	₱266,915	₱11,718,559	₱–	₱35,000,000	₱94,458,694	₱188,074,132	₱73,570,846	₱261,644,978
Net income	–	–	–	–	–	–	–	–	27,445,682	27,445,682	10,793,396	38,239,078
Other comprehensive income	–	–	–	–	966,262	(4,380,059)	(195,074)	–	–	(3,608,871)	1,052,989	(2,555,882)
Total comprehensive income	–	–	–	–	966,262	(4,380,059)	(195,074)	–	27,445,682	23,836,811	11,846,385	35,683,196
Issuance of Parent common shares (Note 21)	156,404	14,802,328	–	–	–	–	–	–	–	14,958,732	–	14,958,732
Disposal of Parent common shares held by subsidiaries (Note 21)	–	138,112	–	100,520	–	–	–	–	–	238,632	–	238,632
Cash dividends - ₱11.80 a share (Note 21)	–	–	–	–	–	–	–	–	(7,423,076)	(7,423,076)	–	(7,423,076)
Stock dividends (Note 21)	1,576,573	–	–	–	–	–	–	–	(1,576,573)	–	–	–
Reversal of appropriation (Note 21)	–	–	–	–	–	–	–	(8,000,000)	8,000,000	–	–	–
Increase in non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,830,497	1,830,497
Common control transactions (Notes 5 and 21)	–	–	(251,414)	–	–	–	–	–	–	(251,414)	(2,083,843)	(2,335,257)
Cash dividends received by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(4,356,854)	(4,356,854)
Balance at December 31, 2013	₱7,962,723	₱57,799,360	(₱2,584,210)	(₱25,386)	₱1,233,177	₱7,338,500	(₱195,074)	₱27,000,000	₱120,904,727	₱219,433,817	₱80,807,031	₱300,240,848
Balance at December 31, 2011	₱6,121,640	₱35,536,615	(₱2,332,796)	(₱263,195)	₱428,058	₱7,008,067	₱–	₱5,000,000	₱106,167,942	₱157,666,331	₱64,620,530	₱222,286,861
Net income	–	–	–	–	–	–	–	–	24,674,381	24,674,381	9,726,137	34,400,518
Other comprehensive income	–	–	–	–	(161,143)	4,710,492	–	–	–	4,549,349	1,516,095	6,065,444
Total comprehensive income	–	–	–	–	(161,143)	4,710,492	–	–	24,674,381	29,223,730	11,242,232	40,465,962
Issuance of Parent common shares (Note 21)	108,106	7,216,451	–	–	–	–	–	–	–	7,324,557	–	7,324,557
Disposal of Parent common shares held by subsidiaries (Note 21)	–	105,854	–	137,289	–	–	–	–	–	243,143	52,402	295,545
Cash dividends - ₱10.40 a share (Note 21)	–	–	–	–	–	–	–	–	(6,383,629)	(6,383,629)	–	(6,383,629)
Appropriation during (Note 21)	–	–	–	–	–	–	–	30,000,000	(30,000,000)	–	–	–
Decrease in non-controlling interests	–	–	–	–	–	–	–	–	–	–	(235,336)	(235,336)
Cash dividends received by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(2,108,982)	(2,108,982)
Balance at December 31, 2012	₱6,229,746	₱42,858,920	(₱2,332,796)	(₱125,906)	₱266,915	₱11,718,559	₱–	₱35,000,000	₱94,458,694	₱188,074,132	₱73,570,846	₱261,644,978

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱46,464,544**	₱43,659,575	₱40,945,604
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 13)	**(13,225,022)**	(13,602,269)	(9,042,034)
Interest expense (Note 25)	**11,627,529**	10,943,401	10,811,736
Depreciation and amortization (Notes 14, 15 and 24)	**10,907,625**	9,513,584	8,057,871
Interest income (Note 25)	**(3,032,635)**	(3,709,484)	(4,416,746)
Gain on disposal of investments and properties - net (Note 15)	**(2,879,746)**	(546,552)	(1,301,888)
Dividend income	**(595,204)**	(883,494)	(628,385)
Unrealized foreign exchange loss (gain)	**424,836**	1,213,565	(93,811)
Loss on fair value changes on derivatives - net (Note 30)	**189,554**	997,576	1,403,411
Gain on available-for-sale investments and fair value changes on investments held for trading - net (Notes 12 and 30)	**(51,525)**	(141,163)	(2,055)
Reversal of impairment loss (Notes 10, 13 and 15)	**(288,547)**	(1,018,156)	(2,743,711)
Income before working capital changes	**49,541,409**	46,426,583	42,989,992
Decrease (increase) in:			
Land and development	**(21,714,176)**	(20,763,530)	(13,700,945)
Other current assets	**(3,599,889)**	(6,220,848)	(6,043,200)
Merchandise inventories	**(1,649,892)**	870,608	33,694
Receivables	**(513,876)**	(2,268,025)	(1,809,471)
Increase (decrease) in:			
Accounts payable and other current liabilities	**(1,123,311)**	16,109,852	13,234,113
Tenants' deposits and others	**3,645,973**	3,600,244	2,390,156
Defined benefit liability (Note 26)	**123,467**	126,011	(48,178)
Net cash generated from operations	**24,709,705**	37,880,895	37,046,161
Income tax paid	**(7,737,385)**	(7,220,176)	(6,314,700)
Net cash from operating activities	**16,972,320**	30,660,719	30,731,461
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Shares of stock of associates and joint ventures	**7,448,221**	1,108,036	1,870,174
Available-for-sale investments and held for trading	**2,250,004**	1,646,038	2,233,812
Property and equipment	**236,518**	374,196	161,834
Investment properties	**134,890**	8,596	236,210
Additions to:			
Investment properties (Note 15)	**(37,487,584)**	(25,885,092)	(27,932,103)
Property and equipment (Note 14)	**(4,522,820)**	(5,131,795)	(6,614,570)
Available-for-sale investments	**(3,089,078)**	–	(3,237,646)
Investments in associates and joint ventures (Note 13)	**(1,925,455)**	(5,492,653)	(28,261,006)
Time deposits	–	–	(23,005,702)
Decrease in:			
Other noncurrent assets	**12,650,366**	4,817,513	1,984,796
Pledged time deposits	**252,851**	5,572,971	–
Dividends received	**4,996,065**	4,758,493	795,953
Interest received	**3,518,976**	3,924,505	4,208,464
Acquisition of subsidiaries, net of cash acquired (Note 5)	–	(16,750,597)	–
Net cash used in investing activities	**(15,537,046)**	(31,049,789)	(77,559,784)

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt	**₱84,040,740**	₱66,196,550	₱71,638,384
Bank loans	**10,862,833**	60,249,390	62,039,335
Payments of:			
Long-term debt	**(47,795,955)**	(47,783,598)	(14,495,495)
Bank loans	**(24,568,200)**	(70,185,745)	(55,910,180)
Interest	**(11,870,553)**	(11,608,952)	(9,918,610)
Dividends	**(10,935,343)**	(13,243,597)	(8,421,026)
Re-issuance by a subsidiary of treasury shares to non-controlling shareholders	**17,646,625**	–	–
Proceeds from issuance of new common shares (Note 21)	–	6,424,666	6,329,678
Disposal of Parent common shares held by subsidiaries (Note 21)	–	100,520	295,546
Net cash provided by (used in) financing activities	**17,380,147**	(9,850,766)	51,557,632
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**18,815,421**	(10,239,836)	4,729,309
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**108,303**	(265,227)	(64,911)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**50,209,657**	60,714,720	56,050,322
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱69,133,381**	₱50,209,657	₱60,714,720

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On June 3, 2009, the Philippine Securities and Exchange Commission (SEC) approved the amendment of SMIC's articles of incorporation for the extension of the Company's corporate life for another 50 years from January 15, 2010. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

The Parent Company and its subsidiaries (collectively referred to as the Group), and its associates and joint ventures are involved primarily in the property, retail and financial services and other businesses.

The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) as approved and recommended for approval by the Audit Committee on March 4, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments held for trading and available-for-sale (AFS) investments which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousands except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including the interpretations issued by the Philippine Financial Reporting Standards Council (PFRSC).

Basis of Consolidation
The Group is considered to have control over an investee, if and only if, the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and,
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The consolidated financial statements include the accounts of the Parent Company and the subsidiaries listed below:

		Percentage of Ownership			
		2014		2013	
Company	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
Property					
SM Prime Holdings, Inc. (SM Prime) and Subsidiaries	Real estate development	**49**	**1**	51	1
SM Development Corporation (SMDC) and Subsidiaries	Real estate development	–	**100**	–	100
Magenta Legacy, Inc. (Magenta)	Real estate development	–	**100**	–	100
Associated Development Corporation	Real estate development	–	**100**	–	100
Highlands Prime, Inc. (HPI)	Real estate development	–	**100**	–	100
Summerhills Home Development Corp. (SHDC)	Real estate development	–	**100**	–	100
CHAS Realty and Development Corporation and Subsidiaries	Real estate development	–	**100**	–	100
Costa del Hamilo, Inc. (Costa) and Subsidiary	Real estate development	–	**100**	–	100
Prime Metro Estate, Inc. (PMI)	Real estate development	–	**100**	–	100
Rappel Holdings, Inc. (Rappel) and Subsidiaries	Real estate development	–	**100**	–	100
SM Arena Complex Corporation (SM Arena)	Conventions	–	**100**	–	100
SM Hotels and Conventions Corp. (SM Hotels) and Subsidiaries	Hotel and tourism	–	**100**	–	100
Tagaytay Resort Development Corporation (TRDC)	Real estate development	–	**100**	–	100
Mountain Bliss Resort and Development Corporation (Mt. Bliss) and Subsidiaries	Real estate development	**100**	–	100	–

(Forward)

Company	Principal Activities	Percentage of Ownership 2014 Direct	2014 Indirect	2013 Direct	2013 Indirect
Belleshares Holdings, Inc.(BHI) (formerly SM Commercial Properties, Inc.) and Subsidiaries	Real estate development	**59**	**40**	59	40
Intercontinental Development Corporation (ICDC)	Real estate development	**97**	**3**	97	3
Prime Central, Inc. (Prime Central) and Subsidiaries	Real estate development	**100**	**–**	100	–
Bellevue Properties, Inc.	Real estate development	**62**	**–**	62	–
Net Group	Real estate development	**90**	**–**	90	–
Sto. Roberto Marketing Corp. (Sto. Roberto)	Real estate development	**100**	**–**	100	–
Nagtahan Property Holdings, Inc. (formerly AD Farming)	Real estate development	**100**	**–**	100	–
Retail					
SM Retail, Inc. (SM Retail) and Subsidiaries	Retail	**100**	**–**	100	–
Others					
Primebridge Holdings, Inc. (Primebridge)	Investment	**80**	**20**	80	20
Asia Pacific Computer Technology Center, Inc.	Education	**52**	**–**	52	–
Multi-Realty Development Corporation (MRDC)	Investment	**91**	**–**	91	–
Henfels Investments Corp.	Investment	**99**	**–**	99	–

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines.

Material Partly-owned Subsidiary

The non-controlling interests of SM Prime is material to the Group. Non-controlling shareholders hold 50% and 48% of SM Prime as at December 31, 2014 and 2013, respectively.

The summarized financial information of SM Prime follows:

Financial Position

	December 31 2014	2013
	(In Thousands)	
Current assets	**₱105,996,381**	₱85,685,323
Noncurrent assets	**282,843,778**	249,898,359
Total assets	**388,840,159**	335,583,682
Current liabilities	**50,799,205**	56,882,069
Noncurrent liabilities	**135,802,751**	112,480,088
Total liabilities	**186,601,956**	169,362,157
Total equity	**202,238,203**	166,221,525
Attributable to:		
Owners of the Parent	**199,087,690**	163,266,540
Non-controlling interests	**3,150,513**	2,954,985
	₱202,238,203	₱166,221,525

Statements of Income

	Years Ended December 31 2014	2013	2013
		(In Thousands)	
Revenue	**₱66,240,070**	₱59,794,410	₱57,215,094
Costs and expenses	**38,553,561**	35,658,865	35,145,277

Other income (charges)	**(4,012,373)**	(3,425,454)	(1,635,923)
Income before income tax	**23,674,136**	20,710,091	20,433,894
Provision for income tax	**4,777,647**	3,984,163	3,790,461
Net income	**₱18,896,489**	₱16,725,928	₱16,643,433
Attributable to:			
Owners of the Parent	**₱18,390,352**	₱16,274,820	₱16,202,777
Non-controlling interests	**506,137**	451,108	440,656
	18,896,489	16,725,928	16,643,433
Other comprehensive income	**5,083,311**	1,441,681	6,133,848
Total comprehensive income	**₱23,979,800**	₱18,167,609	₱22,777,281
Attributable to:			
Owners of the Parent	**₱23,474,512**	₱17,717,168	₱22,336,625
Non-controlling interests	**505,288**	450,441	440,656
Total comprehensive income	**23,979,800**	18,167,609	22,777,281
Dividends paid to non-controlling interests	**(₱309,760)**	(₱329,760)	(₱10,000)

Summarized Consolidated Statements of Cash Flows

	Years Ended December 31		
	2014	2013	2012
		(In Thousands)	
Net cash inflow from operating activities	**₱7,009,309**	₱23,818,522	₱6,587,696
Net cash (outflow) from investing activities	**(29,693,053)**	(30,715,461)	(20,527,706)
Net cash inflow from financing activities	**30,796,950**	12,708,892	17,907,072
Effect of exchange rate changes on cash and cash equivalents	**(9,506)**	30,187	(13,005)
Net increase (decrease) in cash and cash equivalents	**₱8,103,700**	₱5,842,140	₱3,954,057

3. Summary of Significant Accounting Policies, Changes and Improvements

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

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

Time Deposits and Short-term Investments
Time deposits and short-term investments are cash placements with original maturities of more than three months but less than one year. Time deposits with maturities of more than twelve months after the reporting period are presented under noncurrent assets.

Determination of Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an

orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

The Group recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

<u>Financial Instruments</u>

Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated balance sheets when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets, recognition and derecognition, as applicable, that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date. Derivatives are recognized on a trade date basis.

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVPL), includes transaction cost.
Subsequent to initial recognition, the Group classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS investments and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an

active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

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

Financial Assets and Liabilities at FVPL
Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses on investments held for trading are recognized in the consolidated statement of income under "Gain on sale of available-for-sale investments and fair value changes on investments held for trading - net" account. Interest income earned on investment held for trading are recognized in "Interest income" account in the consolidated statement of income.

Financial assets and liabilities may be designated by management at initial recognition as FVPL when any of the following criteria is met:

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

The Group's investments held for trading and derivative assets are classified as financial assets at FVPL, while the Group's derivative liabilities arising from issuance of convertible bonds and derivative financial instruments with negative fair values are also included as financial liabilities at FVPL.

Loans and Receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within twelve months after the reporting period. Otherwise, these are classified as noncurrent assets.

HTM Investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity is within twelve months from reporting period. Otherwise, these are classified as noncurrent assets.

The Group's investment in quoted Philippine government treasury bonds is classified under this category.

AFS Investments
AFS investments are nonderivative financial assets that are designated under this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are reported as net unrealized gain or loss on AFS investments in the consolidated statement of comprehensive income under "Net unrealized gain (loss) on available-for-sale investments" account until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in consolidated statement of comprehensive income is transferred to the consolidated statement of income. Interest earned on holding AFS investments are recognized in the consolidated statement of income using the effective interest method. Assets under this category are classified as current if expected to be disposed of within 12 months after the reporting period. Otherwise, they are classified as noncurrent.

The Group's investments in shares of stock, bonds and corporate notes, redeemable preferred shares and club shares are classified under this category. The current portion is included under "Investments held for trading and sale" account in the consolidated balance sheets.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

The Group's bank loans, accounts payable and other current liabilities, dividends payable, long-term debt and tenants' deposits and others are classified under this category.

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or,
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or,
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument, as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

Debt Issue Cost
Debt issue cost is presented as a reduction in long-term debt and amortized over the term of the related borrowings using the effective interest method.

Derivative Financial Instruments
The Group uses derivative financial instruments such as long-term currency swaps, foreign currency call options, interest rate swaps, foreign currency range options and non-deliverable forwards to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments, including bifurcated embedded derivatives, are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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 profit or loss.

Cash Flow Hedges
Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the consolidated statements of income. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized as "Cumulative translation adjustment of a subsidiary" account in the consolidated statements of comprehensive income, whereas any hedge ineffectiveness is immediately recognized in the consolidated statements of income under "Gain (loss) on fair value changes on derivatives-net" account.

Amounts taken to equity are transferred to the consolidated statements of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized. However, if an entity expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify from equity to profit or loss as a reclassification adjustment the amount that is not expected to be recovered.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported as "Cumulative translation adjustment of a subsidiary" is retained in the other comprehensive income until the hedged transaction impacts the consolidated statements of income. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in the consolidated statements of comprehensive income is recognized immediately in the consolidated statements of income.

Other Derivative Instruments Not Accounted for as Hedges
Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately under "Gain (loss) on fair value changes on derivatives - net" account in the consolidated statements of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded Derivative
An embedded derivative is a component of a hybrid (combined) instrument that also includes a nonderivative host contract with the effect that some of the cash flows of the combined instrument vary, in a way similar to a stand-alone derivative. The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized as at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case, a reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both, have changed and whether the change is significant relative to the previously expected cash flows on the contract.

Options arising from the Group's investment in bonds and convertible bonds payable are the Group's bifurcated embedded derivatives.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset is derecognized when:

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

Impairment of Financial Assets
The Group assesses at each reporting period whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured 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 (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the impaired asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of income to the extent of the carrying amount that would have been determined had no impairment loss been recognized.

Financial Assets Carried at Cost. If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Investments. The Group assesses at each reporting period whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS investments, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Significant decline in fair value is evaluated against the original cost of the investment, while prolonged decline is assessed against the periods in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from the consolidated statement of comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" account in the consolidated statement of income. If in subsequent years, the fair value of a debt instrument should increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Merchandise Inventories</u>
Merchandise inventories are valued at the lower of cost and net realizable value. Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

<u>Land and Development and Condominium Units for Sale</u>
Land and development and condominium units for sale are stated at the lower of cost and net realizable value. Cost includes those costs incurred for development and improvement of the properties. Net realizable value is the selling price in the ordinary course of business less costs to complete and the estimated cost to make the sale.

Land and development includes properties held for future development and properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. Cost incurred for the development and improvement of the properties includes the following:

- Land cost;
- Amounts paid to contractors for construction and development; and,
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Investments in Associates and Joint Ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group’s investments in associates and joint ventures are accounted for under the equity method of accounting. Under the equity method, investment in an associate or a joint venture is carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group’s share in net assets of the associate or joint venture.

On acquisition of the investment, any difference between the cost of the investment and the investor’s share in the net fair value of the associate’s or joint venture’s identifiable assets, liabilities and contingent liabilities is accounted for as follows:

a. goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group’s share in the associate’s or joint venture’s profits or losses; and,
b. any excess of the Group’s share in the net fair value of the associate’s and joint venture’s identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's or joint venture’s profit or loss in the period in which the investment is acquired.

The consolidated statement of income reflect the share in the results of operations of the associate or joint venture. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share in any changes and discloses this in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group’s interest in the associate or joint venture.

Also, appropriate adjustments to the investor’s share of the associate’s or joint venture’s profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate or joint venture, such as for goodwill or property, plant and equipment.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group’s net investment in the associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then, recognizes the loss in the statement of income.

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

Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and related interest incurred during the construction.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Buildings, condominium units and improvements	5-25 years
Store equipment and improvements	5-10 years
Data processing equipment	5 years
Furniture, fixtures and office equipment	3-10 years
Machinery and equipment	5-10 years
Leasehold improvements	5-10 years or term of the lease, whichever is shorter
Transportation equipment	5-10 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses are removed from the accounts and any resulting gain or loss is charged to profit or loss.

Investment Properties

Investment properties include property that are held to earn rentals and for capital appreciation and property under construction or re-development. Investment properties, except land, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value. Land is stated at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation such as repairs and maintenance costs are charged to current operations.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	3-5 years
Land use rights	40-60 years
Buildings and improvements	10-35 years
Building equipment, furniture and others	3-15 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Investment property is derecognized when disposed or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are charged to profit or loss.

Transfers are made to (from) investment property when there is a change in use evidenced by ending (commencement) of owner-occupation, or, commencement of an operating lease to another party (commencement of development with a view to sell).

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Construction in Progress

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Tenants' Deposits

Tenants' deposits are measured at amortized cost. Tenants' deposits refer to security deposits received from various tenants upon inception of the respective lease contracts on the Group's investment properties. At the termination of the lease contracts, the deposits received by the Group are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than twelve months.

