PRIME
HOLDINGS

ANNUAL REPORT 2013

THE DYNAMIC WORLD OF SM

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PRIME
HOLDINGS

Vision

SM Prime aspires to be the world-class Filipino brand in the integrated property development industry that acts as a catalyst for economic growth, committed to deliver innovative and sustainable lifestyle cities, thereby enriching the quality of life of millions of people.

Mission

To constantly meet the ever-changing needs of the customer

To increase shareholder value and to deliver sustainable long-term growth

To be the employer of choice

To nurture communities where we serve

To act as a catalyst for economic growth

Values

Focus

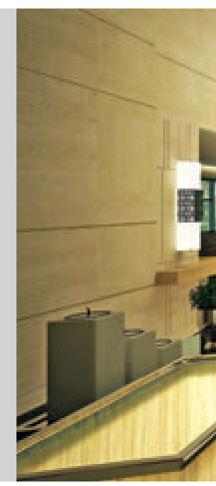
Hard Work

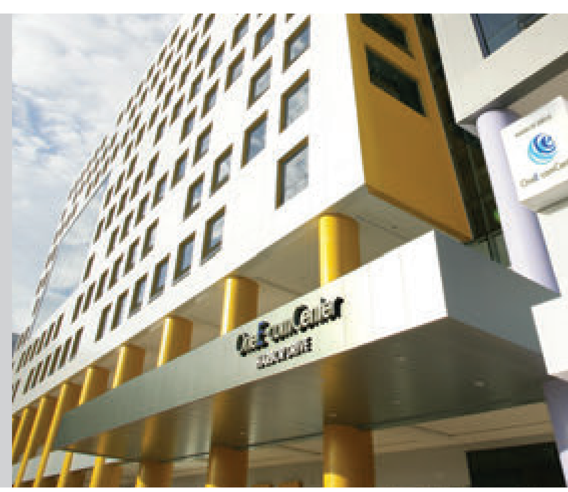
Innovation

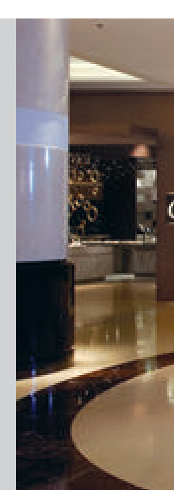
Integrity

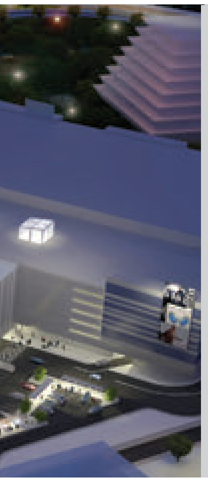
Prudence

BUSINESS UNITS









Malls

48 Malls in the Philippines

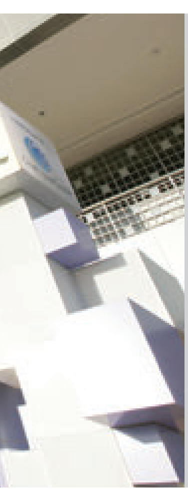
5 Malls in China

6.2 million sqm Total Gross Floor Area

Residences

22 Condominium Projects

63,892 Units (Total)



Offices

3 Office Buildings

146,779 sqm Total Gross Floor Area

Hotels and Convention Centers

4 Hotels

1,015 Hotel Rooms

3 Convention Centers

AT A GLANCE

2013 Operating Highlights

Malls

- Total Revenues of PHP34.45 billion grew by 12% from 2012 revenues of PHP30.65 billion.
- Net Income was PHP11.45 billion.
- Total Investment Properties amounted to PHP142.49 billion.

Residences

- Total Real Estate Revenues of PHP20.92 billion was lower by 8%. This accounted for 35% of SM Prime's Total Revenues.
- Net Income was PHP4.24 billion.
- Total Assets amounted to PHP97.35 billion.

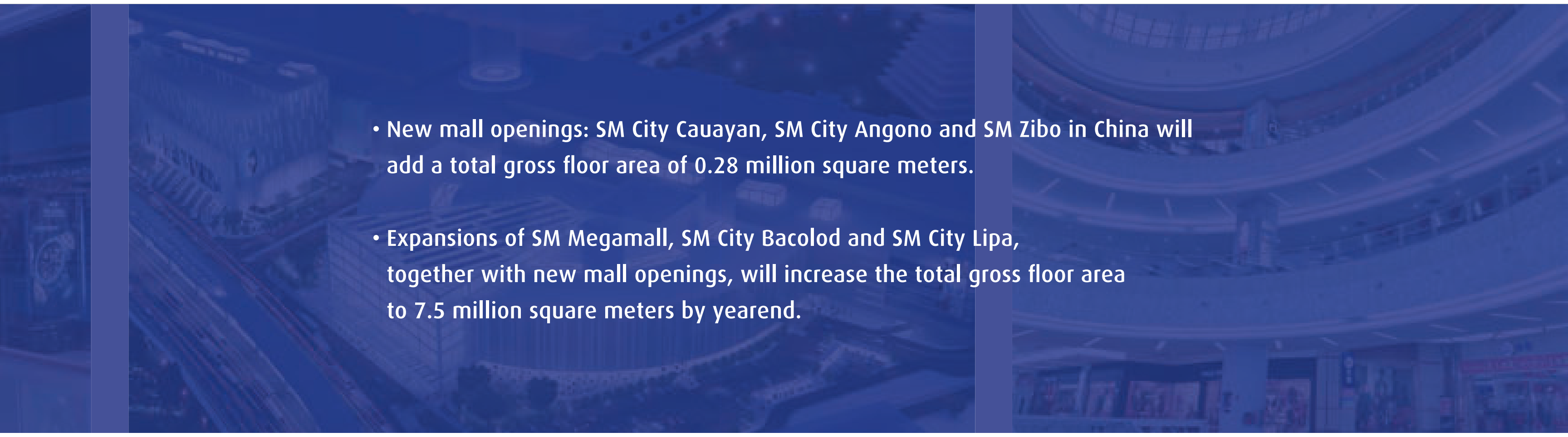
Offices

- Total Revenues of PHP3.43 billion increased by 11%.
- Net Income was PHP1.85 billion.
- Total Investment Properties amounted to PHP22.14 billion.

Hotels and Convention Centers

- Total Revenues grew by 25% to PHP1.81 billion.
- Total Investment Properties amounted to PHP6.17 billion.

2014 Outlook



- New mall openings: SM City Cauayan, SM City Angono and SM Zibo in China will add a total gross floor area of 0.28 million square meters.
- Expansions of SM Megamall, SM City Bacolod and SM City Lipa, together with new mall openings, will increase the total gross floor area to 7.5 million square meters by yearend.

- Three new projects with about 7,000 units combined will be launched in the 2nd half of the year.
- New towers in four existing projects will be built to accommodate the increasing demand for housing.

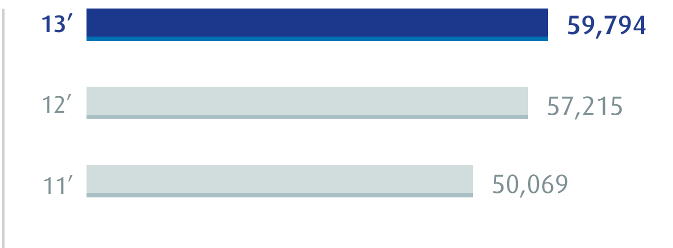
- Groundbreaking of ThreeE-com is set in 2Q2014.
- Topping off of FiveE-com is scheduled in 3Q2014.

- Construction of Park Inn Clark will commence in 4Q2014.
- SMX Bacolod will be launched in 4Q2014.