Property Acquisitions, Business Combinations and Acquisitions of Non-controlling Interests

Property Acquisitions and Business Combinations. When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises. Otherwise, the acquisition is accounted for as a business combination.

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in "Selling, general and administrative expenses" account in the consolidated statement of income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under "Equity adjustments from common control transactions" account in the equity section of the consolidated balance sheet.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured and subsequent settlement is accounted for within equity.

Acquisitions of Non-controlling Interests. Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity.

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Group at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition-date, allocated to each of the Group's cash-generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Company tests goodwill acquired in a business combination for impairment at least annually.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

Measurement Period. 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 in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

Intangible Assets

The cost of trademarks and brand names acquired in a business combination is the fair value as at the date of acquisition. The Group assessed the useful life of the trademarks and brand names to be indefinite because based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Trademarks and brand names with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal and are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying values (property and equipment, investment properties and investments in associates and joint ventures, intangibles and other noncurrent assets) are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Revenue and Cost Recognition

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

Sale of Merchandise Inventories. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery. Sales returns and sales discounts are deducted from sales to arrive at sales shown in the consolidated statement of income.

Sale of goods under consignment arrangements with suppliers is recognized as revenue upon billing, delivery and transfer of goods to customers.

Sale of Real Estate. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Tenants' deposits and others" account in the consolidated balance sheets. If any of the criteria under the full accrual or POC method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Tenants' deposits and others" account in the consolidated balance sheets.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Revenue from construction contracts are recognized using the POC method, measured principally on the basis of the estimated physical completion of the contract work.

Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in the estimated cost to complete the condominium project which affects cost of real estate sold and gross profit are recognized in the year in which changes are determined.

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Sale of Cinema and Amusement Tickets. Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services.

Gain on Sale of Investments in Shares of Stock and Available-for-Sale Investments. Revenue is recognized upon delivery of the securities to and confirmation of the sale by the broker.

Dividend. Revenue is recognized when the Group's right as a shareholder to receive the payment is established.

Management and Service Fees. Revenue and expense is recognized when earned and incurred, respectively, in accordance with the terms of the agreements.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Selling, General, Administrative and Other Expenses. Costs and expenses are recognized as incurred.

Pension Benefits

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and,
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized on the earlier of the date of the plan amendment or curtailment, and the date the Group recognizes restructuring-related costs.

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

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

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

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as at reporting date. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are recognized in profit or loss.

Foreign Currency Translation
The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange as at reporting date and their respective statements of income are translated at the weighted average rates for the year. The exchange differences arising on the translation are included in the consolidated statement of comprehensive income and are presented within the "Cumulative translation adjustment of a subsidiary" account in the consolidated statement of changes in equity. On disposal of a foreign entity, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in profit or loss.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Capitalized lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of 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 are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

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

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Costs
Borrowing costs are capitalized as part of the cost of the asset if they are directly attributable to

the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. Borrowing costs are capitalized when it is probable that they will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

<u>Taxes</u>
Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to 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 allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

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

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- for receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and other current liabilities" accounts in the consolidated balance sheets.

Business Segments

The Group is organized and managed separately according to the nature of business. The three major operating businesses of the Group are property, retail and financial services and others. These operating businesses are the basis upon which the Group reports its segment information in the consolidated financial statements.

Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to owners of the Parent by the weighted-average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares.

Contingencies

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

Events after the Reporting Period

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to standards, new interpretation and improvements, starting January 1, 2014. The adoption did not have any impact on the Group's consolidated financial statements.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements – Investment Entities*
- Amendments to PAS 32 – *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to PAS 36 – *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to PAS 39 – *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- Philippine Interpretation IFRIC 21 – *Levies*
- Annual Improvements to PFRSs (2010-2012 cycle) on PFRS 13 – *Fair Value Measurement – Short-term receivables and payables with no stated interest rates*
- Annual Improvements to PFRSs (2011-2013 cycle) on amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – First-time Adoption of PFRS*

Future Changes in Accounting Policies

The following are the new standards, amendments and improvements to PFRS that were issued but are not yet effective as at December 31, 2014. The Group intends to adopt the applicable standards, interpretations, amendments and improvements when these become effective.

I. *Standards Issued but not yet Effective*

PFRS 9 – Financial Instruments – Classification and Measurement (2010 version)

PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 requires all financial assets to be measured at fair value at initial recognition.

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

Philippine Interpretation IFRIC 15 – Agreements for the Construction of Real Estate

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11- *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the PFRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

II. *Issued by the International Accounting Standards Board (IASB) and adopted by the PFRSC but for approval by the Board of Accountancy (BOA)*

Effective January 1, 2015

PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans, this amendment would be relevant to the Group since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) include the following.

- *PFRS 2, Share-based Payment – Definition of Vesting Condition.* This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

- *PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination.* The amendment clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*. The Group shall consider this amendment for future business combinations.
- *PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*. The amendments clarify the following:
  - An entity must disclose the judgments in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization.* The amendment clarifies that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- *PAS 24, Related Party Disclosures – Key Management Personnel.* The amendment clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) include the following:
- *PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements.* The amendment clarifies that joint arrangements, not just joint ventures, are outside the scope of PFRS 3 and the scope exception applies only to the financial statements of the joint arrangement itself.
- *PFRS 13, Fair Value Measurement – Portfolio Exception.* The amendment clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.
- *PAS 40, Investment Property.* The amendment clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is a purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

The amendments clarify that a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are not expected to have any impact to the Group.

PAS 27, Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments will not have any impact on the Group's consolidated financial statements.

PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

PFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. These amendments are not expected to have any impact to the Group.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) include the following.

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal.* The amendment clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *PFRS 7, Financial Instruments: Disclosures – Servicing Contracts.* PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements.* The amendment clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits – regional market issue regarding discount rate.* The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'.* The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

PFRS 9 (2013 version) includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach.

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

PFRS 9, Financial Instruments (2014 or final version)

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

III. *Issued by the IASB but not adopted yet by the FRSC*

IFRS 15 Revenue from Contracts with Customers (issued in May 2014)

Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based upon management's evaluation of relevant facts and circumstances as of reporting date.

Judgments

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

Revenue Recognition on Real Estate. The Group's process of selecting an appropriate revenue recognition method for a particular real estate sales transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing of the buyer and location of the property. The completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage.

Property Acquisitions and Business Combinations. The Group acquires subsidiaries which own real estate. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate property. The consideration is made to the extent that the significant business processes are acquired and the additional services to be provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The purchase price of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition, no goodwill or deferred tax is recognized.

Consignment Arrangements on Retail Segment. The retail segment of the Group has entered into various consignment arrangements with suppliers. Under these arrangements, the Group bears significant risks and rewards associated with the sale of goods. Management has determined that it is acting as principal in these sales transactions. Accordingly, sales revenue is recognized at gross amount upon actual sales to customers. The related inventory stocks supplied under these arrangements are only payable to suppliers when actually sold.

Operating Lease Commitments - Group as Lessor. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that the Group retains all the significant risks and rewards of ownership of the properties and thus, accounts for the contracts as operating leases.

Operating Lease Commitments - Group as Lessee. Management has determined that all the significant risks and benefits of ownership of these properties remain with the lessor and thus, accounts for these leases as operating leases.

Assessing Significant Influence over Associates. Management assessed that the Group has significant influence over all its associates by virtue of the Group's more than 20% voting power in the investee, representation on the board of directors, and participation in policy-making processes of the associates.

Assessing Joint Control of an Arrangement and the Type of Arrangement. Management assessed that the Group has joint control of Waltermart Mall by virtue of a contractual agreement with other shareholders. Waltermart Mall is a joint venture arrangement as it is a separate legal entity and its stockholders have rights to its net assets.

Impairment of AFS Investments - Significant or Prolonged Decline in Fair Value. Management determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of longer than 12 months is considered to be a prolonged decline. The determination of what is significant or prolonged requires judgment and includes an evaluation of price volatility. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Assessing of Control or significant influence of Investees.

Net Group. Management assessed that SMIC has control of these land-holding companies as the contracting party intend to align the voting interest in the land-holding companies to reflect the economic interest in these subsidiaries. On June 27, 2014, the Board of Directors and stockholders of the land-holding companies approved the amendment of the Articles of Incorporation to reclassify all its voting preferred shares to common shares resulting in the alignment of SMIC's voting and economic interests. The amendment is pending review and approval by the SEC as at March 4, 2015.

In addition, SMIC has secured its interest in the land by virtue of its long-term leases on both the buildings and land (see Note 5).

BDO Unibank , Inc. (BDO) The Group has 47% ownership interest in BDO which is accounted for as an associate. Management assessed that the Group does not have control of BDO as the Group's voting rights are not sufficient to give it power to direct the relevant activities of BDO (see Note 13).

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

Revenue and Cost Recognition. The Group's revenue from real estate and construction contracts recognized based on the POC are measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Impairment of Receivables. The Group maintains an amount of allowance for impairment loss considered adequate to provide for potential uncollectible receivables. The allowance is evaluated on the basis of factors that affect the collectibility of the accounts including the length of the Group's relationship with the customers and counterparties, average age of accounts and collection experience. The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and to provide the appropriate allowance for doubtful accounts. The review is accomplished using a combination of specific and collective assessment. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies
See Note 10 for related balances.

Impairment of AFS Investments - Calculation of Impairment Losses. The computation for the impairment of AFS debt instruments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. In the case of AFS equity instruments, the Group expands its analysis to consider changes in the investee's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect the recoverability of the Group's investments. See Note 12 for related balances.

Net Realizable Value of Merchandise Inventories, Condominium Units for Sale, and Land and Development. The Group writes down merchandise inventories, condominium units for sale, and land and development to net realizable value, through the use of an allowance account, whenever the net realizable value of the assets become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. See Notes 16 and 23 for related balances.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the assets are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records. In 2014 and 2013, the Group assessed that the net realizable value of merchandise inventories, condominium units for sale and land and land development are higher than cost, hence, the Group did not recognize any losses on writedown.

Estimated Useful Lives of Property and Equipment and Investment Properties. The useful life of each of the Group's property and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. See Notes 14 and 15 for related balances.

Impairment of Investments in Shares of Stock of Associates. Impairment review of investments in shares of stock of associates is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 13 for related balances.

Impairment of Goodwill and Trademarks and Brand Names with Indefinite Useful Lives. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculations is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets. The recoverable amount is most sensitive to the pre-tax discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. See Note 17 for related balances.

Impairment of Other Nonfinancial Assets. The Group assesses at each reporting date whether there is an indication that an item of property and equipment and investment properties may be impaired. This assessment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves judgments and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges. See Notes 14 and 15 for related balances.

Purchase Price Allocation in Business Combinations. The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisitions have resulted in goodwill and separate recognition of trademarks and brand names with indefinite lives. See Note 5 for related balances.

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Consequently, only a portion of the Group's deferred tax assets was recognized. See Note 27 for related balances.

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors including the discount rate and rate of salary increase, among others. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Group determines the appropriate discount rate at the reporting date. In determining the discount rate the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations. See Note 26 for related balances.

Fair Value of Financial Assets and Liabilities. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would directly affect profit or loss and other comprehensive income. See Notes 29 and 30 for related balances.

Contingencies. The Group is currently involved in legal and administrative proceedings. The Group's estimate of the probable costs for the resolution of these proceedings has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.

5. Corporate Restructuring and Significant Acquisitions

Corporate Restructuring

In 2013, SM Prime initiated a corporate restructuring exercise to consolidate all of the SM Group's real estate subsidiaries and real estate assets under one single listed entity which is SM Prime (collectively, the "SM Property Group"). The overall objective is to bring to the equities market the most comprehensive and integrated Philippine property company that will engage the investor community in the long-term growth potential not just of the Philippine property sector, but also of the consumer and tourism sectors.

Following are the significant corporate restructuring transactions of the SM Property Group:

a. SM Land's Tender Offers for SMDC and HPI
Both SMDC and HPI are companies primarily engaged in real estate development listed in the PSE and registered with the Philippine SEC. On June 4, 2013, SM Land launched a tender offer to the existing shareholders of SMDC and HPI in exchange for SM Prime shares held by SM Land. The terms of the tender offer were executed at an exchange ratio of 0.472 SM Prime share for 1 SMDC share and 0.135 SM Prime share for 1 HPI share. The exchange ratios were arrived at based on SM Prime's one month volume-weighted average price (VWAP) of ₱18.66 per share and a six percent premium to SMDC's one month VWAP of ₱8.303 per share. For HPI, the exchange ratios were arrived at based on SM Prime's one month VWAP of ₱18.66 per share and a fifteen percent premium to HPI's one month VWAP of ₱2.195 per share. The tender offers were completed on August 12, 2013. Total number of SM Prime common shares held by SM Land exchanged to complete the tender offer to shareholders of SMDC and HPI is 1,778,427,940. After the completion of the Tender Offer, SMDC and HPI became 98.9% and 99.9% subsidiaries of SM Land.

   On November 5, 2013, SMDC and HPI were delisted from the PSE.

b. Merger of SM Prime and SM Land
Following the completion of the tender offer, on October 10, 2013, the SEC approved the merger of SM Prime and SM Land via a share-for-share swap where the stockholders of SM Land received new SM Prime shares in exchange for their shareholdings in SM Land. SM Prime is the surviving entity while SM Land is the absorbed entity. As a result of the merger, SMDC and HPI became subsidiaries of SM Prime effective October 10, 2013. In addition to the shareholdings in SMDC and HPI, SM Prime now holds SM Land's real estate assets which includes among others, Mall of Asia Complex (MOAC), office buildings such as Two E-Com in MOAC, Cyber 1 and Cyber 2 in Makati, and certain real properties leased to SM SaveMore and SM Department Store. The merger ratio of 738 SM Prime shares for 1 SM Land share were arrived based on the net appraised values of SM Prime and SM Land as at February 28, 2013 as conducted by CB Richard Ellis. The total number of new SM Prime common shares issued to SM Land shareholders is 14,390,923,857.

c. Acquisition of unlisted real estate companies and real estate assets from SMIC and the Sy Family
On October 10, 2013, the SEC approved SM Prime's acquisition of SMIC's unlisted real estate companies including SM Hotels, SM Arena, Costa, PMI and TRDC (collectively, the "Unlisted Real Estate Companies"). The SEC likewise approved SM Prime's acquisition of real property assets of SMIC which includes among others, SMX Convention Center in MOAC and real properties located in Tagaytay, by issuing new SM Prime shares to SMIC. The unlisted real estate companies and real estate assets of SMIC were acquired based on the appraised values as at February 28, 2013 as conducted by CB Richard Ellis. The total acquisition price of the unlisted real estate companies and real property assets amounted to ₱ 25.8 billion equivalent to 1,382,841,458 SM Prime common shares issued based on SM Prime 30-day VWAP of ₱18.66.

The Group viewed the series of the corporate restructuring transactions described above as a "single" or "linked" arrangements effected by the Sy Family (the Controlling Shareholder) to re-organize its real estate businesses and assets. The companies and real estate assets (accounted for as business units) involved in the restructuring are all under the common control by the Sy Family.

The impact to SMIC of the SM Property Group corporate restructuring is as follows:

SMDC, SM Land, SM Prime and Unlisted Real Estate Companies. The corporate restructuring resulted in changes in SMIC's ownership interest in these subsidiaries only without loss of control. The related transaction costs of ₱1,862.1 million was recorded under the "Equity adjustments from common control transactions" account.

HPI. The increase in ownership interest of HPI from 27% to 51% resulted in acquisition of control. HPI is ultimately controlled by the Sy Family, hence, the transaction was accounted for as a step acquisition of an associate under common control. HPI was consolidated beginning 2013. The related transaction costs of ₱38.1 million was recognized as an expense under "Selling, general and administrative expenses" account of the 2013 consolidated statement of income.

The difference of ₱1,610.7 million between the carrying value of the net assets disposed to non-controlling interests and the carrying value of the net assets acquired from non-controlling interests was recorded as part of the "Equity adjustments from common control transactions" account in the equity section of the 2013 consolidated balance sheet.

Acquisitions

Net Group. On December 2, 2013, SMIC entered into a Shareholders Agreement and Share Purchase Agreement for the acquisition of ownership interests in the following companies (collectively, the "Net Group"):

Company	Voting Interest	Economic Interest
6-24 Property Holdings, Inc.	90%	90%
14-678 Property Holdings, Inc.	90%	90%
19-1 Property Holdings, Inc.	90%	90%
18-2 Property Holdings, Inc.	90%	90%
6-3 Property Holdings, Inc.	90%	90%
Crescent Park 6-24 Property Holdings, Inc.	40%	90%
Crescent Park 14-678 Property Holdings, Inc.	40%	90%
Crescent Park 19-1 Property Holdings, Inc.	40%	90%
Crescent Park 18-2 Property Holdings, Inc.	40%	90%
Crescent Park 6-3 Property Holdings, Inc.	40%	90%

As a result of the acquisition, the Net Group became a partially-owned subsidiary of SMIC. The primary reason for acquiring the Net Group was to expand the Group's commercial development's operation across major commercial business districts.

In 2014, the fair values of the identifiable assets and liabilities were finalized as follows:

	Fair Values (As at Acquisition Date)
	(In Thousands)
Cash and cash equivalents	₱822,890
Receivables	116,397
Other current assets	184,912
Property and equipment (see Note 14)	2,936
Investment properties (see Note 15)	16,761,000
Total identifiable assets	17,888,135
Less:	
Trade payables and other current liabilities	652,212

	Fair Values (As at Acquisition Date)
Bank loan	4,923,509
Deferred tax liabilities	2,323,661
Total identifiable liabilities	7,899,382
Total identifiable net assets at fair value	9,988,753
Non-controlling interest measured at proportionate share of the fair value	(998,875)
Goodwill arising from acquisition	3,696,369
Purchased consideration transferred	₱12,686,247

The Net Group's receivables comprise mainly of lease receivables from tenants amounting to ₱116.4 million which was the carrying value as at acquisition date. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

WSI. In January and May 2013, SM Retail acquired a total of 193,800,000 shares of WSI equivalent to 51% ownership interest for ₱3,570.0 million. WSI is mainly engaged in the business of trading goods and merchandise. As a result of the acquisition, WSI became a partially-owned subsidiary of the Group. The primary reason for acquiring WSI was to expand the Group's market share through the pre-existing stores of WSI.

In 2014, the fair values of the identifiable assets and liabilities were finalized as follows:

	Fair Values (As at Acquisition Date)
	(In Thousands)
Cash and cash equivalents	₱552,991
Receivables	187,710
Inventories	700,154
Property and equipment (see Note 14)	425,511
Investment properties (see Note 15)	182,774
Other current and noncurrent assets	181,047
Total identifiable assets	2,230,187
Less:	
Trade payables and other current liabilities	1,604,293
Other liabilities	3,606
Total identifiable liabilities	1,607,899
Total identifiable net assets at fair value	622,288
Non-controlling interest measured at proportionate share of the fair value	(304,921)
Goodwill arising from acquisition	3,252,633
Purchase consideration transferred	₱3,570,000

WSI's receivables comprise mainly of trade receivables amounting to ₱187.7 million which was the carrying value as at acquisition date. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

CHAS Realty and Development Corporation and subsidiaries (CHAS).
In January 2013, the SM Prime entered into a Binding Share Purchases Agreement for the acquisition of 100% interest in CHAS Realty and Development Corporation and its subsidiaries

(CHAS) for a total purchase consideration of ₱1,685.0 million. CHAS is engaged in the business of shopping mall operations which owns Cabanatuan Megacenter in Nueva Ecija. The Company acquired CHAS to expand its market share through the pre-existing mall of CHAS.

In December 2013, the Company completed its acquisition of 100% interest in CHAS.

The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition were based on provisional values.

Total identifiable assets acquired amounted to ₱1,577.0 million, which mainly consist of investment properties amounting to ₱1,385.0 million and cash and other assets amounting to ₱192.0 million. Total identifiable liabilities assumed amounted to ₱271.0 million, which mainly consist of accounts payable and other current liabilities amounting to ₱72.0 million and deferred tax liabilities amounting to ₱199.0 million. The resulting identifiable net assets acquired amounted to ₱1,306.0 million.

The fair value of acquired receivables amounting to ₱73.0 million (included in "Cash and other assets") approximates their carrying value. No impairment loss was provided on these receivables.

The Company's consolidated revenue and net income would have increased by ₱80.0 million and decreased by ₱105.0 million, respectively, for the year ended December 31, 2013 had the acquisition of CHAS taken place on January 1, 2013. Total revenue and net income of CHAS included in the consolidated financial statements for 2013 are immaterial.