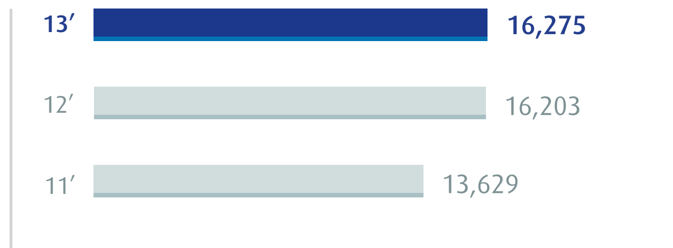
FINANCIAL HIGHLIGHTS

	2013	2012	2011
Balance Sheet Highlights			
Total Assets	**335,584**	284,652	228,863
Investment Properties	**171,666**	147,854	129,972
Total Debt	**106,313**	80,580	55,932
Net Debt	**77,132**	56,121	35,513
Total Stockholders' Equity	**163,267**	147,628	126,658
Income Statement Highlights			
Revenues	**59,794**	57,215	50,069
Costs and Expenses	**35,659**	35,145	30,772
Operating Income	**24,136**	22,070	19,297
Net Income	**16,275**	16,203	13,629
EBITDA	**30,116**	27,197	24,121
Financial Ratios			
Debt to Equity	**0.39:0.61**	0.35:0.65	0.31:0.69
Net Debt to Equity	**0.32:0.68**	0.28:0.72	0.22:0.78
Return on Equity	**0.10**	0.12	0.11
Debt to EBITDA	**3.53**	2.96	2.32
EBITDA to Interest Expense	**8.17**	8.87	8.22
Operating Income to Revenues	**0.40**	0.39	0.39
EBITDA Margin	**0.50**	0.48	0.48
Net Income to Revenues	**0.27**	0.28	0.27
Debt Service Coverage Ratio	**2.15**	1.09	2.25
Revenue Profile			
Malls	**57%**	53%	53%
Residences	**35%**	40%	35%
Offices	**5%**	5%	10%
Hotels and Convention Centers	**3%**	2%	2%
Asset Profile			
Malls	**55%**	49%	52%
Residences	**29%**	29%	25%
Offices	**14%**	20%	21%
Hotels and Convention Centers	**2%**	2%	2%

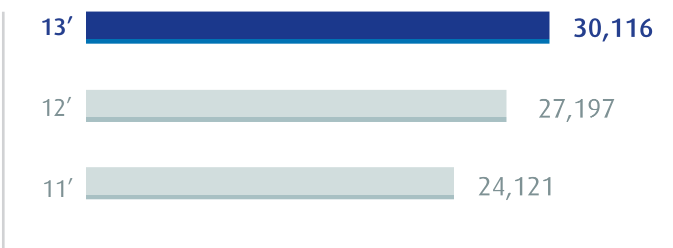
Revenues



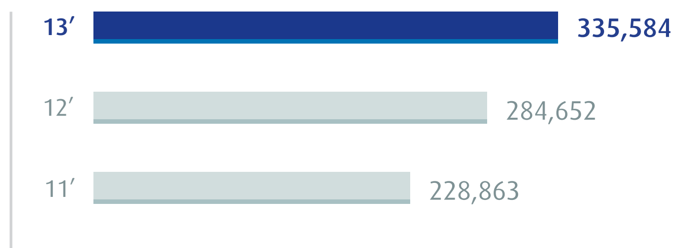
Net Income



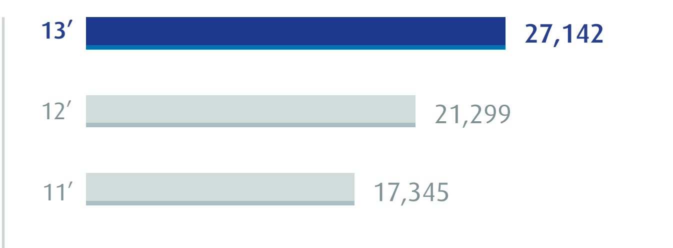
EBITDA



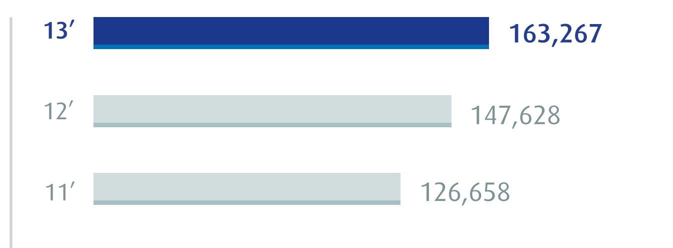
Assets



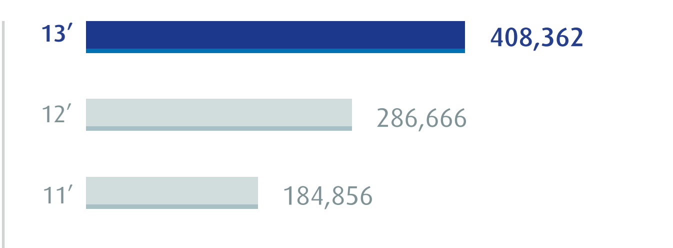
Cash and Cash Equivalents



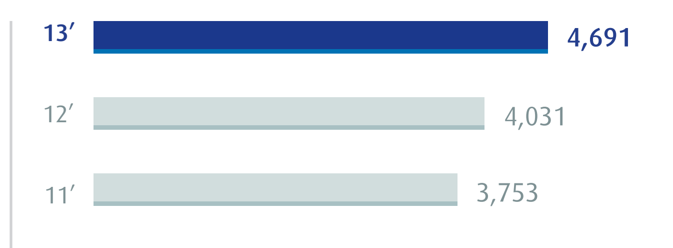
Equity



Market Capitalization



Dividends Paid to Shareholders



(all numbers are in million PHP
except for financial ratios and %)

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

Our journey as a Company has been very fruitful, from 1994 when we listed SM Prime Holdings, Inc., until 2012. This continued in 2013, for yet another historical year.

Today, your Company has grown to be one of the largest integrated property developers in Southeast Asia. This newfound recognition is something we should be grateful for.

To our loyal customers and tenants who have supported your Company since we opened our first mall in 1985, we thank you for your continued patronage. You have inspired us to serve your ever-changing needs.

We are also thankful to you our shareholders who have continued to believe in SM Prime, as we dedicate ourselves to deliver long-term value and growth. We thank you for your lasting trust.

To our employees, SM Prime would not be where it is today without you. We thank you for your unwavering commitment, motivation and ingenuity in delivering innovative and sustainable solutions in the products and services we provide.

To our business partners, who have shared their relentless enthusiasm and determination for responsible entrepreneurship, we thank you for your confidence and support.

Here at SM Prime, your Board of Directors and management team are moving forward together to make SM Prime into a dynamic company that is guided by our core values of Focus, Hard work, Innovation, Integrity and Prudence.

As a responsible citizen we will continue to nurture the communities where we serve, to give careful attention to those with special needs and to ensure that mother earth is well cared for at all times.

We look back with much gratitude and move forward with a stronger hold, as we face new challenges and opportunities.

HENRY SY, SR.
Chairman Emeritus

2013 was a dynamic year for SM Prime Holdings, Inc. and for the local and global property sector.

On a global scale, record-low interest rates were manifested across many nations due to market stimulation resulting to a boost in the property industry. In turn, the Philippines experienced the ripple effect and drove the Philippine Stock Exchange index to record highs that translated into economic growth. Inspite of this growth, property prices in the country have remained stable and banks have continued to be conservative and prudent in lending.

RIGHT PLACE, RIGHT TIME

This makes the competitive scenario more dynamic and requires our strengthened commitment to innovation, focus on continuous improvement and service excellence, rigorous attention to building shareholder value, and a long-term outlook of the business.

In 2013, we consolidated all our property businesses into SM Prime Holdings, Inc. The merger has made SM Prime one of the largest integrated property developers in Southeast Asia. Here, the offerings would include the development of malls, residences, commercial offices as well as hotels and convention centers.

This consolidation will enable us to explore wider opportunities, particularly as the ASEAN market moves towards greater integration by 2015.

TRANSFORMING THE BUSINESS

We have rolled up expansion plans by introducing the "lifestyle city" concept, a mixed-use development that offers retail, residential, commercial office, hotel, and convention center components. Inspired by the success of our SM Mall of Asia complex in Pasay City, we are bringing the same concept of "lifestyle cities" to Cebu and China. As we pursue these big plans, we thank you for supporting us through your patronage, dedication, and passion.

You can look forward to the continued success of SM Prime for years to come.

HENRY T. SY, JR.
Chairman

PRESIDENT'S REPORT

It was a breakthrough year for SM Prime Holdings, Inc. In 2013, we consolidated the property companies and real estate assets of the SM Group under your Company. This transformation required a fundamental shift in our business – from being primarily a mall developer to an integrated property company.

A YEAR OF TRANSFORMATION

For a company that is barely two decades old, this transformation represents bolder steps towards our aspiration to become the world-class Filipino brand. Financially, this allows us to strengthen our balance sheet and explore more opportunities while sparking investor confidence.

While we were able to sustain our financial performance in 2013, the results of our earnings reflected investments, as well as some of the challenges when undertaking a transformation of this magnitude.

SM Prime's combined net earnings of PHP16.27 billion came out close to identical to that of 2012. If not for the one-time integration cost of PHP1.28 billion, a potential 8% increase to PHP17.55 billion in 2013 would have resulted.

SM Prime's presence in four core businesses has enabled us to sustain strong revenue and earnings growth in 2013. Consolidated revenues during the period rose 5% to PHP59.79 billion, mainly fueled by the double-digit growth contributions from our mall rental, real estate sales, commercial lease, and amusement businesses.