Net cash outflow from the acquisition of CHAS amounted to ₱2,238.0 million, inclusive of advances made to CHAS prior to the acquisition amounting to ₱665.0 million, and net of cash acquired from CHAS amounting to ₱112.0 million.

6. Segment Information

The Group has identified three reportable operating segments as follows: property, retail, and financial services and others.

The property segment is involved in mall, residential and commercial development and hotels and convention centers operations. The mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers. Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise, such as dry goods, wearing apparels, food and other merchandise.

The financial services and others segment primarily includes the Parent Company which engages in asset management and capital investments, and associates which are involved in financial services.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Operating Segment Financial Data

	2014				
	Property	**Retail**	**Financial Services and Others**	**Eliminations**	**Consolidated**
			(In Thousands)		
Revenue:					
External customers	**₱61,746,895**	**₱200,028,416**	**₱13,942,825**	**₱–**	**₱275,718,136**
Inter-segment	**7,493,808**	**75,500**	**14,327,200**	**(21,896,508)**	**–**
	₱69,240,703	**₱200,103,916**	**₱28,270,025**	**(₱21,896,508)**	**₱275,718,136**
Segment results:					
Income before income tax	**₱25,127,676**	**₱8,721,887**	**₱13,906,050**	**(₱1,291,069)**	**₱46,464,544**
Provision for income tax	**(4,886,808)**	**(2,590,050)**	**(101,865)**	**4,734**	**(7,573,989)**
Net income	**₱20,240,868**	**₱6,131,837**	**₱13,804,185**	**(₱1,286,335)**	**₱38,890,555**
Net income attributable to:					
Owners of the Parent	**₱19,725,253**	**₱5,858,974**	**₱13,804,185**	**(₱10,989,828)**	**₱28,398,584**
Non-controlling interests	**515,615**	**272,863**	**–**	**9,703,493**	**10,491,971**

	2013				
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱56,109,064	₱183,606,666	₱13,577,074	₱–	₱253,292,804
Inter-segment	6,004,771	117,556	16,101,800	(22,224,127)	–
	₱62,113,835	₱183,724,222	₱29,678,874	(₱22,224,127)	₱253,292,804
Segment results:					
Income before income tax	₱23,672,023	₱8,551,740	₱12,331,124	(₱895,312)	₱43,659,575
Provision for income tax	(3,991,614)	(2,446,033)	289,085	728,065	(5,420,497)
Net income	₱19,680,409	₱6,105,707	₱12,620,209	(₱167,247)	₱38,239,078
Net income attributable to:					
Owners of the Parent	₱19,229,301	₱5,748,922	₱12,620,210	(₱10,152,751)	₱27,445,682
Non-controlling interests	451,107	356,786	–	9,985,503	10,793,396

	2012				
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱52,609,032	₱161,149,617	₱10,118,625	₱–	₱223,877,274
Inter-segment	11,498,582	89,139	11,891,579	(23,479,300)	–
	₱64,107,614	₱161,238,756	₱22,010,204	(₱23,479,300)	₱223,877,274
Segment results:					
Income before income tax	₱25,528,157	₱9,258,062	₱10,061,252	(₱3,901,867)	₱40,945,604
Provision for income tax	(3,687,017)	(2,708,977)	(149,092)	–	(6,545,086)
Net income	₱21,841,140	₱6,549,085	₱9,912,160	(₱3,901,867)	₱34,400,518
Net income attributable to:					
Owners of the Parent	₱19,828,629	₱6,328,141	₱9,912,160	(₱11,394,549)	₱24,674,381
Non-controlling interests	2,012,511	220,944	–	7,492,682	9,726,137

7. Cash and Cash Equivalents

This account consists of:

	2014	2013
	(In Thousands)	
Cash on hand and in banks (see Note 22)	**₱9,428,922**	₱10,202,986
Temporary investments (see Notes 18 and 22)	**59,704,459**	40,006,671
	₱69,133,381	₱50,209,657

Cash in banks earn interest at the respective bank deposit rates (see Note 25). Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at prevailing temporary investments rates.

8. Time Deposits and Short-term Investments

This account consists of:

	2014	2013
	(In Thousands)	
Time deposits:		
Not pledged (see Note 22)	**₱54,167,524**	₱34,018,075
Pledged (see Notes 20 and 22)	**1,956,800**	21,087,625
	56,124,324	55,105,700
Short-term investments (see Note 22)	–	887,900
	56,124,324	55,993,600
Less current portion	**9,000,324**	28,912,650
Noncurrent portion	**₱47,124,000**	₱27,080,950

The time deposits as at December 31, 2014 and 2013 bear annual interest ranging from 1.0% to 4.0% and 1.1% to 5.4%, respectively.

Time deposits amounting to nil and US$475.0 million (₱21,087.6 million) as at December 31, 2014 and 2013, respectively are used as collateral for loans obtained by the Parent Company (see Note 20).

Time deposits amounting to US$44.4 million (₱1.956.8 million), with various maturities over one year as at December 31, 2014 and bear annual interest ranging from 1.2 % to 1.5 % are used as collateral for certain credit lines and loans of a subsidiary (see Note 20).

9. Investments Held for Trading and Sale

This account consists of:

	2014	2013
	(In Thousands)	
Investments held for trading -		
Bonds	**₱307,835**	₱459,754
AFS investments (see Note 12):		
Bonds and corporate notes	**986,742**	–
Shares of stock		
Listed	**2,890,592**	659,226
Unlisted	**5,280**	–
	3,882,614	659,226
	₱4,190,449	₱1,118,980

The Group recognized a gain of ₱2.1 million, loss of ₱18.2 million and a gain of ₱16.3 million from fair value adjustments of investments held for trading in 2014, 2013 and 2012, respectively. The amounts are included under “Gain on sale of available-for-sale investments and fair value changes on investments held for trading - net” account in the consolidated statements of income.

Interest earned on investments held for trading and sale is disclosed in Note 25.

10. Receivables

This account consists of:

	2014	2013
	(In Thousands)	
Trade:		
Real estate buyers	**₱30,642,764**	₱29,150,833
Third-party tenants	**4,597,101**	3,329,038
Related-party tenants (see Note 22)	**1,890,274**	2,594,444
Due from related parties (see Note 22)	**1,194,099**	1,334,076
Dividends	**875,032**	766,816
Management and service fees (see Note 22)	**516,967**	433,921
Total	**39,716,237**	37,609,128
Less allowance for impairment loss	**364,834**	334,891
	39,351,403	37,274,237
Less noncurrent portion of receivables from real estate buyers (see Note 17)	**8,341,583**	10,636,503
Current portion	**₱31,009,820**	₱26,637,734

The terms and conditions of the above receivables are as follows:

- Trade receivables from tenants and management fee receivables are noninterest-bearing and are normally collectible on a 30-to 90-day terms.
- Receivables from real estate buyers mainly consist of receivables subject to financing from banks and other financial institutions with interest at market rates ranging from 13% to 18% per annum and normally collectible on a 3 to 5 years term.

- Dividends receivables are noninterest-bearing and are normally collectible within the next financial year.

The movements in allowance for impairment loss are as follows:

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱334,891**	₱155,274
Provision for the year (see Note 24)	**30,200**	179,640
Reversal of provision	**(257)**	(23)
Balance at end of year	**₱364,834**	₱334,891

The allowance for impairment loss pertains to receivables from real estate buyers and tenants which were identified through specific assessment.

The aging analysis of receivables as at December 31, 2014 and 2013 are as follows:

	December 31, 2014					
	Neither	**Past Due but not Impaired**				
	Past Due nor Impaired	**31–90 Days**	**91–120 Days**	**Over 120 Days**	**Individually Impaired**	**Total**
	(In Thousands)					
Trade:						
Real estate buyers:						
Current	**₱18,299,467**	**₱1,072,161**	**₱317,632**	**₱2,259,074**	**₱ 352,847**	**₱22,301,181**
Noncurrent	**8,341,583**	**–**	**–**	**–**	**–**	**8,341,583**
Third-party tenants	**4,433,330**	**3,468**	**148,316**	**–**	**11,987**	**4,597,101**
Related-party tenants	**1,890,274**	**–**	**–**	**–**	**–**	**1,890,274**
Due from related parties	**1,194,099**	**–**	**–**	**–**	**–**	**1,194,099**
Dividends	**875,032**	**–**	**–**	**–**	**–**	**875,032**
Management and service fees	**516,967**	**–**	**–**	**–**	**–**	**516,967**
Net receivables before allowance for impairment loss	**₱35,550,752**	**₱1,075,629**	**₱465,948**	**₱2,259,074**	**₱364,834**	**₱39,716,237**

	December 31, 2013					
	Neither	Past Due but not Impaired				
	Past Due nor Impaired	31–90 Days	91–120 Days	Over 120 Days	Individually Impaired	Total
	(In Thousands)					
Trade:						
Real estate buyers:						
Current	₱17,142,278	₱231,862	₱145,587	₱671,699	₱322,904	₱18,514,330
Noncurrent	10,636,503	–	–	–	–	10,636,503
Third-party tenants	3,208,416	69,975	38,660	–	11,987	3,329,038
Related-party tenants	2,594,444	–	–	–	–	2,594,444
Due from related parties	1,334,076	–	–	–	–	1,334,076
Dividends	766,816	–	–	–	–	766,816
Management and fees	433,921	–	–	–	–	433,921
Net receivables before allowance for impairment loss	₱36,116,454	₱301,837	₱184,247	₱671,699	₱334,891	₱37,609,128

Receivables, other than those identified as impaired, are assessed by the Group's management as good and collectible.

11. **Other Current Assets**

This account consists of:

	2014	2013
	(In Thousands)	
Land and development (see Note 16)	**₱19,571,526**	₱12,542,783
Non-trade receivables, net of allowance for impairment loss of ₱5.7 million	**10,994,304**	5,086,936
Condominium units for sale (see Note 16)	**7,600,260**	6,213,523
Prepaid taxes and other prepayments	**6,839,583**	5,652,642
Advances and deposits	**6,401,689**	5,091,059
Input tax	**2,995,345**	2,987,264
Receivable from banks and credit cards	**1,625,671**	2,423,215
Escrow fund	**667,778**	439,119
Accrued interest receivable	**473,422**	959,763
Advances for project development (see Note 22)	**16,467**	88,615
Others	**615,591**	1,342,705
	₱57,801,636	₱42,827,624

- Non-trade receivables include interest-bearing advances to third parties which are normally collectible within the next financial year.
- Receivable from banks and credit cards are noninterest-bearing and are normally collectible on a 30 to 90 days term.
- Cash in escrow pertains to the amounts deposited in the account of an escrow agent as required by the Housing and Land Use Regulatory Board (HLURB) in connection with SMDC's temporary license to sell properties for specific projects prior to HLURB's issuance of a license to sell and certificate of registration. Under this temporary license to sell, all payments, inclusive of down payments, reservation and monthly amortization, among others, made by buyers within the selling period shall be deposited in the escrow account. Interest income earned from the cash in escrow amounted to ₱6.0 million, ₱5.0 million and ₱84.0 million in 2014, 2013 and 2012, respectively.
- Accrued interest receivable relates mostly to time deposits which will be collected at respective maturity dates.
- Advances for project development mostly pertain to advances made to related parties for the acquisition of land for future development.

12. **Available-for-Sale Investments**

This account consists of investments in:

	2014	2013
	(In Thousands)	
Shares of stock:		
Listed (see Note 20)	**₱17,379,067**	₱11,539,018
Unlisted	**99,467**	99,468
Bonds and corporate notes (see Note 20)	**5,626,784**	5,539,822
Club shares	**13,590**	11,260
	23,118,908	17,189,568
Less allowance for impairment loss	**31,250**	31,250

	2014	2013
	(In Thousands)	
	23,087,658	17,158,318
Less current portion (see Note 9)	**3,882,614**	659,226
Noncurrent portion	**₱19,205,044**	₱16,499,092

- Listed shares of stock of the Group pertain to investments in publicly-listed companies. These are measured at the quoted market price of the shares. A portion of these investments amounting to nil and ₱3,594.0 million as at December 31, 2014 and 2013, respectively, are pledged as collateral for a portion of the Group's long-term loans (see Note 20).
- Unlisted shares of stock of the Group pertain to stocks of private corporations. These are classified as AFS investments and are carried at cost since fair value cannot be reliably estimated due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is currently no market for these investments and the Group intends to hold them for the long-term.
- Investments in bonds and corporate notes as at December 31, 2014 and 2013 include third party convertible bonds and corporate notes with fixed interest rates ranging from 3.9% to 8.25%. These investments will mature on various dates beginning February 2015 to October 2023. The fair values of these investments as at December 31, 2014 and 2013 amounted to US$125.8 million (₱5,626.8 million) and US$124.8 million (₱5,539.8 million), respectively.

The movements in net unrealized gain on AFS investments and share in unrealized gain of associates attributable to the owners of the Parent which are recognized in other comprehensive income for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱7,338,500**	₱11,718,559
Share in net unrealized gain (loss) on AFS investments of associates (see Note 13)	**322,170**	(2,687,077)
Gain (loss) due to changes in fair value of AFS investments	**2,595,964**	(1,542,034)
Transferred to profit or loss	**(49,375)**	(150,948)
Balance at end of year	**₱10,207,259**	₱7,338,500

Gain (loss) on disposal of AFS investments recognized under "Gain on sale of available-for-sale investments and fair value changes on investments held for trading - net" account in the consolidated statement of income amounted to ₱49.4 million, ₱150.9 million and (₱0.1) million for the years ended December 31, 2014, 2013 and 2012, respectively.

The amounts are exclusive of non-controlling interests.

13. Investments in Associates and Joint Ventures

The details of and movements in this account are as follows:

	2014	2013
	(In Thousands)	
Cost:		
Balance at beginning of year	**₱96,600,517**	₱92,840,123
Disposals - net of realized deferred gain	**(3,374,617)**	(21,556)
Additions	**1,925,455**	5,492,653
Acquisition of controlling interest of HPI and SHDC (see Note 5)	**–**	(1,710,703)
Balance at end of year	**95,151,355**	96,600,517
Accumulated equity in net earnings:		
Balance at beginning of year	**42,393,849**	36,388,668
Equity in net earnings	**13,225,022**	13,602,269
Dividends received	**(4,509,077)**	(4,499,652)
Accumulated equity in net earnings of investments sold	**(1,210,251)**	(2,208)
Accumulated equity in net earnings of investments – HPI and SHDC	**–**	(338,474)
Balance at end of year	**49,899,543**	45,150,603
Share in net unrealized gain (loss) on AFS investments of associates	**435,121**	(2,756,754)
	50,334,664	42,393,849
Translation adjustment	**(9,845)**	–
Allowance for impairment loss:		
Balance at beginning of year	**–**	775,047
Recovery (Note 24)	**–**	(775,047)
Balance at end of year	**–**	–
	₱145,476,174	₱138,994,366

The major associates and joint venture of the Group are as follows:

	Percentage of Ownership				
	December 31, 2014		December 31, 2013		
Company	**Gross**	**Effective**	Gross	Effective	Principal Activities
Associates					
BDO Unibank, Inc. and Subsidiaries (BDO)	**47**	**45**	48	47	Financial services
China Banking Corporation and Subsidiaries (China Bank)	**22**	**20**	23	20	Financial services
Belle Corporation and Subsidiaries (Belle)	**32**	**28**	32	28	Real estate development and tourism
Atlas Consolidated Mining, Inc. (Atlas)	**29**	**29**	29	29	Mining
Sodexo Motivation Solutions Philippines, Inc.	**40**	**40**	40	40	Retail
Fast Retailing Philippines, Inc.	**25**	**25**	25	25	Retail
CityMall Commercial Center Inc. (CityMall)	**34**	**34**	–	–	Real estate development and tourism
Joint Venture					
Waltermart Mall	**51**	**25**	51	26	Shopping mall development

CityMall
On February 17, 2014, SMIC signed an Investment and Shareholders Agreement for the acquisition of 34.0% ownership interest in CityMall for an initial investment of ₱0.34 million. The remaining 66.0% of the outstanding capital is held by DoubleDragon Properties Corp.

On April 25, 2014, SMIC, in response to a capital call, invested an additional ₱103.0 million equivalent to 1.0 million shares in CityMall.

China Bank
In March 2014, Chinabank had a stock rights offering, which entitled each eligible stockholder to subscribe to one common share for every 8.834 common shares held as at record date at an offer price of ₱49.50 per rights share. As at May 5, 2014, SMIC exercised its rights share and paid ₱ 1,383.6 million equivalent to 28.0 million Chinabank shares.

In May 2014, Chinabank declared a stock dividend equivalent to 8% of the outstanding capital stock of Chinabank, which increased the number of common shares held by SMIC by 22.0 million. The shares were issued on October 15, 2014.

Belle
In 2013, SMIC acquired 100% ownership in Sto. Roberto. The acquisition of Sto. Roberto increased the Group's effective interest in Belleshares Holdings, Inc. to 99% which resulted to an increase in the Group's effective ownership in BHI.

On various dates in 2013, the Group sold 20.2 million Belle shares on which the Group realized ₱10.8 million of deferred gain. The remaining balance of deferred gain as at December 31, 2014 and 2013 amounted to ₱1,065.7 million.

BDO
In 2014 MRDC sold 71.6 million BDO shares for ₱7,403.7 million at ₱104.0 per share resulting to a gain on sale of ₱2,863.4 million which is included under "Gain on disposal of investments and properties-net" account in the consolidated statement of income.

Atlas
In 2014, Primebridge acquired 2.2 million shares of Atlas for a total consideration of ₱25.7 million.

HPI
In 2013, through the corporate restructuring, HPI became a subsidiary of SMIC, indirectly though SM Prime. The acquisition of the controlling interest of HPI was considered as a business combination under common control. Thus, this was accounted for as a step-up acquisition using the pooling of interest method (Note 5).

In 2013, the Group reversed the allowance for impairment loss in investment in HPI amounting to ₱775.0 million and is included under "Provision for (reversal of) impairment loss and others" under "Selling, general and administrative expenses" account in the consolidated statements of income (see Note 24). The Group made a reassessment of its investments in shares of stock of HPI and concluded that the impairment is no longer necessary in reference to the quoted stock price of HPI in the market.

Waltermart Mall
On January 7, 2013, SM Prime entered into Shareholders Agreement and Share Purchase Agreement for the acquisition of 51% ownership interest in the following companies (collectively, Waltermart Mall):

- Winsome Development Corporation
- Willin Sales, Inc.
- Willimson, Inc.
- Waltermart Ventures, Inc.
- Waltermart Development, Inc.

On July 12, 2013, the Deeds of Absolute Sale were executed between SM Prime and shareholders of Waltermart Mall. Waltermart Mall is involved in shopping mall operations and currently owns nineteen (19) malls across Metro Manila and Luzon. The investments in Waltermart Mall were accounted as investment in joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control.