RENTAL REVENUES. Consolidated rental revenues accounted for 54%, posting an 11% increase to PHP32.20 billion year-on-year. This was 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, our rental revenues grew 7%.

SM Prime's shopping malls in China also sustained their profit growth, posting a combined net income of PHP958 million, a 6% increase.

CINEMA REVENUES. Filipinos remained avid moviegoers despite the influx of online film offerings and this is reflected in our cinema ticket sales, which increased by 8% to PHP3.74 billion. We opened more digital cinemas at our new malls, which enabled us to offer simultaneous nationwide releases and more local and international blockbuster movies.

OTHER REVENUES. Amusement and other revenues increased by 40% to PHP3.08 billion. This was a result of the opening of new amusement rides in SM by the Bay and the SkyRanch in Tagaytay. Increase in advertising income and sponsorship revenues added to the revenue stream.

RESIDENTIAL. Real estate sales for 2013 stood at PHP20.78 billion. Three projects were launched in 2013, namely, Grass Phase 2, Shore and Trees. These projects are expected to contribute significantly to revenues starting in 2014. Gross margins improved to 43% versus 38% in 2012.

COMMERCIAL. 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 by 12% to PHP2.86 billion.

OPERATING EXPENSES. Consolidated operating expenses increased by 12% to PHP23.74 billion in 2013 while consolidated costs of real estate was at PHP11.92 billion, a 15% decrease from PHP13.97 billion in 2012.

TRANSFORMING COMMUNITIES

While we continue to evolve, we remain steadfast in our commitment to economic and social development. To ensure SM Prime's future sustainability, we place our customers and stakeholders at the heart of our business. That is why we invest and build disaster resilient structures to protect the safety and welfare of our neighboring communities in times of calamity.

Your Company has also rolled out Automated Weather Systems in all of our malls and stand-alone department stores to notify and inform our customers and neighboring communities about the weather forecast.

We are pleased to report that SM Prime has been making significant inroads with regard to sustainable design. From the moment we launched our earliest environment-friendly malls such as SM City Naga, SM City Rosales in Pangasinan, and SM City Baliwag in Bulacan, among others, SM Prime has regarded sustainability as the core of a responsible and future-driven business.

The progress we have made over the past year was made possible by our loyal customers, partners and by the dedication of our employees.

With your continued support, we look forward to an even brighter future.

HANS T. SY
President

Malls

The mall development and operations business accounts for the biggest contribution in the integrated property development.


THE BODY SHOP
OPTICAL Works
Lee

MALLS

Top: SM Aura
Bottom: SM City BF Parañaque

The World at the Palm of Our Hands

Mirroring the growing aspirations of the global Filipino, SM Prime opened SM Aura Premier at the Bonifacio Global City in 2013. More than just an upscale shopping destination, SM Aura Premier doubles as a civic center for the community.

With a gross floor area of 234,892 square meters (sqm), SM Aura is a mixed-use development with five shopping levels and an office tower. It is home to the multi-level Sky Park, a 1,100-seat performance hall, a 250-seat chapel, and an al fresco dining and entertainment center. The Miami-based architectural firm Arquitectonica designed the mall, drawing inspiration from a serene natural environment.

This retail haven features Filipino shopping staples and concept/flagship stores. SM Aura Premier also hosts global brands such as Uniqlo, French clothing brand Petit Bateau, Suiteblanco, Stefanel, Minelli, and TM Lewin, among others. This upscale vibe reflects SM Prime's commitment to being at the center of rapidly changing consumer trends offering a diverse tenant mix for the consumers.

On November 29, 2013, shortly after the opening of SM Aura Premier, SM Prime opened SM City BF Parañaque. This mall offers customers upscale shopping and entertainment varieties.

Covering 120,200 square meters, SM City BF Parañaque sits on a prime 25,079 sqm. site along Dr. A. Santos (formerly Sucat Road) and President's Avenue. It is SM Prime's 48th mall in the country and the fifth in the South Metro area after SM Southmall, SM City Sucat, SM City Bicutan, and SM Center Las Piñas.

As high-end and innovative developments, SM Aura and SM BF Parañaque bring the luxury of choice – local and international – to Filipinos.

Mall Events 2013

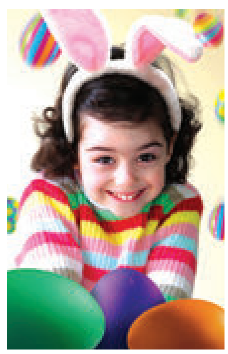
FEB

Chinese New Year – SM Supermalls became the venue for the Chinese Food Festival to welcome the year of the Water Snake

Valentine's Day – SM Supermalls celebrated the season of love with Malaysian violinist and model Josh Kua

MAR

Graduation – The class of 2013 was treated to freebies and discounts as SM Supermalls became the venue for their graduation ceremonies



APR

Easter – Children who participated in the "Eggstreme Hunt" got treated to countless goodies as SM Supermalls celebrated Easter

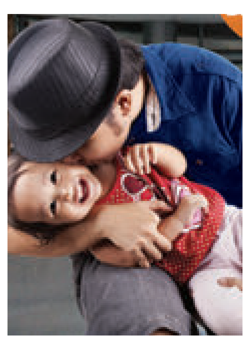
MAY

Mother's Day – The Mother's Day Exhibit at SM Supermalls captured the special love of a mother-child relationship

JUN

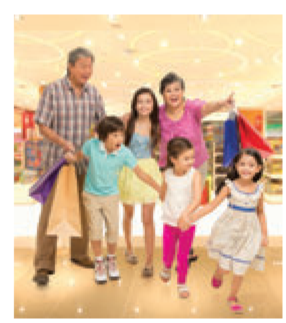
Father's Day – SM Supermalls treated Dads to special dining offers while they listened to their favourite songs produced live by DJs and local artists

Independence Day – OPM artists graced SM Supermalls Independence Day celebration, performing for the shoppers



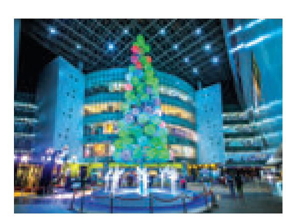
SEP

Grandparent's Day – The Get Groovy event celebrated the songs of the 60s and 70s



OCT

Halloween – SM Supermalls offered children in their spookiest costumes, goods and ghostly delights at the Halloween fair for 2013's Trick or Treat event



DEC

Christmas – SM Supermalls became the country's "official" Christmas wonderland and must-go place for the whole family

Top: SM Megamall Fashion Hall
Middle: SM City Bacolod
Bottom: SM Zibo China

Growing with the Market

SM Prime's continuing dedication to provide customers with quality offerings is evident in a series of mall launches and expansions in 2014.

On January 28, 2014, the company unveiled the 101,000-sqm SM Megamall Fashion Hall. It houses 125 new retail stores, about 90 percent of which are global brands, including Uniqlo, Zara, and the soon-to-open Swedish brand H&M.

The Mega Fashion Hall also offers a variety of the most exciting international dining concepts such as Hong Kong's Michelin Star dimsum restaurant Tim Ho Wan, the first Saint Marc's Café of Tokyo, and gyoza specialist Osaka Ohsho.

The addition of Mega Fashion Hall made SM Megamall in Mandaluyong City the biggest mall in the Philippines.

By the second half of 2014, SM Prime is opening the 94,386 sqm. SM Cauayan in Isabela province and the 33,094 sqm SM Angono in Rizal province.

It also plans to open its new SM Zibo mall in China's Shandong province, adding to SM Prime's network of five shopping centers in the cities of Xiamen, Jinjiang, Chengdu, Suzhou and Chongqing.

SM Prime has also allocated about PHP10 billion to expand two malls in the country – SM City Bacolod, and SM City Lipa, which will have a gross floor area of 133,894 sqm and 34,437 sqm, respectively.

As the Philippine economy continues to grow, SM Prime is gearing up to meet rising consumer demand with new malls and more exciting offerings.