The condensed financial information of the Group's material associate, BDO, and the reconciliation of its net assets to the carrying amounts in the consolidated financial statements follows:

	2014	2013
	(In Millions)	
Total assets	**₱1,863,649**	₱1,672,778
Total liabilities	**(1,683,980)**	(1,508,424)
Equity	**179,669**	164,354
Proportion of the Group's ownership	**47%**	48%
	84,444	78,890
Goodwill and others	**21,134**	24,120
Carrying amount of the investment	**₱105,578**	₱103,010

	2014	2013	2012
		(In Millions)	
Interest income	**₱63,583**	₱56,606	₱54,014
Interest expense	**12,358**	13,440	17,893
Other expenses – net	**(28,397)**	(20,520)	(21,579)
Net income	**₱22,828**	₱22,646	₱14,542
Share in net income	**₱11,002**	₱10,676	₱6,897
Other comprehensive income	**₱390**	(₱4,766)	₱3,303
Total comprehensive income	**23,218**	17,880	17,735
Share in comprehensive income	**₱11,122**	₱8,381	₱8,360

The following is the aggregate information of associates and joint venture that are not individually material:

	2014	2013	2012
		(In Millions)	
Share in net income	**₱2,223**	₱2,926	₱2,145
Share in other comprehensive income (loss)	**315**	(327)	111
Share in total comprehensive income	**₱2,538**	₱2,599	₱2,256

14. Property and Equipment

The movements in this account are as follows:

	Land	Buildings, Condominium Units and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
					(In Thousands)					
Cost										
Balance as at December 31, 2012	₱2,412,990	₱4,369,288	₱7,576,904	₱4,538,804	₱3,982,501	₱3,369,046	₱4,989,941	₱593,227	₱1,234,953	₱33,067,654
Additions	–	566,841	1,194,897	325,373	520,580	604,179	1,071,236	66,081	782,608	5,131,795
Effect of business combination (see Note 5)	–	8,066	865,036	74,265	1,410	1,418	–	2,596	263,643	1,216,434
Reclassifications	(2,382,990)	67,187	1,410,778	265,870	139,905	(285,449)	1,678,823	30,713	(776,681)	148,156
Disposals/retirements	(30,000)	(605,516)	(8,598)	(580,863)	(29,769)	(37,616)	(36,577)	(5,923)	(177,169)	(1,512,031)
Balance as at December 31, 2013	–	4,405,866	11,039,017	4,623,449	4,614,627	3,651,578	7,703,423	686,694	1,327,354	38,052,008
Additions	–	1,041,481	265,057	342,848	617,733	544,813	801,759	52,437	856,692	4,522,820
Reclassifications	–	5,714,488	(8,595,757)	140,156	627,358	273,524	3,600,135	19,500	(776,085)	1,003,319
Disposals/retirements	–	(108,430)	(4,953)	(30,884)	(33,948)	(58,338)	(158,692)	(2,764)	(141,458)	(539,467)
Balance as at December 31, 2014	**₱–**	**₱11,053,405**	**₱2,703,364**	**₱5,075,569**	**₱5,825,770**	**₱4,411,577**	**₱11,946,625**	**₱755,867**	**₱1,266,503**	**₱43,038,680**
Accumulated Depreciation and Amortization										
Balance as at December 31, 2012	₱–	₱1,226,734	₱5,010,515	₱3,110,454	₱2,003,860	₱1,878,250	₱2,336,997	₱314,327	₱–	₱15,881,137
Depreciation and amortization	–	338,054	616,380	532,018	603,746	962,994	666,619	54,461	–	3,774,272
Effect of business combination (see Note 5)	–	–	725,138	60,658	75	76	–	1,851	–	787,798
Reclassifications	–	323,592	966,206	48,100	48,567	(513,915)	(309,346)	19,067	–	582,271
Disposals/retirements	–	(558,336)	(130,529)	(552,812)	(16,421)	(19,823)	(15,873)	(3,056)	–	(1,296,850)
Balance as at December 31, 2013	–	1,330,044	7,187,710	3,198,418	2,639,827	2,307,582	2,678,397	386,650	–	19,728,628
Depreciation and amortization	–	815,286	570,652	608,958	664,357	535,333	1,334,214	(239,563)	–	4,289,237
Reclassifications	–	826,353	(6,086,373)	(78,738)	40,402	38,734	4,341,977	305,930	–	(611,715)
Disposals/retirements	–	(78,543)	(3,021)	(16,759)	(27,022)	(50,086)	(92,407)	(2,646)	–	(270,484)
Balance as at December 31, 2014	**₱–**	**₱2,893,140**	**₱1,668,968**	**₱3,711,879**	**₱3,317,564**	**₱2,831,563**	**₱8,262,181**	**₱450,371**	**₱–**	**₱23,135,666**
Net Book Value										
As at December 31, 2014	**₱–**	**₱8,160,265**	**₱1,034,396**	**₱1,363,690**	**₱2,508,206**	**₱1,580,014**	**₱3,684,444**	**₱305,496**	**₱1,266,503**	**₱19,903,014**
As at December 31, 2013	–	3,075,822	3,851,307	1,425,031	1,974,800	1,343,996	5,025,026	300,044	1,327,354	18,323,380

As at December 31, 2014 and 2013, the Group has no idle property and equipment and the gross carrying amount of fully depreciated property and equipment still in use amounted to ₱11,242.2 million and ₱8,455.8 million, respectively.

15. Investment Properties

The movements in this account are as follows:

	Land and Improvements and Land Use Rights	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
			(In Thousands)		
Cost					
Balance as at December 31, 2012	₱34,990,179	₱112,061,331	₱21,617,309	₱17,061,279	₱185,730,098
Additions	4,800,290	5,307,963	1,619,709	14,157,130	25,885,092
Effect of business combination (see Note 5)	–	20,774,116	–	–	20,774,116
Reclassifications	746,887	6,770,851	6,196,877	(4,637,452)	9,077,163
Translation adjustment	347,920	1,706,129	206,315	587,066	2,847,430
Disposals	(747,287)	(11,389,188)	(876,904)	(837,905)	(13,851,284)
Balance as at December 31, 2013	40,137,989	135,231,202	28,763,306	26,330,118	230,462,615
Additions	10,256,889	8,069,580	1,738,300	17,422,815	37,487,584
Reclassifications	6,057,326	4,054,655	(5,291,038)	(4,789,397)	31,546
Translation adjustment	(107,095)	(299,725)	(37,595)	(155,710)	(600,125)
Disposals	–	(122,231)	(47,621)	–	(169,852)
Balance as at December 31, 2014	**₱56,345,109**	**₱146,933,481**	**₱25,125,352**	**₱38,807,826**	**₱267,211,768**
Accumulated Depreciation, Amortization and Impairment Loss					
Balance as at December 31, 2012	₱916,514	₱24,018,736	₱10,700,594	₱123,564	₱35,759,408
Depreciation and amortization	155,598	3,788,648	1,795,066	–	5,739,312
Reclassifications	(493,837)	8,730,336	1,059,532	–	9,296,031
Translation adjustment	47,656	783,816	76,446	–	907,918
Disposals	(41)	(12,698,071)	(1,151,131)	–	(13,849,243)
Balance as at December 31, 2013	625,890	24,623,465	12,480,507	123,564	37,853,426
Depreciation and amortization	304,954	4,411,548	1,901,886	–	6,618,388
Reclassifications	1,006,644	930,670	(276,046)	–	1,661,268
Translation adjustment	(9,031)	(43,422)	(15,047)	–	(67,500)
Reversal of impairment loss	(199,708)	–	–	–	(199,708)
Disposals	–	(49,968)	(33,852)	–	(83,820)
Balance as at December 31, 2014	**₱1,728,749**	**₱29,872,293**	**₱14,057,448**	**₱123,564**	**₱45,782,054**
Net Book Value					
As at December 31, 2014	**₱54,616,360**	**₱117,061,188**	**₱11,067,904**	**₱38,684,262**	**₱221,429,714**
As at December 31, 2013	39,512,099	110,607,737	16,282,799	26,206,554	192,609,189

As at December 31, 2014 and 2013, the allowance for impairment loss on land and improvements and land use rights, and construction amounted to ₱723.6 million and ₱923.3 million, respectively. Allowance for impairment loss amounting to ₱199.7 million was reversed in 2014 (see Note 24).

Included under “Land” account are the 212,119 square meters of real estate properties with a carrying value of ₱488.0 million and ₱494.0 million as at December 31, 2014 and 2013, respectively, and a fair value of ₱13,531.0 million as at August 2007, planned for residential development in accordance with the cooperative contracts entered into by SM Prime with Grand China International Limited (Grand China) and Oriental Land Development Limited (Oriental Land) on March 15, 2007. The value of these real estate properties were not part of the consideration amounting to ₱10,827.0 million paid by SM Prime to Grand China and Oriental Land. Accordingly, the assets were recorded at carrying values under “Investment properties” account and a corresponding liability equivalent to the same amount is shown as part of “Tenants’ deposits and others” account in the consolidated balance sheets.

Portions of investment properties located in China with carrying value of nil million and ₱5,001.0 million as at December 31, 2014 and 2013, respectively, and estimated fair value of ₱20,109.0 million as at December 31, 2013, were mortgaged as collaterals to secure the domestic borrowings in China (see Note 20).

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱32,845.9 million, ₱27,929.4 million and ₱24,695.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. Consolidated direct operating expenses from investment properties which generate income amounted to ₱20,249.6 million, ₱17,075.0 million and ₱15,088.0 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Construction in progress includes shopping mall complex under construction amounting to ₱30,870.0 million and ₱18,279.0 million, and landbanking and commercial building constructions amounting to ₱7,746.0 million and ₱5,080.0 million as at December 31, 2014 and 2013, respectively.

In 2014, shopping mall complex under construction mainly pertains to costs incurred for the development of SM Seaside City Cebu, SM City Cabanatuan, SM Center San Mateo, SM Tianjin and SM Zibo and the ongoing expansions and renovations of SM Mall of Asia, SM City Sta. Rosa, SM City Iloilo, SM City Taytay and SM City San Lazaro.

In 2013, shopping mall complex under construction mainly pertains to costs incurred for the development of SM Seaside City Cebu, SM City Cauayan, SM Tianjin and SM Zibo and the ongoing expansions and renovations of SM Megamall, SM City Bacolod and SM City Lipa.

Shopping mall complex under construction includes cost of land amounting to ₱6,576.0 million and ₱2,149.0 million as at December 31, 2014 and 2013, respectively.

Construction contracts with various contractors related to the construction of the above-mentioned projects amounted to ₱81,977.0 million and ₱82,058.0 million as at December 31, 2014 and 2013, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works. The outstanding contracts are valued at ₱17,272.0 million and ₱28,857.0 million as at December 31, 2014 and 2013, respectively.

Interest capitalized to the construction of investment properties amounted to ₱51.0 million and ₱77.1 million in 2014 and 2013, respectively. Capitalization rates used ranged from 4.61% to 5.99% and 5.83% to 7.20% for the years ended December 31, 2014 and 2013, respectively.

The fair value of the investment properties amountingto ₱571,848.0 million and ₱555,039.4 million as at December 31, 2014 and 2013, respectively, was determined by accredited independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date.

In conducting the appraisal, the independent appraisers used either the Sales Comparison/ Market Data Approach or the Income Approach. The Sales Comparison/ Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The Income Approach is based on the premise that the value of a property is directly related to the income it generates.

The Group has no restriction on the realizability of its investment properties and no obligation to either purchase, construct or develop or for repairs, maintenance and enhancements.

16. Land and Development and Condominium Units for Sale

This account consists of the following:

	2014	2013
	(In Thousands)	
Condominium units for sale (see Note 11)	**₱7,600,260**	₱6,213,523
Land and development:		
Current portion (see Note 11)	**19,571,526**	12,542,783
Noncurrent portion	**26,629,864**	25,666,930
	₱53,801,650	₱44,423,236

Condominium Units for Sale

Condominium units for sale pertain to completed projects of SMDC, HPI, Costa and ICDC.

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱6,213,523**	₱2,670,943
Transfer from land and development	**4,143,478**	7,332,175
Recognized as costs of real estate sold	**(2,766,596)**	(4,183,500)
Additions	**2,134**	393,905
Re-allocation of inventory costs and furnishing costs	**7,721**	–
Balance at end of year	**₱7,600,260**	₱6,213,523

The condominium units for sale are stated at cost as at December 31, 2014 and 2013. There is no allowance for inventory write-down as at December 31, 2014 and 2013.

Land and Development

Land and development, include land and cost of ongoing condominium projects.

	2014	2013
	(In Thousands)	
Balance at the beginning of year	**₱38,209,713**	₱30,197,862
Development cost incurred	**14,831,093**	15,280,134
Recognized as costs of real estate sold	**(9,579,931)**	(7,727,066)
Land acquisition	**6,883,083**	5,483,396
Transfer to condominium units for sale	**(4,143,478)**	(7,332,175)
Borrowing cost capitalized	**690,462**	867,528
Transfer from (to) property and equipment and others (see Note 14)	**(₱689,552)**	₱1,440,304
Balance at end of year	**46,201,390**	38,209,713
Less current portion (see Note 11)	**19,571,526**	12,542,783
Noncurrent portion	**₱26,629,864**	₱25,666,930

The average rates used to determine the amount of borrowing costs eligible for capitalization ranged from 3.9% to 4.9% in 2014 and 3.8% to 5.1% in 2013.

SMDC

Land and development costs attributable to SMDC pertain to the ongoing residential condominium projects. Estimated cost to complete the projects amounted to ₱31,912.0 million and ₱32,645.0 million as at December 31, 2014 and 2013, respectively.

Costa

Costa's land and development projects located at Hamilo Coast in Nasugbu, Batangas consist of condominium buildings and macro-infrastructure. Estimated liability pertaining to completed projects amounted to ₱290.0 million and ₱400.0 million as at December 31, 2014 and 2013, respectively.

As at December 31, 2014 and 2013, the development of macro-infrastructure is still ongoing.

HPI

Estimated cost to complete HPI's ongoing projects amounted to ₱1,181.0 million and ₱1,364.0 million as at December 31, 2014 and 2013, respectively.

ICDC

Land and development costs attributable to ICDC pertain to the ongoing Susana Heights Subdivision project. Estimated cost to complete the project amounted to ₱142.0 million and ₱881.6 million as at December 31, 2014 and 2013, respectively.

Land and development are stated at cost as at December 31, 2014 and 2013. There is no allowance for inventory write-down as at December 31, 2014 and 2013.

17. **Intangibles and Other Noncurrent Assets**

Intangible Assets
This account consists of:

	2014	2013
	(In Thousands)	
Goodwill	**₱16,270,060**	₱14,221,912
Less accumulated impairment loss	**91,619**	91,619
Net book value	**16,178,441**	14,130,293
Trademarks and brand names	**6,124,762**	6,124,762
	₱22,303,203	₱20,255,055

Goodwill is allocated to SM Prime, Supervalue, Inc. (SVI), Super Shopping Market, Inc. (SSMI), Prime Metroestate, Inc., the Net Group and WSI and others as separate CGUs.

Trademarks and brand names pertain to that of the supermarket and hypermarket business of the Group which was acquired in a business combination in 2006. The trademarks and brand names were assessed to have an indefinite life and was valued using the Relief-from-Royalty Method. The royalty rate was 3.5%, which was the prevailing royalty rate in 2006 in the retail assorted category where the two entities fall.

The recoverable amount of goodwill, trademarks and brand names have been determined based on value-in-use calculations using the cash flow projections from the financial budgets approved by senior management covering a three-year period and fair value less costs of disposal calculations of the underlying net assets of the CGUs.

Value-in-use. The calculation of value-in-use is most sensitive to pre-tax discount rates. The pre-tax discount rates applied to cash flow projections ranged from 10.84% to 13.55% and 12.30% to 12.34% as at December 31, 2014 and 2013, respectively. The discount rates were determined based on the yield of ten-year government bonds at the beginning of the forecasted year. Discount rates reflect the current market assessment of the risks to each cash generating unit and were estimated based on the average percentage of weighted average cost of capital for the industry. The rate was further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

Management assessed that no reasonably possible change in pre-tax discount rates and future cash inflows would cause the carrying value of goodwill, trademarks and brand names in 2014 and 2013 to materially exceed its recoverable amount.

Fair value less cost of disposal. The fair values of the assets and liabilities of the CGUs were determined by independent appraisers and in reference to the available market price for quoted instruments. Management assessed that no reasonably possible change in the fair values would cause the carrying value of goodwill in 2014 and 2013 to materially exceed its recoverable amount.

Other Noncurrent Assets

This account consists of:

	2014	2013
	(In Thousands)	
Receivables from real estate buyers (see Note 10)	**₱8,341,583**	₱10,636,503
Deposits and advance rentals	**5,483,200**	6,362,347
Derivative assets (see Notes 29 and 30)	**2,555,708**	2,643,487
Deferred input VAT	**2,042,045**	2,440,933
Advances for project development (see Note 22)	**48,270**	3,607,169
Defined benefit asset (see Note 26)	**561,160**	615,982
Escrow fund (see Note 22)	**132,460**	556,206
Long-term note (see Note 22)	–	218,124
Others	**2,337,416**	1,372,704
	₱21,501,842	₱28,453,455

- Deposits and advance rentals substantially pertain to the lease agreements entered into by SM Prime for certain parcels of land where some of its malls are constructed. The lease agreements provide that the security deposits will be applied to future rentals. Consequently, the said deposits and advance rentals are not remeasured at amortized cost.

- Long-term note pertains to an unquoted and unsecured subordinated debt instrument which carry a fixed interest rate of 7.5% and is payable quarterly in arrears. The long-term note will mature on March 20, 2019. On March 21, 2014, the long-term note was redeemed by the issuer. Interest income earned from these notes is disclosed in Note 25.

- Escrow fund pertains mainly to the amounts deposited in the account of an escrow agent as required by the HLURB in connection with the Group's temporary license to sell properties for specific projects prior to HLURB's issuance of a license to sell and certificate of registration. Under this temporary license to sell, all payments, inclusive of down payments, reservation and monthly amortization, among others, made by buyers within the selling period shall be deposited in the escrow account. In 2013, the Parent Company deposited cash in escrow amounting to ₱130.0 million in the account of an escrow agent as required by the SEC in connection with the corporate restructuring.

  On May 7, 2007, the Group, through project developer, SMDC, entered into an Escrow Agreement with the City of Muntinlupa in compliance with Section 18 of Republic Act (R.A.) 7279 and Muntinlupa City Ordinance No. 03-093.

18. Bank Loans

This account consists of:

	2014	2013
	(In Thousands)	
Parent Company:		
U.S. dollar-denominated loans	**₱1,341,600**	₱2,219,750
Peso-denominated loans	**–**	6,550,000
Subsidiaries -		
Peso-denominated loans	**12,551,041**	18,818,509
	₱13,892,641	₱27,588,259

The U.S. dollar-denominated loans amounting to US$30.0 million and US$50.0 million with peso equivalent of ₱1,341.6 million and ₱2,219.8 million as at December 31, 2014 and 2013, respectively, bear fixed interest rate ranging from 1.1% to 1.8%.

The peso-denominated loans bear annual interest rates ranging from 2.00% to 4.40% and 1.06% to 6.75% in 2014 and 2013, respectively.

These loans have maturities of less than one year (see Note 29).

19. Accounts Payable and Other Current Liabilities

This account consists of:

	2014	2013
	(In Thousands)	
Trade	**₱44,292,704**	₱39,580,013
Nontrade	**6,561,399**	8,013,509
Accrued expenses	**5,372,054**	3,967,472
Payable arising from acquisition of land	**3,603,261**	4,838,686
Payable to government agencies	**2,687,879**	3,671,601
Accrued interest	**1,606,536**	1,784,520
Due to related parties (see Note 22)	**1,601,703**	2,091,305
Derivative liabilities (see Notes 29 and 30)	**1,092,383**	845,429
Gift checks redeemable and others	**3,043,146**	3,295,792
	₱69,861,065	₱68,088,327

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are noninterest-bearing and are normally settled on a 30-to 60-day terms.
- Nontrade payables, accrued interest and others are expected to be settled within the next financial year.
- Payable arising from acquisition of land is expected to be settled within the following year.
- The terms and conditions relating to due to related parties are discussed in Note 22.
- Gift checks are redeemable at face value.
- Payable to government agencies mainly consists of output tax which is normally settled within the next financial year.

- Accrued expenses pertain to accrual for selling, general and administrative expenses which are normally settled within the next financial year.