Fast Facts

Malls

48 Philippines

5 China

Mall Tenants

Philippines
15,986 tenants

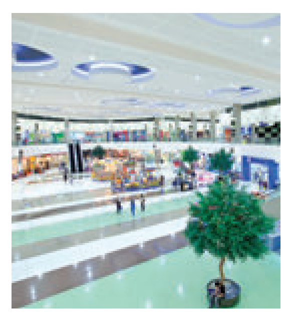
China
1,408 tenants

Average Daily Pedestrian Count

Philippines
3.5 million

China
0.2 million

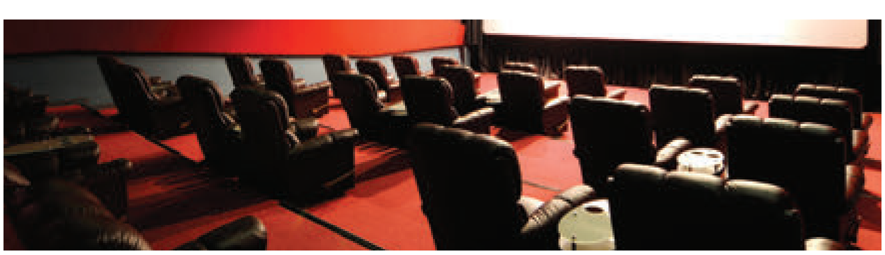
Total Gross Floor Area



Philippines
6.2 million sqm

China
0.8 million sqm

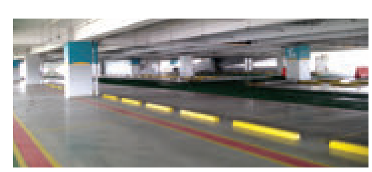
Cinema Seats



Philippines
133,335 seats

China
6,456 seats

Parking Slots



Philippines
61,246 slots

China
6,795 slots

Top: SM City Xiamen
Bottom: Installed Solar Panels

Solar-Powered Mall

When the Sy family started building an SM mall in Xiamen, China in 1999, it was a way of giving back to their homeland. Now the malls have also started giving back to Mother Earth.

In July 2013, SM City Xiamen launched its 1.1-megawatt rooftop solar power project featuring 3,740 solar panels with an area covering more than 10,000 sqm on their roofs. This makes SM City Xiamen the first Building Integrated Photovoltaic (BIPV) shopping mall in Xiamen and the only one in Fujian province that has received national capital support in 2013. Including Phase 2 of the project in SM Lifestyle Center, total investment was about RMB13.2 million or USD2 million.

The solar power project generates an estimated 1.1 million kilowatt hours per year. During its 25-year service period, its total generating capacity is about 27.5 million kWh, which means it can supply power for more than 137,500 bulbs lighting up together for 8 hours. This makes it as both an economical and an effective alternative to traditional energy generation. On the basis of the current power generation practices of China's coal-fired power plants, this project can reduce about 385 tons of standard coal consumption every year. During its 25-year service period, about 9,625 tons of standard coal can be saved.

The project has garnered the "Mall China Design Innovation Award" during the Golden Mall Awards 2013 and the China Public Benefit Project of the China Charity Festival, both held in Beijing, China.

Solar panels do not only lower the emissions of SM City Xiamen but it also supports SM's advocacy for renewable energy. As SM continues to embed sustainability in the Company's business model and operations, it continues to seek new innovative ways to reduce consumption and its carbon footprint.

SM Malls: Philippines and China

48
malls

Total Gross Floor Area
6,154,258
sqm

PHILIPPINES
(In order of development)

Metro Manila

North EDSA
Sta. Mesa
Megamall
Southmall
Fairview
Manila
Sucat
Bicutan
San Lazaro
Valenzuela
Mall of Asia
Pasig
Muntinlupa
Marikina
Las Piñas
Novaliches
Aura
BF Parañaque

Provincial

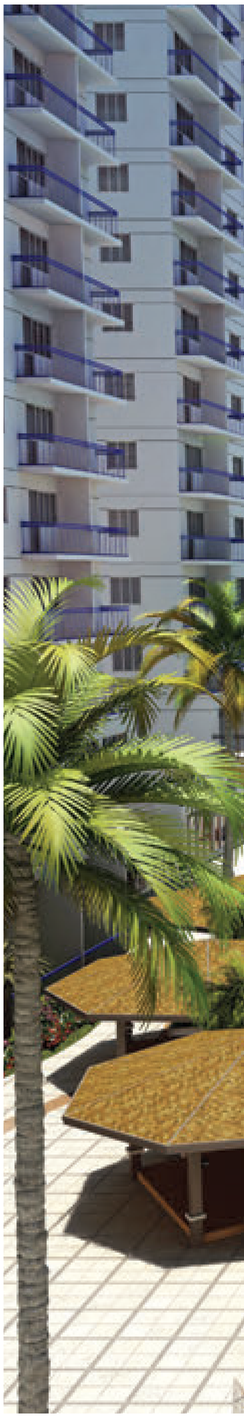
Cebu
Bacoor
Iloilo
Pampanga
Davao
Cagayan de Oro
Baguio
Lucena
Marilao
Batangas
Dasmariñas
Molino
Clark
Lipa
Sta. Rosa
Taytay
Bacolod
Baliwag
Rosales
Naga
Rosario
Calamba
San Pablo
Tarlac
Masinag
Olongapo
San Fernando
Consolacion
General Santos
Lanang

CHINA
(In order of development)

Xiamen
Jinjiang
Chengdu
Suzhou
Chongqing

5
malls

Total Gross Floor Area
794,601
sqm



Residences

SM Development Corporation (SMDC), the residential arm of SM Prime continues to deliver aspirational and strategically located homes.

Top: Shore Residences
Bottom: Trees Residences

Urban Living in Shore and Trees

SM Prime continues to widen its portfolio of convenient, upscale and environment-friendly residential offerings that meet the Filipino's aspirations for affordable luxury.

In 2013, the company opened Shore Residences inspired by the warmth of summer and the spectacular view of Manila Bay. The 3.3-hectare property sits at the heart of convergence – the sprawling SM Mall of Asia complex.

Building on the success of two prior developments – Sea Residences and Shell Residences – Shore is envisioned as a personal resort, offering residents a year-round vacation destination. It will have four towers with 18 floors, each with amenities such as swimming pools, lush gardens, function rooms, a pavilion, and a multi-purpose playing field. To further take advantage of its location, its landscaping will feature a beach theme.

In October 2013, the company launched Trees Residences for those wanting to be in close proximity to the major commercial centers in the northern section of Quezon City.

Located in Novaliches, Trees Residences is just five minutes from SM City Fairview and La Mesa Ecopark. The proposed MRT 7 line will make the residential development more accessible.

Set to rise on an eight-hectare site, Trees is a mid-level vertical development that offers the security of a gated community, as well as prized amenities including a swimming pool, multi-purpose court, function rooms, and a retail area. The property will have 19 condominium buildings on seven levels.

With the addition of Trees Residences and Shore Residences, SM Prime now has 22 residential condominium developments, catering to the growing demand of the mid-market segment.

SMDC 2013 Events

GRACE RESIDENCES - Last September 11, 2013, Grace Residences launched its third tower Tulip, at the Sky Lounge in W Building, BGC. Featuring sprawling gardens and resort-like amenities, this development is located in the progressive city of Taguig and is proximal to three CBD's, the Bonifacio Global City, the Makati Commercial Business district and the Ortigas Center.

JAZZ RESIDENCES - September 12, 2013, marked the grand opening of the Jazz Mall. This is the culmination of the five-star living experience promised by SMDC, highlighting living spaces in prime locations, with impressive amenities, but also a full service mall. The launch featured a concelebrated mass and was attended by top city officials and SM executives.

Brgy. Bel-Air residents troop en masse to avail of the launch discounts of Jazz Mall anchor tenant, SM Hypermarket.

TREES RESIDENCES - Ms. Anne Curtis led the successful launch of SMDC's latest offering up north - Trees Residences which is a mid-rise project located at Novaliches, Quezon City near the proposed MRT 7. It is the perfect address for those who want everything within easy reach.

GRASS RESIDENCES - The continuous success of Grass Residences is proven by the launch of yet another tower - Fern. SMDC clients were invited to the Pavilion last November 13, 2013 to have a taste of the life at the quiet community offered at Grass Residences. They were serenaded by the talented TV celebrity Karylle as they enjoyed the perfect view of the project's large lap pools and lush gardens.

SHORE RESIDENCES - Shore Residences, located at the heart of the Mall of Asia Complex, is a resort type condominium that offers beach island living 365 days a year with its beach entry swimming pools. SMDC's newest endorser, Sarah Geronimo, expressed her own excitement on the project, highlighting its grand amenities as something clients can look forward to.

Top: Grass Residences – Phase 2
Middle: Wind Residences
Bottom: Grace Residences

Convenient Living Spaces

Style, accessibility and affordable luxury are known trademarks of SM Prime's living spaces. This philosophy continues with four of its major developments – Grass Residences, Wind Residences, Grace Residences and Field Residences.

These four residential developments are either beside or within close proximity to an SM mall, offering residents convenience in dining, shopping, and entertainment.

SM Prime offers a wide array of amenities within each development. Typical amenities include a clubhouse, function rooms, a pool, basketball court, jogging trails and a beautifully landscaped perimeter.

Grass Residences Phase 2, a 1.4-hectare property beside SM City North EDSA will be adding two more towers with 38 storeys each or an additional 3,914 units. Its strategic location provides access to multiple transport terminals north and south of Metro Manila.

Wind Residences is a 15-hectare development in the heart of Tagaytay City, a favorite weekend retreat south of Manila, offering a view of magnificent Taal Lake.

Grace Residences, a 2.5-hectare property along Cayetano Boulevard near C5 road in Taguig City, will be adding two towers, for a total of 3,579 units. This development is near SM Aura Premier, SM Prime's latest upscale integrated property development, and a short hop from the Makati business district.

Field Residences is also scheduled for expansion. Situated beside SM City Sucat, this development occupies 7.8 hectares of prime land. The property will have 10 towers of eight to 12 floors each.

Combining location, convenience, well-crafted amenities and affordability, SM properties are designed for middle-income buyers seeking the best value for their money.

Where the Mountain Meets the Sea

Experience a life of leisure, adventure and luxury at Tagaytay Highlands and Pico de Loro Cove, SM Prime's world-class residential developments south of Manila.

The complex, an hour's drive from Metro Manila, showcases idyllic and luxury getaways serving as a second home for urban dwellers.

In 2013, SM Prime embarked on a PHP500 million capital expansion to build the second phase of Woodridge Place, a mid-rise condominium development inspired by the Colorado mountain resorts in America. One of its two mountain-top towers, the Linden, was launched in March 2013. This 12-storey condominium project sits on one of the highest elevations in the Highlands complex and offers magnificent views of the golf course and Laguna de Bay.

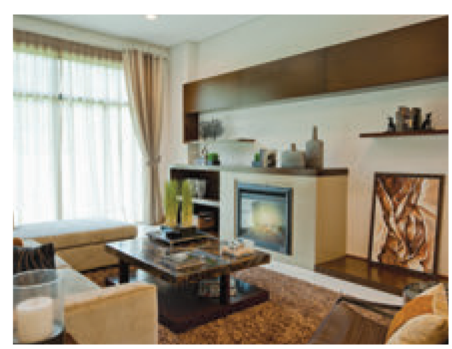
A short drive from Tagaytay Highlands is Hamilo Coast in Nasugbu, Batangas. This premier beach resort takes pride in its 13 coves, a 31-kilometer coastline and 5,900 hectares of lush terrain and natural beauty maintained by a comprehensive sustainability program.

On a 40-hectare valley within Hamilo Coast is Pico de Loro Cove, a leisure project that offers a fully equipped beach and country club, a boutique hotel and four mid-rise residential clusters set around a tranquil freshwater lagoon.

Each residential cluster – all named after the birds that frequent the cove – has two buildings designed to make the pleasures of owning a beach house as effortless and convenient as condo living.

This unique distinction earned Pico de Loro Cove two awards in 2013 – Asia's Best Resort Residences from Property Report, a leading real estate magazine in Southeast Asia, and Best Condo Development (Resort) in the Philippines' Property Awards 2013.

Tagaytay Highlands and Pico de Loro Cove offer affordability and luxury distinct from SM Prime's residential developments.



Top and Middle: Pico de Loro Country Club - interior and exterior
Bottom: Tagaytay Highlands - Aspen Hills and Woodridge Place

Offices

SM Prime's Commercial Property Group (CPG) which manages office development and operations continues to deliver cutting-edge architecture and IT-enabled buildings for outsourcing companies and business headquarters.

Commercial Offices

The continual rise of the BPO sector in 2013 became an opportunity for the Commercial Properties Group, a division of SM Prime, to provide the best quality service in terms of office spaces in key cities. SM Prime currently has 3 office buildings across the country and a total gross floor area of 146,779 sqm.

The Group posted a 17% increase in net revenues in 2013 from the past years, due to the higher occupancy rate and the robust operations of new commercial properties.

The TwoE-com Center, a modern architectural building at the MOA complex with a gross floor area of 107,862 sqm., was fully leased out. The iconic 15-level twin tower structure, built in December 2011, has been cited as the Best Office Development in the Philippines in the 2012 Asia Pacific Property Awards. The citation is a testament to the success of SM Prime as it addressed the needs of its clients.

SM Prime's strategy for its commercial property business remains: to provide competitive rates in space rental to attract cost-sensitive BPO companies and companies in other various industries. SM Prime is also committed to provide spaces in prime locations, latest infrastructure and state-of-the-art telecommunications to its clients.

To meet the ever growing demand from BPOs and other companies, SM Prime has a total land bank of 272,255 sqm., while existing commercial properties have a combined gross floor area of 788,566 sqm. SM Prime is already underway with the development of ThreeE-com. It will offer more than 125,000 sqm of gross floor area and its target completion date is by the fourth quarter of 2014.

This drive towards providing spaces for companies will not stop for SM as they continue to give the best quality service to all stakeholders.

Top: TwoE-com Lobby
Bottom: Cyber West

Hotels and Convention Centers

Managing SM Prime's hotel development and operations business, SM Hotels and Convention Centers (SMHCC), emerges as the country's leading provider of a wide range of trusted hotels and convention facilities.

The Conrad has Landed

Conrad Hotels and Resorts are known for top-notch accommodations catering to customers who seek a home away from home. Conrad Hotels and Resorts have locations all over the world: United States of America, Uruguay, China, Japan, Korea, Ireland and the Maldives, among others.

In 2015, this luxury hotel will rise at the heart of the Mall of Asia complex. Hilton Worldwide, owner of the Conrad international brand of luxury hotels and resorts, partnered with SM Prime to bring unparalleled luxury to guests and travellers in Manila.

The Conrad Manila complements the offering of SM Prime as a lifestyle destination with the SM Mall of Asia Complex. The eight-storey, 347-room hotel will have stunning views of the famous Manila Bay sunset. It will also be offering two levels of shopping and entertainment facilities featuring a diverse set of global and local brands and entertainment.

The Conrad Manila will be the latest addition to the growing hotel portfolio of SM Prime after the Park Inn by Radisson Hotel opened in Davao City in March 2013.

Park Inn is managed by the Carlson Rezidor Hotel Group, one of the world's largest hotel companies. It is strategically located next to SM Lanang Premiere, a new high-end mall in Davao City, and is the preferred hotel accommodation of guests attending SMX Convention Center events in the same city.

The two new hotels join Taal Vista Hotel in Tagaytay City and Pico Sands Hotel located within the Pico de Loro Cove, Hamilo Coast in Nasugbu, Batangas. The Conrad Hotel and Resort in the SM Mall of Asia Complex will feature a fully LEED-certified building. This achievement will further the commitment of SM Prime to advocate for environmental stewardship and sustainability.

Top: Conrad Manila
Bottom: Conrad Manila Management Agreement Signing. Signing the agreement are (seated from left to right) Mr. Henry T. Sy, Jr., Vice Chairman of SM Investments Corp. (SMIC); Ms. Elizabeth T. Sy, President of SM Hotels and Conventions Corp. (SMHCC); and Mr. Martin Rinck, President of Hilton Worldwide for Asia Pacific. At the back (left to right) are Atty. Arthur Sy, Vice President for Corporate Legal (SMIC); Ms. Marissa Helena Nubla, Senior Vice President for Special Projects; Ms. Christina Bautista, former Vice President for Business Development (SMHCC) and Mr. Guy Phillips, Vice President for Development of Hilton Worldwide for Asia Pacific

SMX 2013 Events

Manila Fame 2013
Asia's only design and lifestyle event that caters to a wide variety of exceptionally handcrafted products from furniture and furnishings to holiday décor and fashion

UAP NATCON/CONEX 2013 is the industry's most comprehensive national gathering of thousands of architects, design professionals and exhibitors from all over the country

Transport Show 2013 is the biggest automotive aftermarket show in the country which features various car models as well as car accessories

Travel Madness EXPO 2013, the biggest and prestigious international event participated by IATA members and leading travel agencies, including the industry's global service providers, national tourism organizations and destinations, hotels and resorts, cruise ships, destination management companies, food conglomerates, and other support services such as universal banks and financial institutions, and even property development firms

Franchise Asia 2013 - in SMX since 2008.
Today Asia's biggest 4-in-1 franchise show, FRANCHISE ASIA PHILIPPINES 2013 is a premier event and a much-awaited convergence of key franchise players, local and international, for a valuable sharing of global best practices. It has been the best place to discover proven business opportunities as well as to forge fruitful partnerships