20. **Long-term Debt**

This account consists of:

	Availment date	Maturity date	Interest rate	Security	Outstanding balance (In Thousands) December 31 2014	2013
Parent Company						
U.S. dollar-denominated:						
Fixed rate bonds						
US$350.0 million senior bonds	June 10, 2014	June 10, 2024	Fixed 4.88% ; semi-annual	Unsecured	**₱15,652,000**	₱–
US$500.0 million senior bonds	October 17, 2012	October 17, 2019	Fixed 4.25% ; semi-annual	Unsecured	**22,360,000**	22,197,500
US$400.0 million exchanged bonds	October 13, 2010	October 13, 2017	Fixed 5.50% ; semi-annual	Unsecured	**17,258,109**	17,023,867
US$500.0 million bonds	September 22, 2009	September 22, 2014	Fixed 6.00% ; semi-annual	Unsecured	**–**	16,832,631
Convertible bonds						
US$250.0 million convertible bonds	February 15, 2012	February 15, 2017	Fixed 1.625% ; semi-annual	Unsecured	**3,695,290**	3,732,919
US$300.0 million five-year term loans	June 19, 2013; July 2, 2013	May 15, 2018	Floating six-month LIBOR + margin ; semi-annual	Unsecured	**13,416,000**	13,318,500
Peso-denominated:						
Seven-year and ten-year retail bonds						
Series C Bonds	July 16, 2012	July 16, 2019	Fixed 6.00% ; semi-annual	Unsecured	**4,648,460**	5,023,460
Series D Bonds	July 16, 2012	July 16, 2022	Fixed 6.94% ; semi-annual	Unsecured	**7,683,810**	8,058,810
Series E Bonds	May 19, 2014	May 19, 2021	Fixed 5.30% ; semi-annual	Unsecured	**11,669,620**	–
Series F Bonds	May 19, 2014	May 19, 2024	Fixed 5.61% ; semi-annual	Unsecured	**3,330,380**	–
Five-year and seven-year retail bonds						
Series A Bonds	June 25, 2009	June 26, 2014	Fixed 8.25% ; semi-annual	Unsecured	**–**	8,400,000
Series B Bonds	June 25, 2009	June 25, 2016	Fixed 9.10% ; semi-annual	Unsecured	**1,000,000**	1,000,000
Bank loans collateralized with time deposits	January 8, 2010	January 8, 2015	Floating three-month PDST-F + margin ; quarterly	Secured	**–**	3,000,000
Other peso bank loans	October 30, 2007 - June 30, 2014	October 30, 2014 - June 30, 2024	Fixed 4.39% - 5.4% and PDST-F + margin	Unsecured	**20,195,650**	9,350,000
Subsidiaries						
U.S. Dollar-denominated:						
Five-year term loans	May 6, 2011 - September 12, 2014	March 21, 2016 - April 14, 2019	LIBOR + spread ; semi-annual	Unsecured	**43,825,600**	34,184,150
Two-year, three-year and five-year bilateral loans	November 30, 2010 - December 7, 2012	November 30, 2015 - August 30, 2017	LIBOR + spread ; semi-annual	Unsecured	**4,472,000**	4,439,500

(Forward)

	Availment date	Maturity date	Interest rate	Security	Outstanding balance (In Thousands) December 31 2014	2013
Other U.S. dollar loans	November 20, 2013	November 20, 2018	LIBOR + spread ; semi-annual	Unsecured	**1,118,000**	1,109,875
China Yuan Renminbi-denominated:						
Three-year loan	March 28, 2011	March 27, 2014	CBC rate less 5% ; quarterly	Secured	–	961,827
Five-year loan	August 26, 2009 - August 27, 2010	July 14, 2014 - August 4, 2015	CBC rate less 10% ; quarterly	Secured	–	2,235,771
Peso-denominated:						
Five-year, seven-year and ten-year retail bonds	September 1, 2014	March 1, 2020 - September 1, 2024	Fixed 5.10% - 5.74% ; quarterly	Unsecured	**18,273,240**	–
Fixed rate term loans	December 27, 2012 – December 29, 2014	December 23, 2015 - June 25, 2023	Fixed 4.00% - 5.88% ; semi-annual and quarterly	Unsecured	**26,323,000**	19,390,000
Five-year and ten-year notes	June 19, 2012	June 20, 2017 - June 19, 2022	Fixed 6.22% - 6.81% ; PDST-F+margin ; quarterly	Unsecured	**7,301,000**	7,375,500
Five-year, seven-year and ten-year notes	January 12, 2012	January 13, 2017 - January 12, 2022	Fixed 5.86% - 6.10% ; PDST-F+margin ; quarterly	Unsecured	**4,272,800**	4,316,400
Five-year, seven-year and ten-year corporate notes	December 20, 2010 - June 13, 2011	December 20, 2015 - December 20, 2020	Fixed 5.79% -6.65% ; PDST-F+margin ; quarterly	Unsecured	**6,528,000**	6,596,000
Ten-year corporate notes	April 14, 2009	April 14, 2019	Fixed 10.11%	Unsecured	–	1,100,000
Five-year floating rate notes	March 18, 2011 - November 28, 2014	March 19, 2016 - November 28, 2019	PDST-F + margin ; quarterly	Unsecured	**5,650,000**	4,900,000
Corporate notes	June 3, 2013 - June 28, 2013	June 3, 2020 - June 3, 2023	Fixed 5.25% - 5.88% ; semi-annual	Unsecured	**8,691,800**	8,200,000
Five-year bilateral loans	February 2, 2010 - October 24, 2011	February 2, 2015 - October 24, 2016	Fixed 5.00% ; PDST-F+margin ; quarterly	Unsecured	**538,800**	617,600
Five-year term loans	September 10, 2009 – April 13, 2010	September 10, 2014 – April 13, 2015	5.00%-5.69%; quarterly	Secured	**–**	1,600,000
Other bank loans	August 15, 2006 - June 29, 2010	October 16, 2014 - August 15, 2016	Fixed 5.00% - 9.75% ; PDST-F+margin ; semi-annual and quarterly	Unsecured	**1,985,280**	6,993,460
					249,888,839	211,957,770
Less debt issue cost					**2,106,176**	1,801,733
					247,782,663	210,156,037
Less current portion					**10,669,108**	34,566,619
					₱237,113,555	₱175,589,418

Parent Company

Fixed Rate Bonds
US$400.0 million Exchanged Bonds
This issuance is comprised of US$186.3 million (₱8,013.9 million) additional bonds, and US$82.9 million (₱3,576.8 million) and US$130.8 million (₱5,667.4 million) exchanged bonds from the existing US$350.0 million 6.75% bonds due 2013 and US$500 million 6.00% bonds due 2014, respectively. The exchange was not accounted for as an extinguishment but merely a modification of terms because the terms of the exchanged bonds are not substantially different from the existing bonds (i.e., the difference between the present value of the cash flows of the exchanged bonds and the present value of the remaining cash flows of the existing bonds discounted using the original effective interest rate did not exceed 10%).

Convertible Bonds
US$250.0 million Convertible Bonds
The convertible bonds have a yield-to-maturity of 2.875% at inception and are due on its maturity at 106.67%. The bonds contain multiple embedded derivatives which were bifurcated at inception (see Note 28).

- Conversion option - Unless previously redeemed, converted or purchased and cancelled, the holder has the right to convert its outstanding bonds for the Parent Company's common shares at any time, on or after June 15, 2012 until the close of business on February 5, 2017, at an initial conversion price of ₱781.45 per share translated into U.S. dollars at a fixed conversion rate of ₱42.711 to US$1.00. Effective July 8, 2013, the new conversion price is ₱624.625 after giving effect to the 25% stock dividends declared on April 25, 2013. If a bondholder exercises its conversion option, the Parent Company can choose either to settle the bonds in cash or issue common shares. At various dates in 2014 and 2013, the bondholders of US$1.0 million (₱37.6 million) and US$150.8 million (₱5,778.9 million) opted to convert their holdings into 68,378 and 8,390,334 of SMIC's shares, respectively.

- Put option - entitles the bondholders to require the Parent Company to redeem all or some of its bonds on February 15, 2015 (put date) at 103.89%.

- Call option - gives to the Parent Company the right to redeem the Bonds, in whole but not in part at their early redemption amount on the date fixed for redemption, provided, however, that no such redemption may be made unless the closing price of the shares of the Parent Company (translated into US Dollars at the prevailing rate) for each of the 30 consecutive trading days, the last of which occurs no more than five days prior to redemption notice, was at least 130% of the applicable early redemption amount divided by the conversion ratio.

Five-year U.S. Dollar Loans
Portion of the loan amounting to US$180.0 million is hedged against interest rate and foreign exchange risks using cross currency swap contracts (see Notes 29 and 30).

Seven-year and Ten-year Retail Bonds
Series C Bonds
At various dates in 2014 and 2013, the Parent Company redeemed ₱375.0 million and ₱1,317.7 million, respectively.

Series D Bonds
At various dates in 2014 and 2013, the Parent Company redeemed ₱375.0 million and ₱600.0 million, respectively.

Bank Loans Collateralized with Time Deposits
At various dates in 2014, the Parent Company pre-terminated ₱3,000.0 million loan. These loans are collateralized by a portion of the Parent Company's time deposits amounting to US$475.0 million with peso equivalents of ₱21,087.6 million as at December 31, 2013, respectively (see Note 8).

Other Peso Bank Loans

- In June 2014, the Parent Company obtained two seven-year term loans amounting to ₱1,600.0 million and ₱1,650.0 million. The seven-year term loans have annual principal repayment of ₱1.0 million that will commence on the twelfth (12^{th}) month from the issue date, with the last installment payment to be made on maturity date.

- In August 2013, the Parent Company obtained a seven-year term loan amounting to ₱2,000.0 million. The seven-year term loan have annual principal repayment of ₱2.0 million that will commence on the twelfth (12^{th}) month from the issue date, with the last installment payment to be made on maturity date. Outstanding balance as at December 31, 2014 amounted to ₱1,998.0 million.

- In April 2013, the Parent Company obtained a seven-year and ten-year term loans amounting to ₱2,250.0 million and ₱100.0 million, have annual principal repayment of ₱2.25 million and ₱0.10 million, respectively, that will commence on the twelfth (12^{th}) month from issue date, with the last installment payment to be made on maturity date. The outstanding balance as at December 31, 2014 amounted to ₱2,247.75 million and ₱99.9 million, respectively.

Subsidiaries

U.S. Dollar-denominated Five-Year Term Loans
This consists of the following:

- US$300.0 million syndicated loan obtained on various dates in 2013. The loans bear an interest rate based on London Inter-Bank Offered Rate (LIBOR) plus spread, with a bullet maturity on March 25, 2018. Portion of the loan amounting to US$150.0 million is hedged against interest rate and foreign exchange risks using cross currency swap contracts.
- US$200.0 million syndicated loan obtained on January 29, 2013. The loan bears an interest rate based on LIBOR plus spread, with a bullet maturity on January 29, 2018. This loan is hedged against interest rate and foreign exchange risks using cross currency swap contracts.

Philippine Peso-denominated Five-Year, Seven-Year and Ten-Year Retail Bonds

- This represents a ₱20.0 billion fixed rate bonds issued on September 1, 2014. The issue consists of the five-year and six months or Series A Bonds amounting to ₱15,036.0 million with a fixed interest rate equivalent to 5.1% per annum due on March 1, 2020, seven-year or Series B Bonds amounting to ₱2,362.0 million with a fixed interest rate equivalent to 5.2% per annum due on September 1, 2021, and ten-year or Series C Bonds amounting to ₱2,602.0 million with a fixed interest rate equivalent to 5.7% per annum due on September 1, 2024.

Other Bank Loans

- Five-year term loans amounting to ₱1,600.0 million obtained in 2009 and 2010. The loans bear fixed interest rates ranging from 5.00% to 5.69%. Portion of the loans is collateralized by AFS investments. The loans amounting to ₱1,582.0 million, ₱9.0 million and ₱9.0 million were prepaid in 2014, 2013 and 2012, respectively.

China Yuan Renminbi-denominated Five-Year Loans

- ¥350.0 million loan obtained on August 26, 2009 to finance the construction of shopping malls. The loan is payable in semi-annual installments until 2014. The loan has a floating rate with an annual re-pricing at prevailing rates dictated by Central Bank of China (CBC) less 10%. The loan carries an interest rate of 5.76% in 2014 and 2013.
- ¥150.0 million loan obtained on August 27, 2010 million to finance the construction of shopping malls. Partial drawdown totaling ¥61 million was made in 2013 and prepaid in June 2014. The loan has a floating rate with an annual re-pricing at prevailing rates dictated by Central Bank of China less 10%. The loan carries an interest rate of 5.76% in 2014 and 2013.

China Yuan Renminbi-denominated Three-Year Loan
¥187.0 million out of a ¥250.0 million loan facility obtained on March 28, 2011 to finance the construction of shopping malls. The Company prepaid the loans amounting to ¥132.0 million in 2014, ¥37.0 million in 2013 and ¥18.0 million in 2012. The loan has a floating rate with an annual re-pricing at prevailing rates dictated by Central Bank of China less 5%. The loan carries an interest rate of 6.20% in 2014 and 2013.

The China yuan renminbi-denominated loans are secured by investment properties in China.

Debt Issue Costs
The movements in unamortized debt issue costs are as follows:

	2014	2013
Balance at beginning of year	**₱1,801,833**	₱1,368,167
Additions	**951,615**	966,967
Amortization (see Note 22)	**(549,840)**	(452,594)
Prepayments (see Note 22)	**(97,432)**	(80,807)
Balance at end of year	**₱2,106,176**	₱1,801,733

Repayment Schedule
The repayments of long-term debt are scheduled as follows:

	Gross Loan	Debt Issue Cost	Net
		(In Thousands)	
2015	₱11,012,230	(₱343,122)	₱10,669,108
2016	25,106,550	(267,548)	24,839,002
2017	29,623,048	(360,357)	29,262,691
2018	41,485,950	(353,531)	41,132,419
2019	47,306,410	(302,376)	47,004,034
2020	27,039,900	(28,983)	27,010,917
2021	26,844,540	(173,854)	26,670,686
2022	13,767,170	(61,817)	13,705,353
2023	4,518,960	(4,904)	4,514,056
2024	23,184,081	(209,684)	22,974,397
	₱249,888,839	(₱2,106,176)	₱247,782,663

Covenants
The long-term debts of the Parent contain certain covenants including adherence to financial ratios namely, (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and,

certain restrictions with respect to material change in ownership or control. As at December 31, 2014 and 2013, the Parent is in compliance with the terms of its debt covenants.

21. Equity

Capital Stock

a. Common stock

	Number of Shares	
	December 31, 2014	December 31, 2013
Authorized - ₱10 par value per share	**1,190,000,000**	1,190,000,000
Issued and subscribed:		
Balance at the beginning of the period	**796,272,268**	622,974,620
Issuances	**68,378**	173,297,648
	796,340,646	796,272,268

On June 14, 2013, the SEC approved the increase in authorized capital stock of SMIC from ₱6,900.0 million to ₱11,900.0 million.

On August 1, 2013, the Company entered into a Placement Agreement with certain shareholders and UBS AG, Hong Kong Branch (the "Placement Agent"), where the selling shareholders shall sell 7,250,000 common shares (the "Sale Shares") at ₱900.0 per share to the Placement Agent, or to investors that the Placement Agent may procure outside the Philippines.

Simultaneously, the Company entered into a Subscription Agreement with the selling shareholders, where the Company agreed to issue new common shares (out of its authorized but unissued capital stock) in an amount equal to the aggregate number of the Sale Shares sold by the Selling Shareholders and the Selling Shareholders agreed to subscribe to the said shares.

The placement and subscription agreements increased "Capital Stock" and "Additional paid-in capital" in the amount of 72.5 million and 6,370.6 million, respectively.

On various dates in 2014 and 2013, additional 68,378 common shares and 8,390,334 common shares, respectively, were issued as a result of conversion of the Company's convertible bonds (see Note 20). The excess of the conversion price over par value totaling ₱47.2 million and ₱8,449.7 million in 2014 and 2013, respectively, are presented under "Additional Paid-in Capital" account in the parent company balance sheets.

As at December 31 2014 and 2013, the Parent Company is compliant with the minimum public float as required by the PSE.

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
March 22, 2005		105,000,000	₱250
November 6, 2007		56,000,000	218

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
June 14, 2007	100,000,000		10
April 25, 2007		25,023,038	10
October 4, 2010 to March 13, 2012			
Conversion of convertible bonds		2,851,582	453
September 24, 2012		9,100,000	700
January 23, 2013 to July 5, 2013			
Conversion of convertible bonds		7,651,851	781
June 14, 2013	500,000,000		10
June 24, 2013		157,000,000	10
July 12, 2013		657,314	10
July 18, 2013 to November 1, 2013			
Conversion of convertible bonds		738,483	625
August 1, 2013		7,250,000	₱900
August 27, 2014		68,378	625

The Company declared stock dividends in 2013 and 2007. The total number of shareholders of the Company is 1,237 and 1,249 as at December 31, 2014 and 2013, respectively.

	Number of shares	
	2014	2013
Authorized - ₱10 par value per share	**10,000,000**	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2014 and 2013.

Additional Paid-in Capital (APIC)

On November 27, 2014, SM Prime reissued 1,060.0 million of its own common shares to non-controlling shareholders for a total consideration of ₱17,646.6 million which resulted to an increase in "Non-controlling interest" of ₱3,541.1 million and an increase in "Additional paid in capital" of ₱14,105.5 million as at December 31, 2014.

Cost of Parent Common Shares Held by Subsidiaries

Common shares of the Parent Company held by certain subsidiaries is treated as a reduction in equity as shown in the consolidated balance sheets and consolidated statements of changes in equity.

Details of the cost of common shares held by subsidiaries as at December 31, 2014, 2013 and 2012 follow:

	Shares held by subsidiaries	Average cost	Cost of common shares held by subsidiaries	Selling price per share	Gain on disposal
			(In Millions)		*(In Millions)*
As at December 31, 2011	820,491	320.8	263.2		
Sale by SM Land and MRDC	(430,000)	320.8	(137.3)	753.26	184.5
As at December 31, 2012	390,491	322.4	125.9		
Sale by SM Land	(389,612)	257.7	(100.5)	952.23	267.7
As at December 31, 2013	98,502	257.7	25.4		

Purchase / (disposal) in 2014	–	–	–	–	–
As at December 31, 2014	98,502	257.7	25.4	–	–

Equity Adjustments from Common Control Transactions

Equity adjustments from common control transactions mainly pertains to the acquisitions of the various SM China Companies by SM Prime in 2007 and various service companies by SM Retail in 2009. These acquisitions were considered as business reorganizations of companies under common control. Thus, the acquisitions were accounted for similar to pooling of interest method.

In 2013, the Group executed a corporate restructuring to consolidate the Group's real estate subsidiaries and real estate assets under one single listed entity. At the consolidated level, all transactions with the subsidiaries were considered as equity transactions. The adjustment resulting from these transactions was also recorded in this account.

Retained Earnings

a. Appropriated

On April 25, 2013, the BOD approved to reverse ₱8,000.0 million of the appropriation. As at December 31, 2014 appropriated retained earnings is intended for the following projects:

Projects	Timeline	Appropriations
		(In Thousands)
Hotel projects	2013–2015	₱8,000,000
Commercial buildings	2012–2016	10,000,000
Acquisition of investments	2012–2018	9,000,000
		₱27,000,000

b. Unappropriated

The Parent Company's dividend declarations in 2014 and 2013 follow:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
				(In thousands)
April 30, 2014	**May 30, 2014**	**June 26, 2014**	**₱10.34**	**₱8,233,455**
April 25, 2013	May 24, 2013	June 20, 2013	11.80	7,423,076

The Company had a stock dividend declaration in 2013 as follows:

Declaration Date	Record Date	Date of SEC Approval	Issue Date	Issue size	Total Shares Issued
April 25, 2013	July 8, 2013	June 24, 2013	August 1, 2013	25%	157,000,000
April 25, 2013	July 8, 2013	July 12, 2013	August 1, 2013	25%	657,314
					157,657,314

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱137,756.2 million and ₱108,146.6 million as at December 31, 2014 and 2013, respectively. Such amounts are not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

22. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following are the significant transactions with related parties:

a. Rent
The Group has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties under common stockholder).

b. Management and Service Fees
The Group pays management fees to Shopping Center Management Corporation, Leisure Center, Inc., West Avenue Theaters Corporation and Family Entertainment Center, Inc. (related parties under common stockholder) for the management of the office and mall premises. The Group also provides manpower and other services to related parties under common stockholder.

SMIC and SM Retail also receive management and service fees from retail entities under common stockholder for management, consultancy, manpower and other services.

c. Dividend Income
The Group receives dividend income from certain related parties under common stockholder classified as AFS equity instruments.

d. Cash Placements and Loans
The Group has certain bank accounts and cash placements as well as bank loans and debts with BDO and China Bank. Such accounts earn interest based on prevailing market interest rates.

e. Others
The Group, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and normally settled in cash.

Following is the summary of related party transactions and outstanding balances for the years as at and for the years ended December 31, 2014 and 2013.