Arena 2013 Events

FEB

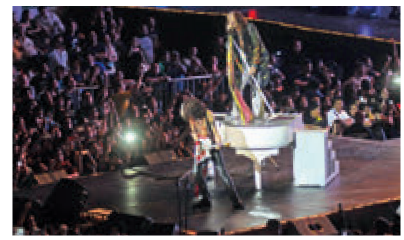
FOURSOME Concert - Regine Velasquez, Ogie Alcasid, Pops Fernandez and Martin Nievera
14,512 gate attendancee

MAR

UAAP Season 75
Women's Volleyball Finals of Ateneo vs. La Salle
18,514 gate attendance

MAY

Aerosmith
10,147 gate attendance



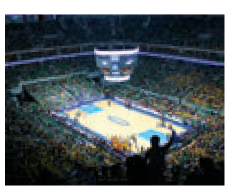
AUG

FIBA Asia Championships
Averaged 18,414 gate attendance

SEP

Diamonds World Tour
International superstar Rihanna
10,088 gate attendance

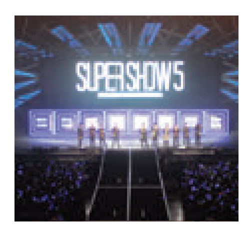
OCT



UAAP Season 76 Men's Basketball
23,396 gate attendance for the finals game 3 of University of Sto. Tomas vs. De La Salle University

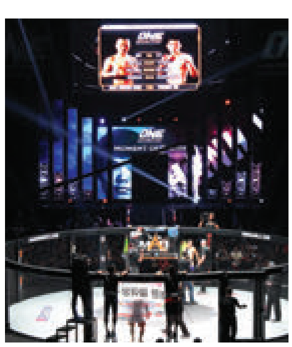
NBA Global Games
Houston Rockets vs. Indiana Pacers
14,526 gate attendance

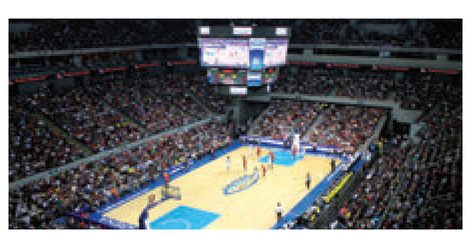
Supershow5
Super Junior
10,872 gate attendance



DEC

One Fighting Championship
5,854 gate attendance





PBA Philippine Cup
"Manila Classico" Petron vs. Ginebra
20,448 gate attendance

Disney Live!
Mickey's Magic Show
Averaged 3,965 gate attendance

FEATURE STORY

Creating the Property Development Benchmark in the Philippines

Top: SM Prime's Property Merger Announcement (seated left to right) Mr. Jeffrey C. Lim, Executive Vice President/Chief Finance Officer (SM Prime); Mr. Hans T. Sy, President (SM Prime); Mr. Henry T. Sy, Jr., Chairman (SM Prime); and, Mr. Jose T. Sio, Executive Vice President/Chief Finance Officer (SM Investments Corp.)
Spread: SM Seaside City

From a business model that started in 1958 sprung a bigger aspiration — strengthened by an increasing population of mall goers, a rising middle class, and the evolving desires of global Filipinos.

After making a name as the country's largest mall developer, SM took on a bigger challenge - to compete in wider markets and meet the growing demands of Filipino consumers. To achieve this, SM Prime needed to forge consortium among its related businesses.

GIANT STEPS

Behind this consolidation was the task of steering the five SM firms toward one direction.

The first step entailed an exchange offer: between SM Land, Inc. and two listed entities – SM Development Corp. and Highlands Prime, Inc.

The second step involved merging SM Land with SM Prime, with the latter as the surviving entity. The final step called for SM Prime to acquire specific real estate companies and assets that SMIC held in exchange for new SM Prime shares.

The Securities and Exchange Commission approved these transactions on October 10, 2013 – less than five months after the merger plan was publicly unveiled.

The landmark deal was meticulously designed and seamlessly executed that it garnered the "Most Innovative Deal" by financial magazine Alpha Southeast Asia.

FORMULA FOR SUCCESS

The consolidation creates a company that can engage in larger opportunities and better serve its stakeholders.

It also allows various property units of SM to form unity, particularly as it dots the archipelago with "lifestyle cities" – an integrated property development that combines its malls, residences, offices, hotels and convention centers, and events and leisure destinations.

This formula has already been proven successful in the SM Mall of Asia complex in Pasay City, and will be adopted in SM Seaside City Cebu.

GROWING OPPORTUNITY

SM has long mulled over the merger of its property units. 2013, however, proved to be the right time.

While the threat of bigger and more mature competition looms large with the ASEAN 2015 integration, the merger thrusts SM Prime into a better position to ride on the region's stellar economic growth. With a growing array of malls and properties, landbanking activities, and a strong presence in two of the fastest-growing economies in Asia and the world, SM Prime is destined to become an even more formidable player in the years to come.

Top: Mr. Jeffrey C. Lim, Executive Vice President/Chief Finance Officer of SM Prime received the Most Innovative Deal Award from Mr. Siddiq Bazarwala, Publisher at Alpha Southeast Asia Magazine

FEATURE STORY

Disaster Resilience: Building a Sustainable Business

GLOBAL PLATFORM ON DISASTER RISK REDUCTION

For the Filipinos, SM malls bring forth memorable experiences of shopping and bonding moments for families and friends.

To make those moments last through generations, SM works to create a long-term outlook of its business by investing in structures that ensure the protection of communities.

This is why "investing in the resilience of company assets makes good business sense," SM Prime President Hans Sy said at the United Nations Global Platform on Disaster Risk Reduction in Geneva, Switzerland last June 2013. "Disaster resilience is not just the private sector's business; it is everybody's business."

At the world's biggest assembly on disaster risk reduction, Mr. Sy, a member of the Private Sector Advisory Group of the United Nations Office for Disaster Risk Reduction (UNISDR), shared his insights on investing in disaster risk reduction. He pointed out SM City Marikina and SM City Muntinlupa. Both malls are situated on calamity-prone areas and its disaster resiliency features are able to withstand calamities while offering protection to neighboring communities.

During the onslaught of Typhoon Ondoy in 2009, SM City Marikina managed to avoid a potential billion-peso loss. SM City Marikina was built on concrete stilts and when the Marikina River overflowed the two-level basement parking of the mall acted like a water-catchment-basin.

For SM City Muntinlupa, a team of local and international experts commissioned by SM Prime designed a two-way slab system that enables the mall to withstand strong earthquakes.

Left: Mr. Hans T. Sy presenting the disaster resilient features of SM Malls at the Global Platform on Disaster Risk Reduction in Geneva, Switzerland
Right: Round-table discussion of top executives and leaders during the 2013 Top Leaders Forum

"SM Prime takes steps to ensure the longevity of our establishments, and safeguard the communities in which we operate," Mr. Sy said. "I believe we can make a call to foster more resilient cities around the world."

TOP LEADERS FORUM

The 2012 Top Leaders Forum, led by United Nations Office for Disaster Risk Reduction - Private Sector Advisory Group (UNISDR-PSAG) and SM Prime Holdings, aimed to discuss measures to build an Asian private partnership to make corporations safer against disasters. The UNISDR-PSAG is a by-invitation only group that represents the wider private sector and works with UNISDR to address disaster risk reduction.

During this event, Ms. Sandra Wu of the UNISDR-PSAG, formally invited Mr. Hans Sy to join the Group, in which he accepted. This recognition is because of his advocacy for disaster resiliency and risk management through various mall designs and business continuity management initiatives. Along with this is the membership of SM Prime Holdings to the UNISDR Private Sector Partnership.

Following the success of the first Top Leaders Forum in Manila, Philippines, the 2013 Top Leaders Forum was graced by Ms. Margareta Wahlström, Special Representative of the Secretary General for Disaster Risk Reduction. The Forum held in November of 2013 was also attended by Ms. Sandra Wu, Wen-Hsiu, Chairperson and CEO of Kokusai Kogyo Co. and Chair of the UNISDR-PSAG, along with PSAG members and over 150 top leaders and executives from the Philippines.

While the Top Leaders Forum in 2012 focused on the concrete measures that would make Asian businesses more resilient against disasters, the 2013 Forum aimed to discuss possible approaches to increase private sector resilience by optimizing and developing incentives for risk-informed business practices and resilient investments.

New Hope, New Beginnings

Top: SM Prime President Mr. Hans T. Sy leads the groundbreaking ceremony in Bogo City, Cebu
Spread: An artist's rendering of the homes that will be built for the survivors of Typhoon Yolanda (Haiyan)

After Super Typhoon Yolanda swept the Visayas region in November 2013, displaced survivors were relentless to rise up from the horrible devastation.

Some sought shelter in evacuation centers while others were left to fend for themselves for nights on end.

Fully aware of the dire living conditions in the typhoon-stricken areas, the SM Group saw the need to go beyond immediate relief assistance and embark on providing long-term rebuilding and reconstruction efforts. This led to the SM Cares Housing Program for Yolanda Survivors. The initial seed money of PHP20 million has grown into a PHP200 million commitment for the communities affected by the typhoon.

Through SM Cares, a division of SM Foundation and the Corporate Social Responsibility (CSR) arm of SM Prime, disaster-resilient homes for Yolanda survivors will be built on government certified areas in the affected areas in the Visayas.

On December 22, 2013, a ground-breaking ceremony was held for the first batch of SM Cares Villages, located in six barangays in Bogo, Cebu. More disaster-resilient homes are expected to rise in areas such as Cebu, Iloilo, Leyte and Samar.

REBUILDING LIVES

Rebuilding hope, more than just rebuilding houses, was the idea behind SM Cares Village. This is why it will also feature a community center, a playground, and a basketball court so that residents can get back to their normal lives in their new community.

Every hectare of land will have 200 houses, each with a floor area of 20.25 square meters and a lot area of 23.25 square meters, ensuring a decent living space for every family.

The houses are designed to be disaster-resilient with concrete ceilings and proper ventilation and composed of 5,000 psi pre-cast walls to accelerate the conventional building method. It can withstand any kind of typhoon with maximum wind velocity of 250kph without major damage. It is crucial to

note that these provisions are above the requirements of the Building code and are designed to exceed mandated standards.

Recognizing that it needs the help of an entire community for the rebuilding effort, SM has also engaged its various stakeholders to benefit more survivors.

The SM Foundation will provide values formation, sustainable livelihood training, and community building seminars and workshops, as well as assistance in organizing cooperatives, with the help of partner NGOs.

A COMMUNITY PAYING FORWARD

To ensure a fair process, beneficiaries of the SM Cares Villages will be carefully selected through the help of the local government unit of the towns. SM Cares will give priority to those who cannot afford to buy their own housing unit.

The process, however, is not just a one-way street. Housing beneficiaries will also be given the opportunity to pay it forward to the community through various means. They can plant trees or mangroves in nearby areas, offer help in the rehabilitation of local public establishments, become active members of the local cooperative to be organized, implement a waste segregation scheme, and attend the values formation and livelihood seminars.

To help raise more funds and build more homes, SM Prime has also called on its stakeholders for donations. All 48 SM Supermalls have SM Cares Housing Program booths where customers can donate. Tenants can also participate by collecting small monetary contributions from the customers through the 30,000 tin cans distributed in all point-of-scale counters. SM employees nationwide also pitch in by dipping into their pockets for personal donations.

As more stakeholders get involved in the rebuilding efforts, the faster the target 1,000 houses can be built and with these, normalcy in the lives of Typhoon Yolanda survivors.

To know more about the project, visit www.smcareshousingproject.com.

Top: Residents of Bogo City, Cebu are all smiles during the program

BOARD OF DIRECTORS

On this page from left to right: **TERESITA SY-COSON** Adviser to the Board; **JOSELITO H. SIBAYAN** Independent Director; **HANS T. SY** Director and President; **HENRY T. SY, JR.** Director; and **HENRY SY, SR.** Chairman

MR. HENRY SY, SR. - Chairman
Mr. Henry Sy, Sr. has served as Chairman of the Board of Directors of SM Prime since 1994. He is likewise Chairman Emeritus of BDO Unibank, Inc. and Honorary Chairman of China Banking Corporation. He is the founder of the SM Group and is currently Chairman of SM Investments Corp., Highlands Prime, Inc. and SM Development Corp.

MR. JOSE L. CUISIA, JR. - Vice Chairman and Independent Director
Mr. Jose L. Cuisia, Jr. has served as Vice Chairman of the Board of Directors of SM Prime since 1994. He is currently the Vice-Chairman of Philamlife since August 2009. He took his official diplomatic post as Ambassador Extraordinary and Plenipotentiary to the United States of America in 2011. He was the former President and Chief Executive Officer of the Philippine American Life and General Insurance Company. He served as Governor of the Bangko Sentral ng Pilipinas from 1990 to 1993 and Administrator of the Social Security System from 1986 to 1990. In May 2011, he was awarded the "Joseph Wharton Award for Lifetime Achievement" by the prestigious Wharton School of the University of Pennsylvania for an outstanding career in the country's banking and social security system

MR. HANS T. SY - Director and President
Mr. Hans T. Sy has served as Director since 1994 and as President since 2004. He is Director and Chairman of China Banking Corporation, Director of Highlands Prime, Inc. and is an Adviser to the Board of SM Investments Corporation. He is a mechanical engineering graduate of De La Salle University.

MR. JOSELITO H. SIBAYAN - Independent Director
Mr. Joselito H. Sibayan has spent the past 25 years of his career in investment banking. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country Manager for Credit Suisse First Boston (CSFB). He served as Head of International Fixed Income Sales at Deutsche Bank in New York. He later transferred to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operations and eventually run its team. He was elected as an Independent Director in 2011.

On this page from left to right: **JOSE L. CUISIA, JR.** Vice Chairman and Independent Director; **HERBERT T. SY** Director; **JORGE T. MENDIOLA** Director; **GREGORIO U. KILAYKO** Independent Director; and **ELIZABETH T. SY** Adviser to the Board

MR. JORGE T. MENDIOLA - Director
Mr. Jorge T. Mendiola was elected as Director in December 2012. He is currently the President of SM Department Stores. He is also the Vice Chairman for Advocacy of the Philippine Retailers Association. He took his Masters in Business Management from the Asian Institute of Management and has an A.B. Economics degree from Ateneo de Manila University.

MR. HENRY T. SY, JR. - Director
Mr. Henry T. Sy, Jr. has served as Director since 1994. He is the President of the National Grid Corporation of the Philippines. He is also Vice Chairman of SM Investments Corporation and SM Development Corporation, President of Highlands Prime, Inc., Director in BDO Unibank, Inc. and Chairman of Pico de Loro Beach and Country Club Inc.. He graduated with a management degree from De La Salle University.

MR. GREGORIO U. KILAYKO - Independent Director
Mr. Gregorio U. Kilayko is the former Chairman of ABN Amro's banking operations in the Philippines. He was the Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the demutualized Philippine Stock Exchange in 2003. He was the founding head of ING Barings' stockbrokerage and investment banking business in the Philippines. He was elected as Independent Director in 2008

MR. HERBERT T. SY - Director
Mr. Herbert T. Sy has served as Director since 1994. He is an Adviser to the Board of SM Investments Corporation and is currently the Vice Chairman of Supervalue, Inc., Super Shopping Market, Inc. and Sanford Marketing Corporation and Director of China Banking Corporation. He holds a Bachelor's degree in management from De La Salle University.

MS. ELIZABETH T. SY - Adviser to the Board
Ms. Elizabeth T. Sy was elected as Adviser to the Board in April 2012. She was a Senior Vice President for Marketing from 1994 up to April 2012. She is a Director of SM Development Corporation and Co-Chairman of Pico de Loro Beach and Country Club Inc.

MS. TERESITA SY-COSON - Adviser to the Board
Ms. Teresita Sy-Coson has served as Adviser to the Board since May 2008. At present, she is Chairman of BDO Unibank, Inc. Vice Chairman of SM Investments Corporation. She was a Director from 1994 up to April 2008. She has worked with the Group for over 20 years and has varied experiences in retail merchandising, mall development and banking businesses.

CORPORATE EXECUTIVES

HANS T. SY
President

HENRY T. SY, JR.
Chairman

JEFFREY C. LIM
Executive Vice President
and Chief Finance Officer

CORPORATE EXECUTIVES

DIANE R. DIONISIO
Vice President – Finance (China Projects)

KELSEY HARTIGAN Y. GO
Vice President, Information Technology

TERESA CECILIA H. REYES
Vice President, Finance

ATTY. EDGAR RYAN C. SAN JUAN
Vice President, Legal

RONALD G. TUMAO
Vice President, Market Research and Planning

DAVEE M. ZUNIGA
Vice President, Internal Audit

ATTY. EMMANUEL C. PARAS
Corporate Secretary

ATTY. CORAZON I. MORANDO
Asst. Corporate Secretary

ANNA MARIE S. GARCIA
Head, Malls

JOSE MARI H. BANZON
Head, Residences - SMDC

SHIRLEY C. ONG
Head, Residences - Leisure

DAVE L. RAFAEL
Head, Offices

CHRISTOPHER S. BAUTISTA
CFO, Malls

JOEL T. ONG
CFO, Residences – SMDC

ROEL B. PARIAN
CFO, Residences - Leisure

GEMA O. CHENG
CFO, Offices

BOARD COMMITTEES

AUDIT AND RISK MANAGEMENT COMMITTEE

JOSE L. CUISIA, JR.	Chairman Independent Director
GREGORIO U. KILAYKO	Member Independent Director
JOSELITO H. SIBAYAN	Member Independent Director
JOSE T. SIO	Member
SERAFIN U. SALVADOR	Member
ATTY. CORAZON I. MORANDO	Member

ATTY. CORAZON I. MORANDO Compliance Officer

JEFFREY C. LIM Corporate Information Officer

COMPENSATION COMMITTEE

HANS T. SY	Chairman
GREGORIO U. KILAYKO	Member Independent Director
JOSELITO H. SIBAYAN	Member Independent Director

NOMINATION COMMITTEE

HERBERT T. SY	Chairman
JOSE L. CUISIA, JR.	Member Independent Director
GREGORIO U. KILAYKO	Member Independent Director

CORPORATE GOVERNANCE

SM Prime Holdings, Inc. recognizes the value of good governance in the operation of its business, and continues to foster its culture of good corporate governance through the continued review and development of its policies and programs. Under the watchful eyes of its Board of Directors, the corporate governance principles of fairness, accountability and transparency are promoted throughout the organization and to all of SM Prime's stakeholders.