	Amount of Transactions			Outstanding Amount Asset (Liability)				
	December 31, 2014 (Audited)	December 31, 2013 (Audited))	December 31, 2012 (Audited))	**December 31, 2014 (Audited)**	December 31, 2013 (Audited)	December 31, 2012 (Audited)	Terms	Conditions
			(In Thousands)					
Banking Group								
Cash placement and investment in debt securities	**₱17,036,362**	(₱14,392,658)	₱54,171,200	**₱116,657,952**	₱99,621,590	₱114,014,248	Interest-bearing 0.2% to 5.4%	Unsecured; no impairment
Interest income	**2,474,837**	3,041,039	3,950,656	**436,604**	798,688	1,011,987	Interest-bearing 0.2% to 5.4%	Unsecured; no impairment
Loans	**(8,891,382)**	(9,831,644)	(5,175,006)	**13,298,618**	22,190,000	32,021,644	Interest-bearing 1.7% to 10.1%	Unsecured
Interest expense	**1,211,036**	794,208	859,134	**38,903**	41,054	286,719	Interest-bearing 1.7% to 10.1%	Unsecured
Rent income	**615,757**	82,929	52,860	**181,459**	3,060	2,547	Noninterest-bearing	Unsecured; no impairment
Escrow fund	**–**	–	–	**130,000**	130,000	–	Noninterest-bearing	Unsecured; no impairment

Long-term notes	–	–	–	–	218,124	218,124	Noninterest-bearing	Unsecured; no impairment
Retail entities under common stockholders								
Rent income	**3,959,364**	4,451,749	4,002,084	**1,708,815**	2,591,384	1,516,066	Noninterest-bearing	Unsecured; no impairment
Management fee income	**461,322**	309,310	713,226	**227,814**	54,533	154,172	Noninterest-bearing	Unsecured; no impairment
Management fee expense	**1,111,368**	976,415	872,853	**101,941**	109,177	2,020	Noninterest-bearing	Unsecured; no impairment
Dividend income	**510,685**	716,384	552,768	**871,103**	719,861	292,917	Noninterest-bearing	Unsecured; no impairment
Service income	**537,693**	685,260	1,097	**190,196**	4,998	49,098	Noninterest-bearing	Unsecured; no impairment
Due from related parties	**(139,977)**	(1,131,895)	1,040,720	**1,194,099**	1,334,076	2,465,971	Noninterest-bearing	Unsecured
Due to related parties	**(489,602)**	(1,173,710)	530,600	**1,601,703**	2,091,305	3,265,015	Noninterest-bearing	Unsecured
Receivable for project development	**(3,231,672)**	147,529	1,962,578	–	3,231,672	3,084,143	Noninterest-bearing	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

For the years ended December 31, 2014 and 2013, the Group did not make any provision for impairment loss relating to amounts owed by related parties. There have been no guarantees provided or received for any related party receivables or payables. Settlement of the outstanding balances normally occurs in cash.

Compensation of Key Management Personnel of the Group

The aggregate compensation and benefits related to key management personnel of the Group for the years ended December 31, 2014, 2013 and 2012 consist of short-term employee benefits amounting to ₱938.2 million, ₱777.3 million and ₱708.7 million, respectively, and post-employment benefits amounting to ₱109.0 million, ₱88.7 million and ₱144.4 million, respectively.

23. Cost of Merchandise Sales

This account consists of:

	2014	2013	2012
		(In Thousands)	
Merchandise inventories at beginning of year	**₱13,232,308**	₱13,402,762	₱13,436,456
Purchases	**152,567,479**	138,549,914	117,862,994
Total goods available for sale	**165,799,787**	151,952,676	131,299,450
Less merchandise inventories at end of year	**14,882,200**	13,232,308	13,402,762
	₱150,917,587	₱138,720,368	₱117,896,688

24. Selling, General and Administrative Expenses

This account consists of:

	2014	2013	2012
		(In Thousands)	
Personnel cost (see Note 22)	**₱13,008,905**	₱12,033,212	₱10,942,505
Depreciation and amortization (see Notes 14 and 15)	**10,907,625**	9,513,584	8,057,871
Utilities	**9,308,009**	7,792,591	6,295,496
Rent (see Note 28)	**5,467,674**	5,252,339	4,876,327
Taxes and licenses	**5,036,077**	4,531,029	3,964,767
Marketing and selling	**3,374,252**	3,318,896	3,528,501

	2014	2013	2012
		(In Thousands)	
Outside services	**4,008,367**	3,163,822	2,802,479
Repairs and maintenance	**1,827,867**	1,172,705	1,062,124
Supplies	**1,313,288**	1,066,982	838,943
Management fees (see Note 22)	**1,195,192**	1,063,859	910,614
Insurance	**665,379**	552,183	470,633
Transportation and travel	**657,849**	502,028	436,156
Pension expense (benefit) (see Note 26)	**376,568**	(92,085)	235,499
Entertainment, representation and amusement	**325,712**	241,857	196,185
Professional fees	**319,384**	322,637	460,268
Data processing	**311,932**	206,183	98,472
Reversal of impairment loss and others (see Notes 10 and 13)	**(288,547)**	(1,018,156)	(2,635,569)
Communications	**₱173,781**	₱163,989	₱122,666
Donations	**138,283**	115,605	297,629
Others	**1,953,710**	1,140,537	2,017,256
	₱60,081,307	₱51,043,797	₱44,978,822

25. **Interest Income and Interest Expense**

The details of the sources of interest income and interest expense follow:

	2014	2013	2012
		(In Thousands)	
Interest income on:			
Time deposits and short-term investments (see Note 8)	**₱2,059,817**	₱2,245,719	₱2,080,949
Cash in banks and temporary investments (see Note 7)	**484,169**	912,152	1,439,218
AFS investments and others (see Notes 9 and 17)	**462,859**	523,303	853,249
Investments held for trading (see Note 9)	**25,790**	28,310	43,330
	₱3,032,635	₱3,709,484	₱4,416,746
Interest expense on:			
Long-term debt (see Note 20)	**₱10,187,415**	₱6,806,602	₱7,325,871
Bank loans (see Note 18)	**618,458**	3,960,390	3,253,656
Others (see Note 30)	**821,656**	176,409	232,209
	₱11,627,529	₱10,943,401	₱10,811,736

26. **Pension Benefits**

The Group has funded defined benefit pension plans covering all regular and permanent employees. The Group obtained updated actuarial valuation reports for December 31, 2014 financial reporting.

a. Net Defined Benefit Liability

The following table summarizes the movements in the subsidiaries' pension plan which resulted in a defined benefit liability as at December 31, 2014, 2013 and 2012.

	Present value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not recognized due to asset limit/ Unrecognized actuarial loss	Defined benefit liability (asset)
			(In Thousands)	
At December 31, 2012	276,936	302,376	53,750	28,310
Net benefit expense (see Note 24):				
Current service cost	110,200	–	–	110,200
Net interest cost	72,057	71,822	–	235
Others	–	–	(75,238)	(75,238)
	182,257	71,822	(75,238)	35,197
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	8,036	–	(8,036)
Actuarial changes arising from:				
Changes in financial assumptions	(54,605)	–	–	(54,605)
Changes in demographic assumptions	9,926	–	–	9,926
Experience adjustment	157,713	–	–	157,713
Others	–	–	181,189	181,189
	113,034	8,036	181,189	286,187
Reclassifications from defined benefit assets	898,493	878,655	–	19,838
Actual contributions	–	55,510	–	(55,510)
Benefits paid	(84,477)	(84,477)	–	–
Transfer from related parties	9,021	9,021	–	–
Other adjustments	–	–	(159,701)	(159,701)
At December 31, 2013	**1,395,264**	**1,240,943**	**–**	**154,321**
Net benefit expense(see Note 24):				
Current service cost	**103,343**	**–**	**–**	**103,343**
Net interest	**58,595**	**55,857**	**27**	**2,765**
Past service cost - curtailment	**(302)**	**–**	**–**	**(302)**
	161,636	**55,857**	**27**	**105,806**
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	**–**	**25,866**	**–**	**(25,866)**
Actuarial changes arising from:				
Changes in financial assumptions	**89,724**	**–**	**–**	**89,724**
Changes in demographic assumptions	**(19,707)**	**–**	**–**	**(19,707)**
Experience adjustment	**79,270**	**–**	**–**	**79,270**
Others	**–**	**–**	**(13,772)**	**(13,772)**
	149,287	**25,866**	**(13,772)**	**109,649**
Reclassifications from defined benefit assets	**(462,424)**	**(389,293)**	**–**	**(73,131)**
Actual contributions	**–**	**114,978**	**–**	**(114,978)**
Benefits paid	**(29,424)**	**(29,424)**	**–**	**–**
Transfer from (to) related parties	**8,158**	**8,158**	**–**	**–**
Other adjustments	**17,155**	**3,320**	**13,745**	**27,579**

	Present value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not recognized due to asset limit/ Unrecognized actuarial loss	Defined benefit liability (asset)
At December 31, 2014	**₱1,239,652**	**₱1,030,405**	**₱–**	**₱209,247**

b. Net Defined Benefit Asset
The following table summarizes the movements in the subsidiaries' pension plan which resulted in a defined benefit asset as at December 31, 2014, 2013 and 2012.

	Present value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not recognized due to asset limit/Unrecognized actuarial loss	Defined benefit liability (asset)
			(In Thousands)	
At December 31, 2012	3,234,528	3,967,810	280,372	(452,910)
Net benefit expense (see Note 24):				
Current service cost	240,698	–	–	240,698
Net interest income	145,294	189,689	4,751	(39,644)
Effect of asset limit	–	–	445	445
Others	–	–	(328,781)	(328,781)
	385,992	189,689	(323,585)	(127,282)
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	55,722	–	(55,722)
Actuarial changes arising from:				
Changes in financial assumptions	(154,212)	–	–	(154,212)
Changes in demographic assumptions	54,555	–	–	54,555
Experience adjustment	105,933	–	–	105,933
Others	–	–	(35,437)	(35,437)
	6,276	55,722	(35,437)	(84,883)
Reclassifications to defined benefit assets	(898,493)	(878,655)	–	(19,838)
Actual contributions	–	71,661	–	(71,661)
Benefits paid	(166,950)	(166,950)	–	–
Transfer to the plan	(4,855)	(4,855)	–	–
Amount not recognized due to asset limit	–	–	86,531	86,531
Other adjustments	84,395	108,984	78,650	54,061
At January 1, 2014	**2,640,893**	**3,343,406**	**86,531**	**(615,982)**
Net benefit expense in profit or loss (see Note 21):				
Current service cost	**302,479**	**–**	**–**	**302,479**
Net interest	**195,115**	**232,299**	**5,467**	**(31,717)**
	497,594	**232,299**	**5,467**	**270,762**
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	**–**	**124,890**	**–**	**(124,890)**
Actuarial changes arising from:				
Changes in financial assumptions	**(130,985)**	**–**	**–**	**(130,985)**
Changes in demographic assumptions	**214**	**–**	**–**	**214**
Experience adjustment	**54,138**	**–**	**–**	**54,138**
Others	**–**		**(38,009)**	**(38,009)**
	(76,633)	**124,890**	**(38,009)**	**(239,532)**
Reclassifications from defined benefit liabilities	**462,426**	**389,294**	**–**	**73,132**
Actual contributions	**–**	**48,199**	**–**	**(48,199)**
Benefits paid	**(123,046)**	**(123,046)**	**–**	**–**

	Present value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not recognized due to asset limit/Unrecognized actuarial loss	Defined benefit liability (asset)
Transfer to the plan	**(6,455)**	**(6,455)**	**–**	**–**
Amount not recognized due to asset limit	**–**	**–**	**52,647**	**52,647**
Other adjustments	**(1,749)**	**(1,749)**	**(53,988)**	**(53,988)**
At December 31, 2014	**₱3,393,030**	**₱4,006,838**	**₱52,648**	**(₱561,160)**

The expected overall rate of return on assets is determined based on historical returns, applicable to the period over which obligation is to be settled. These are reflected in the principal assumptions below.

	2014	2013
Discount rate	**4%–6%**	4%–6%
Expected rate of return on assets	**N/A**	N/A
Future salary increases	**3%–10%**	10%

The assets of the Retirement Plan are held by a trustee bank. The investing decisions of the Plan are made by the Board of Trustees of the Retirement Plan. The following table presents the carrying amounts and estimated fair values of the assets of the Retirement Plan:

	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(In Thousands)			
Cash and cash equivalents	**₱251,447**	**₱251,447**	₱117,834	₱117,834
Investment in debt and other securities	**948,725**	**948,725**	714,898	714,898
Investment in common trust funds	**1,968,692**	**1,968,692**	1,723,165	1,723,165
Investment in equity securities	**181,087**	**181,087**	123,443	123,443
Investment in government securities	**1,651,825**	**1,651,825**	1,865,037	1,865,037
Others	**35,467**	**35,467**	39,972	39,972
	₱5,037,243	**₱5,037,243**	₱4,584,349	₱4,584,349

	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(In Thousands)			
Cash and cash equivalents	**₱251,447**	**₱251,447**	₱117,834	₱117,834
Investment in debt and other securities	**948,725**	**948,725**	714,898	714,898
Investment in common trust funds	**1,968,692**	**1,968,692**	1,723,165	1,723,165
Investment in equity securities	**181,087**	**181,087**	123,443	123,443
Investment in government securities	**1,651,825**	**1,651,825**	1,865,037	1,865,037
Others	**35,467**	**35,467**	39,972	39,972
	₱5,037,243	**₱5,037,243**	₱4,584,349	₱4,584,349

	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(In Thousands)			

	2014		2013	
Cash and cash equivalents	**₱251,447**	**₱251,447**	₱117,834	₱117,834
Investment in debt and other securities	**948,725**	**948,725**	714,898	714,898
Investment in common trust funds	**1,968,692**	**1,968,692**	1,723,165	1,723,165
Investment in equity securities	**181,087**	**181,087**	123,443	123,443
Investment in government securities	**1,651,825**	**1,651,825**	1,865,037	1,865,037
Others	**35,467**	**35,467**	39,972	39,972
	₱5,037,243	**₱5,037,243**	₱4,584,349	₱4,584,349

	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Thousands)		
Cash and cash equivalents	**₱251,447**	**₱251,447**	₱117,834	₱117,834
Investment in debt and other securities	**948,725**	**948,725**	714,898	714,898
Investment in common trust funds	**1,968,692**	**1,968,692**	1,723,165	1,723,165
Investment in equity securities	**181,087**	**181,087**	123,443	123,443
Investment in government securities	**1,651,825**	**1,651,825**	1,865,037	1,865,037
Others	**35,467**	**35,467**	39,972	39,972
	₱5,037,243	**₱5,037,243**	₱4,584,349	₱4,584,349

The Retirement Plans' assets and investments consist of the following:

- Cash and cash equivalents includes regular savings and time deposits;
- Investments in debt and other securities, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 4.38% to 6.80% and have maturities from June 2019 to April 2025;
- Investment in common trust funds consists of unit investment trust fund.
- Investment in equity securities consists of listed and unlisted equity securities.
- Investments in government securities consist of retail treasury bonds that bear interest ranging from 3.50% to 10.69% and have maturities from February 2015 to October 2037; and
- Other financial assets held by the Retirement Plan are primarily accrued interest income on cash deposits and debt securities held by the Plan.

The following table summarizes the outstanding balances and transactions of the Retirement Plan with the trustee bank, BDO Unibank, Inc., a related party as at and for the year ended December 31, 2014 and 2013:

	2014	2013
	(In Thousands)	
Balances:		
Cash and cash equivalents	**₱160,743**	₱110,392
Investment in common trust funds	**1,968,692**	1,723,165
Transactions:		
Interest income from cash and cash equivalents	**2,209**	3,456
Gains from Investment in common trust funds	**1,341,211**	54,711

The Group expects to contribute about ₱156.5 million to its defined benefit pension plan in 2015.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2014 assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
		(In Thousands)
Discount rates	50	(₱317,143)
	(50)	351,951
Future salary increases	100	663,825
	(100)	(556,521)
No attrition of rates	–	3,904,889

The average duration of the defined benefit obligation as of the Group as at December 31, 2014 is 7 to 32 years.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2014 and 2013:

	2014	2013
	(In Thousands)	
Less than 1 year to 5 years	**₱1,026,703**	₱728,485
More than 5 years to 10 years	**1,860,607**	1,850,314
More than 10 years to 15 years	**3,327,144**	3,028,577
More than 15 years to 20 years	**8,085,777**	8,217,238
More than 20 years	**174,975,720**	257,521,853

The Group has no specific matching strategies between the retirement plan assets and the defined benefit obligation.

27. Income Tax

The details of the Group's deferred tax assets and liabilities are as follows:

	2014	2013
	(In Thousands)	
Deferred tax assets - net:		
Unrealized gain on intercompany sale of investment property	**₱1,186,890**	₱1,201,479
NOLCO	**324,460**	122,118
Unrealized mark-to-market loss on investments	**240,224**	–
Deferred rent expense	**192,274**	504,342
Unamortized past service cost and defined benefit liability	**149,160**	201,080
Unrealized foreign exchange loss and others	**110,027**	(6,865)
Accrued leases	**64,062**	44,071
MCIT	**26,847**	106,574
	₱2,293,944	₱2,172,799
Deferred tax liabilities - net:		
Appraisal increment on investment property	**₱2,417,479**	₱2,276,990
Trademarks and brand names	**1,879,000**	1,879,000
Capitalized interest	**1,217,246**	1,614,650
Unrealized gross profit on sale of real estate	**877,069**	310,878
Accrued/deferred rent income	**165,333**	313,461
Unamortized past service cost and defined benefit asset	**147,970**	189,650
Others	**163,828**	385,898
	₱6,867,925	₱6,970,527

The components of deductible temporary differences of certain balance sheet items and the carryforward benefits of unused MCIT and NOLCO, which pertain to the Parent Company, for which no deferred tax assets have been recognized in the consolidated balance sheets, are as follows:

	2014	2013
	(In Thousands)	
NOLCO	**₱3,506,043**	₱–
Net unrealized foreign exchange loss	**798,763**	381,078
Allowance for impairment losses	**288,975**	488,683
Past service cost	**89,424**	54,917
MCIT	**78,596**	–
Defined benefit liability	**68,669**	65,597
Non-refundable advance rentals	**25,886**	24,920
	₱4,856,356	₱1,015,195

NOLCO and MCIT amounting to ₱86.4 million and ₱1,752.9 million were applied in 2014 and 2013, respectively.

The reconciliation between the statutory tax rates and the Group's effective tax rates on income before income tax is as follows:

	2014	2013	2012
Statutory income tax rate	**30%**	30%	30%
Add (deduct) income tax effects of reconciling items:			
Equity in net earnings of associates	**(9)**	(9)	(7)
Interest income subjected to final tax	**(2)**	(3)	(3)
Others	**(1)**	(2)	(3)
Change in unrecognized deferred tax assets	**(2)**	(3)	–
Dividend income exempt from tax	–	(1)	(1)
Gain on sale of shares of stock	–	–	–
Effective income tax rates	**16%**	12%	16%

28. Lease Agreements

The Parent Company’s lease agreements with its tenants are generally granted for a term of one to twenty-five years. Tenants likewise pay a fixed monthly rent which is calculated by reference to a fixed sum per square meter of area leased except for a few tenants, which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits (see Notes 29 and 30).

The future minimum lease receivables under the noncancellable operating leases of the Group as at December 31 are as follows:

	2014	2013
	(In Millions)	
Within one year	**₱3,385**	₱2,068
After one year but not more than five years	**8,616**	7,330
After five years	**1,939**	3,159
Balance at end of year	**₱13,940**	₱12,557

The Group and its subsidiaries also lease certain parcels of land where some of their malls are situated or constructed. The terms of the lease are for periods ranging from fifteen to fifty years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher.

The future minimum lease payables under the noncancellable operating leases of the Group as at December 31 are as follows:

	2014	2013
	(In Millions)	
Within one year	**₱744**	₱779
After one year but not more than five years	**3,138**	3,296
After more than five years	**25,867**	27,330
	₱29,749	₱31,405

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise of bank loans, long-term debt, AFS investments, investments held for trading, time deposits, short-term investments, cash and cash equivalents, non-trade receivables, advances and deposits, receivable from banks and credit card, accrued interest receivable, and advances for project development. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as receivables and accounts payable and other current liabilities, which arise directly from its operations.

The Group also enters into derivative transactions, principally, cross currency swaps, interest rate swaps, foreign currency call options, non-deliverable forwards and foreign currency range options. The purpose is to manage the interest rate and foreign currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are as follows:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three months or six months.
- *Foreign currency risk.* The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have significant investments and debt issuances which are denominated in U.S. dollars.
- *Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.
- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make required payments.
- *Equity price risk.* The Group's exposure to equity price pertains to its investments in quoted equity shares which are classified as AFS investments in the consolidated balance sheets. Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and agrees policies for managing each of these risks and they are summarized in the following tables. The Group's accounting policies in relation to derivatives are set out in Note 3.

Interest Rate Risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable debt (see Note 20).

The Group's guideline is to keep between 50% to 60% of its borrowings at fixed interest rates. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps and cross-currency swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed notional amount. The interest rate swaps economically hedge the underlying debt obligations. The cross-currency swaps were designated by the Group under cash flow hedge accounting (see Note 30).

As at December 31, 2014 and 2013, after taking into account the effect of the swaps, approximately 68% and 63% of the Group's borrowings are kept at a fixed rate of interest, considering market conditions.

Interest Rate Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Group's income before income tax and equity after income tax, through the impact of floating rate financial liabilities and debt securities classified as at FVPL and AFS investments, respectively.

	Increase (Decrease) in Basis Points	Effect on Income Before Tax	Effect on Equity After Income Tax
		(In Millions)	
2014	**100**	**(₱727.2)**	**(₱220.4)**
	50	**(363.1)**	**(117.6)**
	(100)	**727.2**	**204.5**
	(50)	**363.1**	**94.8**
2013	100	(836.4)	(129.8)
	50	(418.2)	(65.3)
	(100)	836.4	135.9
	(50)	418.2	67.5

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a significantly higher volatility as in prior years.

Foreign Currency Risk

To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Group enters into foreign currency swap contracts, foreign cross-currency swaps, foreign currency call options, non-deliverable forwards and foreign currency range options (see Note 30) with the aim of reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flows.

The following tables show the Group's foreign currency-denominated financial assets and liabilities and their peso equivalents as at December 31, 2014 and 2013:

	2014		2013	
	US$	**PhP**	US$	PhP
		(In Thousands)		
Current assets:				
Cash and cash equivalents	**$8,913**	**₱398,607**	$5,999	₱266,316
Time deposits and short-term investments	**201,000**	**8,988,720**	705,501	31,320,708
AFS investments	**22,065**	**986,742**	5,250	233,074
Receivables	**579,887**	**25,932,552**	448,365	19,905,182
Noncurrent assets:				
AFS investments	**109,129**	**4,880,255**	124,785	5,539,822
Time deposits	**1,031,407**	**46,124,510**	585,000	25,971,075
Derivative assets	**19,582**	**875,721**	39,059	1,734,034
Total foreign currency-denominated financial assets	**1,971,983**	**88,187,107**	1,913,959	84,970,211
Current liabilities:				
Bank loans	**30,000**	**1,341,600**	50,000	2,219,750
Accounts payable and other current liabilities	**35,097**	**1,569,553**	34,985	1,553,191
Noncurrent liabilities:				
Long-term debt - net of current portion	**2,365,949**	**105,805,232**	2,183,908	96,954,602
Derivative liabilities	**1,313**	**58,705**	3,603	159,974
Total foreign currency-denominated financial	**2,432,359**	**108,775,090**	2,272,496	100,887,517

	2014		2013	
	US$	**PhP**	US$	PhP
liabilities				
Net foreign currency-denominated financial assets (liabilities)	**($460,376)**	**(P20,587,983)**	$358,537	P15,917,306

As at December 31, 2014 and 2013, approximately 46.7% and 41.7% respectively, of the Group's total consolidated bank loans and long-term debt were denominated in US Dollars. Thus, appreciation of the Philippine peso against the US Dollar will decrease both the principal amount of the foreign currency-denominated debt and interest expense on the Group's debt in Philippine peso terms.

The Group has recognized in its consolidated statements of income, net foreign exchange gain of P179.1 million, P59.4 million and P565.1 million on its net foreign-currency denominated assets and liabilities for the years ended December 31, 2014, 2013 and 2012, respectively. This resulted from the movements of the closing rates of U.S. dollar against the Philippine peso as shown in the following table:

	U.S. Dollar to Peso
December 31, 2012	P41.05
December 31, 2013	44.40
December 31, 2014	44.72

Foreign Currency Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's income before income tax.

	Appreciation (Depreciation) of P	Effect on Income Before Tax
		(In Millions)
2014	**1.50**	**P690.6**
	1.00	**460.4**
	(1.50)	**(690.6)**
	(1.00)	**(460.4)**
2013	1.50	537.8
	1.00	358.5
	(1.50)	(537.8)
	(1.00)	(358.5)

Liquidity Risk

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and proceeds from debt and equity issues and sales of certain assets. The Group also has readily available credit facility with banks and related parties to meet its long-term financial liabilities.

As part of its liquidity risk management program, the Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans, export credit agency-guaranteed facilities and debt capital and equity market issues.

The Group's financial assets, which have maturities of less than 12 months, and used to meet its short-term liquidity needs, include the following:

	2014	2013
	(In Thousands)	
Cash and cash equivalents	**₱69,133,381**	₱50,209,657
Current portion of time deposits and short-term investments	**9,000,324**	29,800,550
Investments held for trading	**307,835**	459,754
Current portion of AFS investments- Bonds and corporate notes	**986,742**	–

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2014 and 2013 based on the contractual undiscounted payments:

	2014				
	On Demand	**Less than 1 Year**	**2 to 5 Years**	**More than 5 Years**	**Total**
			(In Thousands)		
Bank loans	**₱–**	**₱13,892,641**	**₱–**	**₱–**	**₱13,892,641**
Accounts payable and other current liabilities*	**–**	**66,080,803**	**–**	**–**	**66,080,803**
Long-term debt (including current portion)	**–**	**15,266,474**	**168,584,633**	**120,127,455**	**303,978,562**
Derivative liabilities:**					
Interest rate swaps	**–**	**–**	**58,705**	**–**	**58,705**
Dividends payable	**–**	**264,882**	**–**	**–**	**264,882**
Tenants' deposits	**–**	**–**	**13,815,542**	**247,840**	**14,063,382**
Other noncurrent liabilities	**–**	**–**	**3,208,432**	**–**	**3,208,432**
	₱–	**₱95,504,800**	**₱185,667,312**	**₱120,375,295**	**₱401,547,407**

	2013				
	On Demand	Less than 1 Year	2 to 5 Years	More than 5 Years	Total
			(In Thousands)		
Bank loans	₱–	₱27,588,259	₱–	₱–	₱27,588,259
Accounts payable and other current liabilities*	–	63,571,297	–	–	63,571,297
Long-term debt (including current portion)	–	38,296,386	138,091,911	66,216,033	242,604,330
Derivative liabilities:**					
Interest rate swaps	–	–	159,974	–	159,974
Dividends payable	–	210,189	–	–	210,189
Tenants' deposits	–	–	10,336,453	201,543	10,537,996
Other noncurrent liabilities	–	–	2,786,666	–	2,786,666
	₱–	₱129,666,131	₱151,375,004	₱66,417,576	₱347,458,711

* *Excluding payable to government agencies of ₱2,687.9 million and ₱3,671.6 million at December 31, 2014 and 2013, respectively, the amounts of which are not considered as financial liabilities.*
** *Based on estimated future cash flows.*
*** *Excluding nonfinancial liabilities amounting to ₱573.0 million and ₱469.0 million at December 31, 2014 and 2013, respectively.*

Credit Risk
The Group trades only with recognized and creditworthy related and third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on a regular basis which aims to reduce the Group's exposure to bad debts at a minimum level. Given the Group's diverse base of customers, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Group which comprise of cash and cash equivalents, time deposits and short-term investments, investments held for trading, AFS investments and certain derivative instruments, 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, without considering the effects of collateral. Since the Group trades only with recognized related and third parties, there is no requirement for collateral.

Receivable from sale of real estate has minimal credit risk and is effectively collateralized by the respective units sold since title to the real estate properties are not transferred to the buyers until full payment is made.

As at December 31, 2014 and 2013, the financial assets, except for certain receivables and AFS investments, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Quality. This pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to high quality financial assets are included in this category.

The credit analysis of the Group's financial assets that are neither past due nor impaired as at December 31, 2014 and 2013 follow:

	2014			2013		
	High Quality	**Standard Quality**	**Total**	High Quality	Standard Quality	Total
			(In Thousands)			
Cash and cash equivalents (excluding cash on hand)	**₱67,964,569**	**₱–**	**₱67,964,569**	₱48,999,592	₱–	₱48,999,592
Time deposits and short-term investments (including noncurrent portion)	**56,124,324**	**–**	**56,124,324**	55,993,600	–	55,993,600
Investments held for trading - Bonds	**307,835**	**–**	**307,835**	459,754	–	459,754
AFS investments	**23,083,740**	**3,918**	**23,087,658**	17,154,400	3,918	17,158,318
Receivables - net (including noncurrent portion of receivables from real estate buyers)	**29,227,148**	**6,323,604**	**35,550,752**	30,313,594	5,802,860	36,116,454
Advances and other receivables - net (includes non-trade receivables, advances and deposits, receivable from banks and credit card, accrued interest receivable, and advances for project development under "Other current assets" account in the consolidated balance sheet)	**19,511,553**	**–**	**19,511,553**	13,649,588	–	13,649,588
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheet)	**–**	**–**	**–**	218,124	–	218,124
Derivative assets (included under "Other noncurrent assets" account	**2,555,708**	**–**	**2,555,708**	2,643,487	–	2,643,487

	2014			2013		
	High Quality	**Standard Quality**	**Total**	High Quality	Standard Quality	Total
			(In Thousands)			
in the consolidated balance sheet)						
	₱198,774,877	**₱6,327,522**	**₱205,102,399**	₱169,432,139	₱5,806,778	₱175,238,917

Equity Price Risk

Management monitors the equity securities in its investment portfolio based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

As at December 31, 2014 and 2013, the effect on equity after income tax of a possible change in equity indices with all other variables held constant is as follows:

	Change in Equity Price	**Effect on Equity After Income Tax**
		(In Millions)
2014	**+9.0%**	**₱3,055.5**
	-9.0%	**(3,055.5)**
2013	+9.0%	1,815.7
	-9.0%	(1,815.7)

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by measuring the following ratio and maintaining it at not lower than 50:50.
- Net interest-bearing debt divided by total capital plus net interest-bearing debt
- Interest-bearing debt divided by total capital plus interest-bearing debt.

Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2014	2013
	(In Thousands)	
Bank loans	**₱13,892,641**	₱27,588,259
Long-term debt	**247,782,663**	210,156,037
Less:		
Cash and cash equivalents		
(excluding cash on hand)	**(67,964,569)**	(48,999,592)
Time deposits and short-term investments	**(56,124,324)**	(55,993,600)
AFS investments (bonds and corporate notes)	**(5,626,784)**	(5,539,822)
Investments held for trading - bonds	**(307,835)**	(459,754)
Long-term note included under	–	(218,124)

"Other noncurrent assets" account		
Total net interest-bearing debt (a)	**131,651,792**	126,533,404
Total equity attributable to owners of the Parent	**257,004,114**	219,433,817
Total net interest-bearing debt and equity attributable to owners of the Parent (b)	**₱388,655,906**	₱345,967,221
Gearing ratio - net (a/b)	**34%**	37%

Interest-bearing Debt to Total Capital plus Interest-bearing Debt

	2014	2013
	(In Thousands)	
Bank loans	**₱13,892,641**	₱27,588,259
Long-term debt	**247,782,663**	210,156,037
Total interest-bearing debt (a)	**261,675,304**	237,744,296
Total equity attributable to owners of the Parent	**257,004,114**	219,433,817
Total interest-bearing debt and equity attributable to owners of the Parent (b)	**₱518,679,418**	₱457,178,113
Gearing ratio - gross (a/b)	**50%**	52%

30. Financial Instruments

Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, except for those with carrying amounts that are reasonable approximation of fair value, recognized as at December 31, 2014 and 2013:

			2014		
	Carrying Value	**Fair value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(In Thousands)		
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	**₱2,555,708**	**₱2,555,708**	**₱–**	**₱2,555,708**	**₱–**
Assets for which Fair Values are Disclosed					
Loans and receivables:					
Time deposits (including noncurrent portion)	**56,124,324**	**60,280,655**			**60,280,655**
Receivables - net (including noncurrent portion of receivables from real estate buyers)	**39,351,403**	**39,264,893**			**39,264,893**
	95,475,727	**99,545,548**	**–**	**–**	**99,545,548**
	₱98,031,435	**₱102,101,256**	**₱–**	**₱2,555,708**	**₱99,545,548**
Liabilities Measured at Fair Value					
Financial Liabilities at FVPL -					
Derivative liabilities	**₱1,151,088**	**₱1,151,088**	**₱–**	**₱58,705**	**₱1,092,383**
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (including current portion and net of unamortized debt issue cost)	**247,782,663**	**258,583,840**	**–**	**–**	**258,583,840**
Tenants' deposits and others	**21,406,013**	**16,956,141**	**–**	**–**	**16,956,141**

	Carrying Value	**Fair value**	**2014** **Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(In Thousands)		
	269,188,676	**275,539,981**	**–**	**–**	**275,539,981**
	₱270,339,764	**₱276,691,069**	**₱–**	**₱58,705**	**₱276,632,364**

	Carrying Value	Fair value	2013 Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In Thousands)		
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	₱2,643,487	₱2,643,487	₱–	₱2,643,487	₱–
Assets for which Fair Values are Disclosed					
Loans and receivables:					
Time deposits (including noncurrent portion)	55,993,600	58,549,481	–	–	58,549,481
Receivables - net (including noncurrent portion of receivables from real estate buyers)	37,274,237	37,274,237	–	–	37,274,237
Long-term notes (included under “Other noncurrent assets” account in the consolidated balance sheets)	218,124	264,656	–	–	264,656
	93,485,961	96,088,374	–	–	96,088,374
	₱96,129,448	₱98,731,861	₱–	₱2,643,487	₱96,088,374
Liabilities Measured at Fair Value					
Financial Liabilities at FVPL -					
Derivative liabilities	₱1,005,403	₱1,005,403	₱–	₱159,974	₱845,429
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (including current portion and net of unamortized debt issue cost)	210,156,037	224,775,629	–	–	224,775,629
Tenants’ deposits and others	17,967,224	13,047,622	–		13,047,622
	228,123,261	237,823,251	–	–	237,823,251
	₱229,128,664	₱238,828,654	₱–	₱159,974	₱238,668,680

During the years ended December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used as at December 31 are as follows:

	2014	2013
Noncurrent portion of time deposits	**0.28% - 2.25%**	0.18% - 2.09%
Noncurrent portion of receivables from real estate buyers	**5.20%**	5.00%
Long-term Notes included under “Other noncurrent assets” account	–	0.01% - 3.21%
Tenants’ Deposits	**2.44% - 5.22%**	0.27% - 4.51%

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed Rate Loans	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 0.26% to 5.32% and 0.02% to 4.76% as at December 31, 2014 and 2013, respectively.
Variable Rate Loans	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used was 1.70% to 4.00% and 0.50% to 3.80% as at December 31, 2014 and 2013, respectively.

Derivative Assets and Liabilities. The fair values of the interest rate swaps, cross currency swaps, and non-deliverable forwards are based on quotes obtained from counterparties classified under Level 2 of the fair value hierarchy. The fair value of the embedded options relating to the Parent Company's convertible bonds were classified under Level 3 because the credit spread used as input to the fair value calculation of the options which were assessed by the Group as having a significant impact to its fair values. The fair values of the embedded option were computed using the indirect method of valuing multiple embedded derivatives. This valuation method compares the fair value of the option-free bond against the fair value of the bond as quoted in the market. The difference of the fair values is assigned as the value of the embedded derivatives.

Significant unobservable inputs to valuation	Range
USD Risk-free rate	0.057-0.796%
Credit spread	4.3540%

To assess the impact of the option adjusted spreads used, the Group performed a sensitivity analysis using an increase (decrease) assumption in the credit spreads, the result of which is shown below:

	Increase (Decrease) in Credit Spread	Net Effect on Fair Values of Option
		(In Thousands)
2014	**100 bps**	**(₱88,977)**
	(100) bps	**91,303**
2013	100 bps	(124,528)
	(100) bps	129,032

Shown below is the rollforward analysis of the fair value changes of this financial instrument for the years ended December 31, 2014 and 2013:

	2014	2013
Balance at beginning of year	**(₱845,429)**	(₱2,473,130)
Fair value changes	**(257,681)**	(1,335,209)
Conversions	**10,727**	2,962,910
Balance at end of year	**(₱1,092,383)**	(₱845,429)

Derivative Financial Instruments

To address the Group's exposure to market risk for changes in interest rates arising primarily from its long-term floating rate debt obligations and to manage its foreign exchange risks, the Group entered into various derivative transactions such as cross-currency swaps, interest rate swaps, foreign currency call options, non-deliverable forwards and foreign currency range options. The Group also has embedded derivatives bifurcated from the Parent Company's convertible bonds.

	Parent				SM Prime			Total
	Cross-currency swaps	Options arising from convertible bonds	Foreign Currency Swap	Non-deliverable forwards	Cross-currency swaps	Interest rate swaps	Non-deliverable Forwards	
				(In Thousands)				
Balance as at December 31, 2012	₱–	(₱2,473,130)	₱–	₱–	₱–	(₱134,351)	₱–	(₱2,607,481)
Fair value changes:								
Interest income (expense)	–	–	–	–	(176,090)	51,209	–	(124,881)
Foreign currency exchange gain (loss)	–	(229,552)	–	–	–	–	–	(229,552)
Cumulative translation adjustments	864,677	–	–	–	–	–	–	864,677
Gain (loss) on fair value changes of derivatives	–	(1,105,657)	28,578	21,234	1,668,399	94,915	31,781	739,250
Transferred to additional paid-in capital	–	2,962,910	–	–	–	–	–	2,962,910
Loss (gain) on settled contracts	–	–	(28,578)	(21,234)	–	–	–	(49,812)
Fair value of derivatives on settled contracts	–	–	–	–	176,090	(61,336)	(31,781)	82,973
Balance as at December 31, 2013	864,677	(845,429)	–	–	1,668,399	(49,563)	–	1,638,084
Fair value changes:								
Interest income (expense)	–	–	–	–	(225,249)	(37,423)	–	(262,672)
Foreign currency exchange gain (loss)	–	(12,597)	–	–	–	–	–	(12,597)
Cumulative translation adjustments	58,217	–	–	–	–	–	–	58,217
Gain (loss) on fair value changes of derivatives	–	(245,084)	32,190	2,000	(66,067)	21,340	13,612	(242,009)
Transferred to additional paid-in capital	–	10,727	–	–	–	–	–	10,727
Loss (gain) on settled contracts	–	–	(32,190)	(2,000)	–	–	–	(34,190)
Fair value of derivatives on settled contracts	–	–	–	–	225,249	37,423	(13,612)	249,060
Balance as at December 31, 2014	**₱922,894**	**₱(1,092,383)**	**–**	**₱–**	**₱1,602,332**	**₱(28,223)**	**₱–**	**₱1,404,620**
Derivative assets	₱922,894	–	–	₱	₱1,602,332	₱30,482	₱–	₱2,555,708
Derivative liabilities	–	(1,092,383)	–		–	(58,705)	–	(1,151,088)
	₱922,894	**(₱1,092,383)**	**₱–**	**₱–**	**₱1,602,332**	**(₱28,223)**	**₱–**	**₱1,404,620**

Derivative Instruments Accounted for as Cash Flow Hedges

Cross Currency Swaps. In 2013, the Parent Company and SM Prime entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated five-year term loans (the hedged loans) (see Note 20).

Under the floating-to-fixed cross-currency swaps, the hedged US dollar-denominated loans have been converted into Philippine peso-denominated loans. Details of the floating-to-fixed cross-currency swaps are as follows:

- Swap the face amount of the loans at US$ for their agreed Philippine peso equivalents with the counterparty banks and exchange, at maturity date, the principal amount originally swapped.
- Pay fixed interest at the Philippine peso notional amount and receives floating interest on the US$ notional amount, on a semi-annual basis, simultaneous with interest payments on the hedged loans.

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the consolidated statement of income for the years ended December 31, 2014 and 2013.

Details of the hedged loans are as follows:

	Outstanding Principal Balance *(In Thousands)*		Interest Rate	Maturity Date
	(In US$)	*(In PhP)*		
Parent -				
Unsecured loans	US$180,000	P8,049,600	6-month US LIBOR + 1.70%	May 15, 2018
SM Prime:				
Unsecured loan	US$200,000	P8,944,000	6-month US LIBOR + 1.70%	January 29, 2018
Unsecured loan	150,000	6,708,000	6-month US LIBOR + 1.70%	March 23,2018

The table below provides the details of the Group's outstanding cross-currency swaps as at December 31, 2014:

	Notional Amounts *(In Thousands)*		Receive	Pay	US$:P Rate	Maturity	Fair Value Gain *(In Thousands)*
	(In US$)	*(In PhP)*					
Parent:							
Floating-to-Fixed	US$50,000	P2,059,250	6M US LIBOR + 170 bps	4.05%	P41.19	May 15, 2018	P16,768
Floating-to-Fixed	60,000	2,478,000	6M US LIBOR + 170 bps	4.03%	41.30	May 15, 2018	19,752
Floating-to-Fixed	70,000	2,888,200	6M US LIBOR + 170 bps	3.98%	41.26	May 15, 2018	21,697
SM Prime:							
Floating-to-Fixed	150,000	6,100,500	6M US LIBOR + 170 bps	3.70%	40.67	January 29, 2018	711,066
Floating-to-Fixed	50,000	2,033,500	6M US LIBOR + 170 bps	3.70%	40.67	January 29, 2018	243,897
Floating-to-Fixed	50,000	2,055,000	6M US LIBOR + 170 bps	3.90%	41.10	March 23, 2018	210,575
Floating-to-Fixed	50,000	2,055,000	6M US LIBOR + 170 bps	3.90%	41.10	March 23, 2018	219,438
Floating-to-Fixed	50,000	2,055,000	6M US LIBOR + 170 bps	3.90%	41.10	March 23, 2018	217,356

Other Derivative Instruments Not Designated as Hedges

The table below shows information on the Group's interest rate swaps presented by maturity profile:

Year		Interest	Outstanding Notional Amount			Aggregate Fair Value	
Obtained	Maturity	Payment	<1 Year	Receive	Pay	2014	2013
			(In Thousands)				*(In Thousands)*
Floating-to-Fixed							
2011	March 2015	Semi-annual	$145,000	6 months LIBOR+margin%	2.91%–3.28%	(₱37,535)	(₱113,601)
2011	November 2014	Semi-annual	20,000	6 months LIBOR+margin%	3.53%	–	(10,431)
2010	November 2015	Semi-annual	30,000	6 months LIBOR+margin%	3.18%	(19,288)	(35,941)
Fixed-to-Floating							
2013	June 2015	Quarterly	₱174,720	3MPDST-F	3.65% - 4.95%	(₱1,882)	(₱9,023)
2010	June 2015	Quarterly	785,280	3MPDST-F	5.44% - 7.36%	30,482	119,433

Interest Rate Swaps. In 2013, SM Prime entered into two floating to fixed Philippine peso interest rate swap agreements with a notional amount of ₱175.0 million each to offset the cash flows of the two fixed to floating Philippine peso interest rate swaps entered in 2010 to reflect SM Prime's partial prepayment of the underlying Philippine peso loan (see Note 20). As at December 31, 2014 and 2013, these swaps have negative fair values of ₱2.0 million ₱9.0 million.

In 2011, the SM Prime entered into floating to fixed US$ interest rate swap agreements with an aggregate notional amount of US$145.0 million. Under the agreements, SM Prime effectively converts the floating rate U.S. dollar-denominated term loan into a fixed rate loan with semi-annual payment intervals up to March 2015 (see Note 20). As at December 31, 2014 and 2013, the floating to fixed interest rate swaps have aggregate negative fair values of ₱38.0 million and ₱ 114.0 million, respectively.

SM Prime also entered into a US$ interest rate swap agreement with notional amount of US$20.0 million in 2011. Under the agreement, SM Prime effectively converts the floating rate U.S. dollar-denominated five-year bilateral unsecured loan into a fixed rate loan with semi-annual payment intervals up to November 2014 (see Note 20). Fair value changes from the matured swap recognized in the consolidated statements of income amounted to a ₱10.0 million loss in 2014.

In 2010, the SM Prime entered into the following interest rate swap agreements:

- A US$ interest rate swap agreement with nominal amount of US$30 million. Under the agreement, SM Prime effectively converts the floating rate U.S. dollar-denominated five-year bilateral unsecured loan into a fixed rate loan with semi-annual payment intervals up to November 2015 (see Note 20). As at December 31, 2014 and 2013, the floating to fixed interest rate swap has a negative fair value of ₱19.0 million and ₱36.0 million, respectively.

- Two Philippine peso interest rate swap agreements with notional amount of ₱1,000.0 million each, with amortization of ₱10.0 million every anniversary. The consolidated net cash flows of the two swaps effectively converts the Philippine peso-denominated five-year inverse floating rate notes into floating rate notes with quarterly payment intervals up to June 2015 (see Note 20). As at December 31, 2014 and 2013, the interest rate swaps have positive fair values of ₱31.0 million and ₱119.0 million, respectively.

In 2009, SM Prime entered into US$ interest rate swap agreements with an aggregate notional amount of US$25.0 million. Under these agreements, SM Prime effectively converts the floating rate US dollar-denominated five-year bilateral loan into fixed rate loans with semi-annual payment intervals up to November 2013 (see Note 20). Fair value changes from the matured swap recognized in the consolidated statements of income amounted to a ₱10.0 million gain in 2013.

US$250.0 million Convertible Bonds. The Parent Company's convertible bonds contain multiple embedded derivatives which were bifurcated and accounted for as a single compound derivative (see Note 20).

31. EPS Computation

	2014	2013	2012
	(In Thousands, Except for Per Share Data)		
Net income attributable to common owners of the Parent for basic earnings (a)	**₱28,398,584**	₱27,445,682	₱24,674,381
Effect on net income of convertible bonds, net of tax	**–**	–	–
Net income attributable to common equity holders of the Parent adjusted for the effect of dilution (b)	**₱28,398,584**	₱27,445,682	₱24,674,381
Weighted Average Number of Common Shares Outstanding			
Weighted average number of common shares outstanding for the period, after retroactive effect of stock dividends declared in 2013 (c)	**796,317**	787,457	776,823
Dilutive effect of convertible bonds	**–**	–	–
Weighted average number of common shares outstanding for the period adjusted for the effect of dilution (d)	**796,317**	787,457	776,823
Basic EPS (a/c)	**₱35.66**	₱34.85	₱31.76
Diluted EPS (b/d)	**₱35.66**	₱34.85	₱31.76

Diluted EPS takes into consideration the effect of convertible bonds on net income and on the number of shares.

32. Non-cash Transactions

The Group's principal non-cash transaction under financing activities pertains to the conversion of the Parent Company's convertible bonds into common shares. Details of the conversion option of the convertible bonds and the conversions are in Note 20.

The Group's principal non-cash transaction under investing activities pertains to the acquisition of controlling interest in HPI in exchange for SM Prime common shares. Details of the corporate restructuring are in Note 5.

33. Reclassification

The comparative information in 2013 and 2012 consolidated statements of income has been reclassified to conform to the presentation of the financial statements for the year ended December 31, 2014.

34. Events After the Reporting Period

On various dates from January 1 to March 4, 2015, the bondholders of US$55.2 million (₱2,468.5 million) opted to convert their holdings into 3.8 million common shares. This resulted to an increase in Capital stock and Additional paid-in capital amounting to ₱37.7 million and ₱2,979.2 million, respectively, and a decrease in Long-term debt and Derivative liability of ₱2,055.1 million and ₱961.8 million, respectively.

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2014
(Amounts in Thousands)

SM Investments Corporation

10th Floor, One E-Com Center, Harbor Drive,
Mall of Asia Complex, CBP-1A, Pasay City 1300

Unappropriated RE, December 31, 2013		**₱13,358,104**
Adjustments to beginning unappropriated RE:		(254,039)
Rental income from straight-line amortization in excess of rental payments	(311,669)	
Actuarial loss as at January 1, 2013 recognized as expense in 2013	48,548	
Unrealized foreign exchange gain	9,082	
Unappropriated RE, as adjusted to available for dividend distribution, beginning		**13,104,065**
Net income during the period closed to Retained Earnings	₱9,179,127	
Less: Non-actual/unrealized income, net of tax		
Rental income from straight-line amortization in excess of rental payments	54,234	
Net income actually earned/realized during the period		**9,233,361**
Less Cash Dividends declared during the period		(8,233,455)
Unappropriated RE, as adjusted to available for dividend distribution, ending		**₱14,103,971**

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
List of Philippine Financial Reporting Standards (PFRSs) and Interpretations Effective as at December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	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			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of PFRS – Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs**			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition**			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination**	Not Early Adopted		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements**	Not Early Adopted		
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			✓
	Amendments to PFRS 5: Changes in Methods of Disposals**			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	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	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures – Servicing Contracts**	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements**	Not Early Adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets**	Not Early Adopted		
PFRS 9	Financial Instruments *	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)**	Not Early Adopted		
	Amendments to PFRS 9 (2014 version)**	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Not Early Adopted		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations**	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception**	Not Early Adopted		
PFRS 14	Regulatory Deferral Accounts**			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 15	Revenue from Contracts with Customers**	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Presentation of Financial Statements – Clarification of the requirements for comparative information	✓		
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	✓		
	Amendments to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation**			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization**			✓
	Amendment to PAS 16: Bearer Plants**			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate**	Not Early Adopted		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution**	Not Early Adopted		
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	✓		

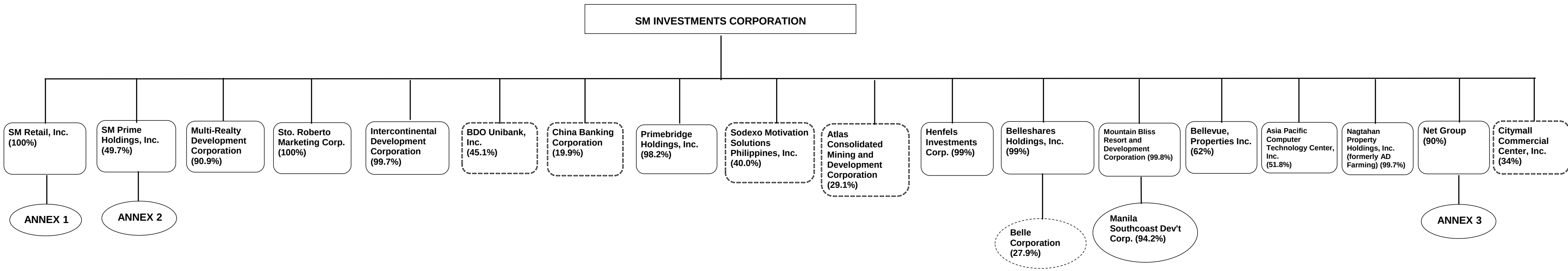
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2014**		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel**	Not Early Adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements**	Not Early Adopted		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and 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	✓		
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'**	Not Early Adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization**			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
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	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property**	Not Early Adopted		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants**			✓
Philippine Interpretations				
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 8	Scope of PFRS 2			✓
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 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓

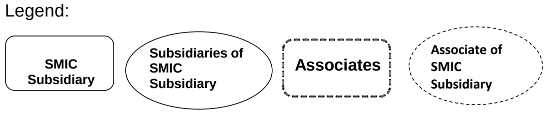
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
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	✓		
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			✓

** Standards and interpretations which will become effective subsequent to December 31, 2014*
***Standards and amendments already approved by the FRSC but still for approval by BOA*

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
Corporate Structure
As of December 31, 2014

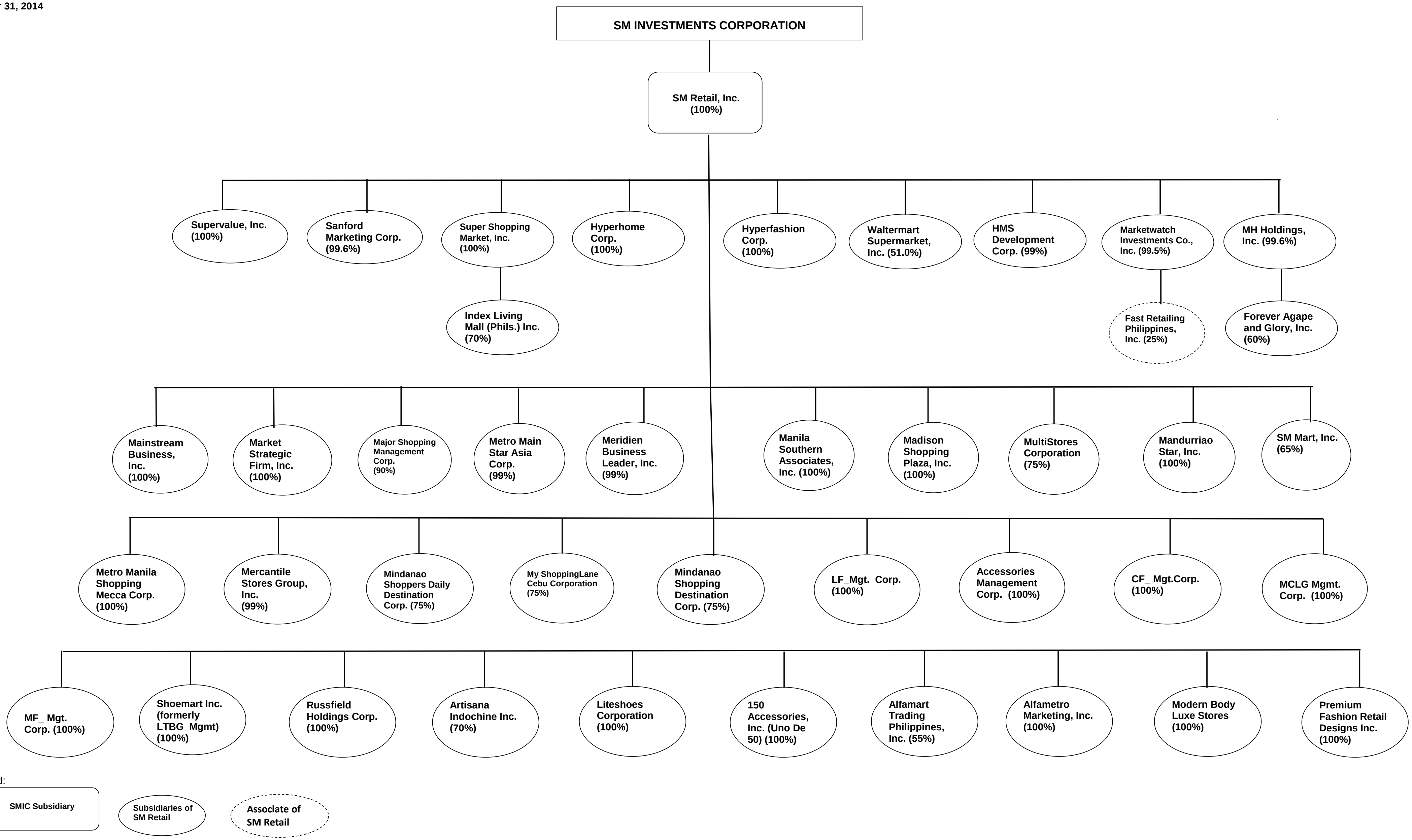


Legend:



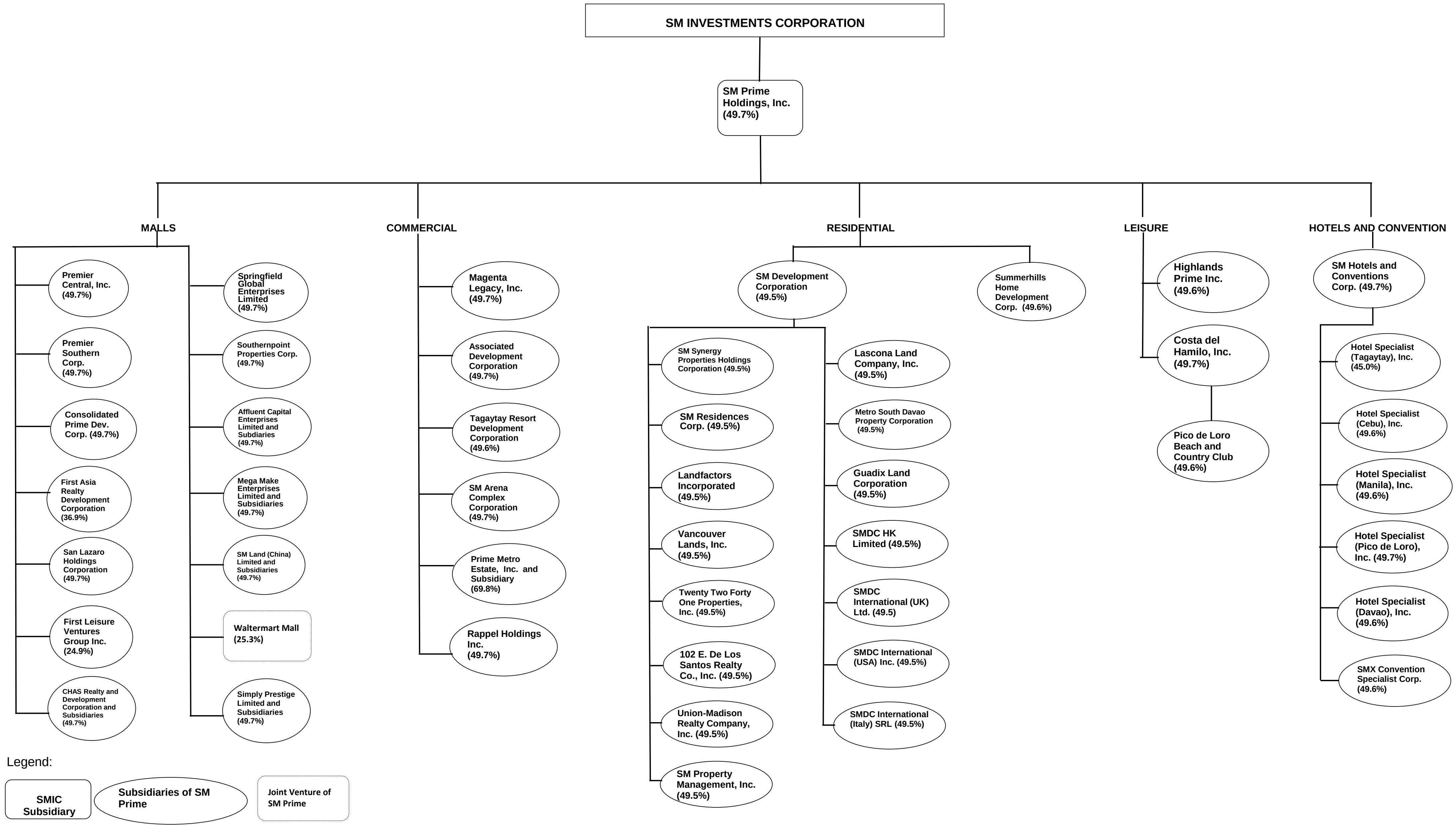
Note: % Refers to Effective Ownership

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
Corporate Structure
Annex 1
As of December 31, 2014



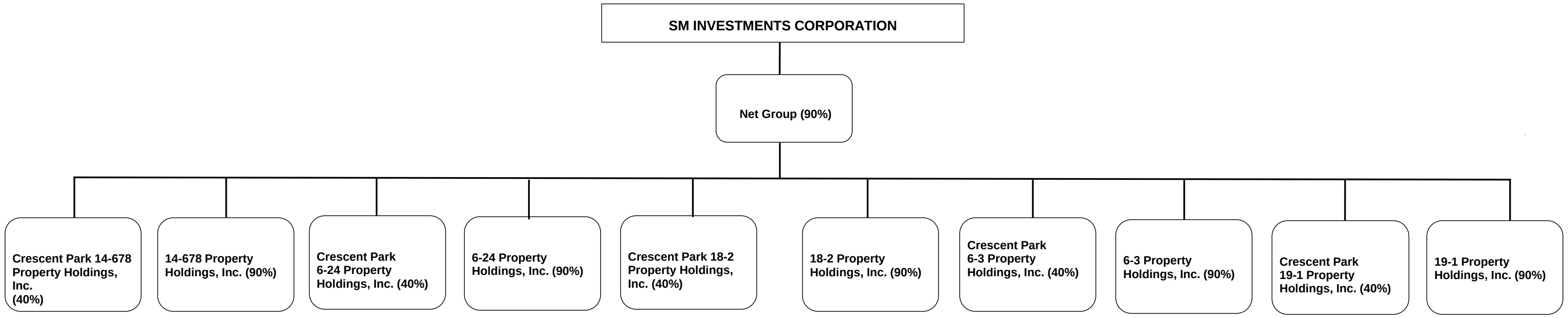
Note: % Refers to Effective Ownership

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
Corporate Structure
Annex 2
As of December 31, 2014



Note: % Refers to Effective Ownership

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
Corporate Structure
Annex 3
As of December 31, 2014



Legend:

SMIC Subsidiary

Note: % Refers to Effective Ownership

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

			2014	2013
i.	Current ratio	Current assets / Current liabilities	1.93 : 1	1.23 : 1
ii.	Debt-to-equity ratio	Total interest-bearing debt / Total equity attributable to equity holders of the parent + Total interest-bearing debt	50 : 50	52 : 48
	Net debt-to-equity ratio	Total interest-bearing debt less cash and cash equivalents (excluding cash on hand), time deposits, investments in bonds held for trading and available-for-sale / Total equity attributable to equity holders of the parent + Total interest-bearing debt less cash and cash equivalents (excluding cash on hand), time deposits, investments in bonds held for trading and available-for-sale	34 : 66	37 : 63
iii.	Asset to equity ratio	Total assets / Total equity	2.03	2.11
iv.	Interest rate coverage ratio	Income from operations + Depreciation and amortization / Interest expense	5.43	5.56
v.	Return on assets	Net income attributable to equity holders of the parent / Average assets	4.2%	4.6%
	Return on equity	Net income attributable to equity holders of the parent / Average equity attributable to equity holders of the parent	12.0%	13.0%