BOARD OF DIRECTORS

SM Prime's corporate governance culture emanates from its Board of Directors. It is the Board's responsibility to ensure the long term financial success of the business in a manner that upholds the principles of fairness, accountability and transparency, and ensures that the best interests of Company, its shareholders and various stakeholders are adequately promoted and protected.

Board Composition

The Board of Directors is composed of eight (8) directors, three (3) of whom are non-executive independent directors, namely Mr. Gregorio U. Kilayko, Mr. Joselito H. Sibayan and Mr. Jose L. Cuisia, Jr., who serves as SM Prime's Vice Chairman. Under SM Prime's Manual on Corporate Governance, an independent director must possess all of the qualifications and none of the disqualifications of a regular director. He must also 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 SM Prime's independent directors have served the Company as a regular director, officer or employee. SM Prime's independent directors provide balance at the board-level by ensuring impartial discussions during meetings. They likewise monitor the performance of Management and safeguard the interests of the Company's stakeholders, among their other duties as directors.

Board of Directors

Director's Name	Directorship	Age	Date First Elected	Elected When (Annual/Special Meeting)	No. of years served as director
Henry Sy, Sr.	Non-Executive Director	89	April 1994	Annual	20
Henry T. Sy, Jr.	Non-Executive Director	60	April 1994	Annual	20
Hans T. Sy	Executive Director	58	April 1994	Annual	20
Herbert T. Sy	Non-Executive Director	57	April 1994	Annual	20
Jorge T. Mendiola	Non-Executive Director	54	December 2012	Annual	2
Jose L. Cuisia, Jr.	Independent Director	70	April 1994	Annual	20
Gregorio U. Kilayko	Independent Director	59	April 2008	Annual	6
Joselito H. Sibayan	Independent Director	55	April 2011	Annual	3

Directorships in Other Listed Companies

Director's Name	Listed Companies	Directorship
Henry Sy, Sr.	SM Investments Corporation	Non-Executive Director (Chairman)
	SM Development Corp.	Non-Executive Director (Chairman)
	Highlands Prime, Inc.	Non-Executive Director (Chairman)
	BDO Unibank, Inc.	Non-Executive Director (Chairman Emeritus)
	China Banking Corporation	Non-Executive Director (Honorary Chairman)
Henry T. Sy, Jr.	SM Investments Corporation	Non-Executive Director
	SM Development Corp.	Executive Director
	Highlands Prime, Inc.	Executive Director
	BDO Unibank, Inc.	Non-Executive Director
Hans T. Sy	China Banking Corporation	Non-Executive Director (Chairman)
	Highlands Prime, Inc.	Non-Executive Director
Herbert T. Sy	China Banking Corporation	Non-Executive Director
Jose L. Cuisia, Jr.	PHINMA Corporation	Non-Executive Director
	Holcim Philippines, Inc.	Non-Executive Director
	Manila Water Company, Inc.	Non-Executive Director
Gregorio U. Kilayko	Highlands Prime, Inc.	Independent Director
	Belle Corporation	Independent Director
	Vantage Equities, Inc.	Non-Executive Director
Joselito H. Sibayan	Pitkin Petroleum PLC, UK	Non-Executive Director

The Chairman and the President

It is the Company's practice that its non-executive directors meet at least once a year, absent any executive directors or representatives of Management. All SM Prime's Directors, Officers and members of Senior Management have undergone training on corporate governance as prescribed by the Manual on Corporate Governance. The roles of the Chairman of the Board and the President are held by separate individuals, whose functions and responsibilities are identified in the Manual on Corporate Governance and may also be found in the Company's Annual Corporate Governance Report.

Board Duties and Responsibilities

SM Prime's Manual on Corporate Governance specifies the roles, duties and responsibilities of the Board of Directors in compliance with relevant laws, rules and regulations. In full adherence to the principles of corporate governance, the Board is tasked to perform the following:

- The periodic (at least every three [3] years) review of SM Prime's purpose, vision, mission and values and strategies;
- The maintenance of the selection process that ensures a healthy mix of competent directors and officers;
- To ensure that the Company complies with all relevant laws, regulations and codes of best business practices;
- The periodic review of SM Prime's succession plan for the Board of Directors and key officers;
- To effectively serve SM Prime's stakeholders and maintain a clear means of communicating with and relating to them through an active and efficient investor relations program;
- To adopt and sustain an effective system of internal checks and balances;

CORPORATE GOVERNANCE

- To identify, assess and diligently mitigate key risk areas;
- To meet regularly; giving due consideration to independent views and ensuring that proceedings are duly minuted;
- To keep Board authority within the powers prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulations;
- To require each elected director, before assumption of office, to attend an orientation or seminar on corporate governance conducted by a duly regulator-accredited training provider;
- To formulate and approve policies that ensure the integrity of related party transactions between and among the Company and its related companies, business associates, major stockholders, directors and officers and their material relations; and
- To establish and maintain an alternative dispute resolution system to settle conflicts between the Company and its stockholders or other third parties, including regulatory authorities.

BOARD ATTENDANCE

Regular Board meetings are held quarterly and are scheduled in advance during the previous year. Special meetings may be called by the Chairman, the President or Corporate Secretary at the request of any two (2) directors. A director's absence or non-participation for whatever reason in more than 50% of all meetings, both regular and special, in a year is a ground for temporary disqualification in the succeeding election.

Board Attendance

Directors	Regular 2/18/13	Regular, ASM & Organizational 4/16/13	Regular 5/31/13	Regular 6/10/13	Special & Stockholders 7/10/13	Regular 7/29/13	Regular 11/4/13	%
Henry Sy, Sr.	☑	☑	☑	☑	☑	☑	☑	100%
Jose L. Cuisia, Jr.	☑	☑	☑	☑	☑	☑	☑	100%
Henry T. Sy, Jr.	☑	☑	☑	☑	☑	☑	☑	100%
Hans T. Sy	☑	☑	☑	☑	☑	☑	☑	100%
Herbert T. Sy	☑	☑	☑	☑	☑	☑	☑	100%
Jorge T. Mendiola	☑	☑	☑	☑	☑	☑	☑	100%
Gregorio U. Kilayko	☑	☑	☑	☑	☑	☑	☑	100%
Joselito H. Sibayan	☑	☑	☑	☑	☑	☑	☑	100%

BOARD COMMITTEES

The Board has established three (3) committees to aid in the performance of its duties. Each committee has adopted a Charter which defines its composition, roles and responsibilities based on the provisions found in the Manual on Corporate Governance. Furthermore, the Charters include administrative provisions on the conduct of meetings and proceedings and reporting to the Board and Committee Advisors.

The Compensation Committee

The Compensation Committee is tasked with the oversight of policies pertaining to salaries and benefits, as well as promotions and other forms of career advancement. The Committee is composed of three (3) members, two (2) of whom are independent directors.

Compensation Committee				
Office	Name	No. of Meetings Held	No. of Meetings Attended	Length of Service in the Committee
Chairperson	**Hans T. Sy**	1	1	11yrs.
Member (ID)	**Gregorio U. Kilayko**	1	1	5yrs.
Member (ID)	**Joselito H. Sibayan**	1	1	2yrs.

Board Remuneration

Members of the Board of Directors receive a per diem of P10,000 (P20,000 for the Chairman and Vice Chairman) for each regular or special Board meeting or Board Committee meeting attended. The amount of the per diem is openly discussed during the Annual Stockholders' Meeting and approved by SM Prime's shareholders. Total compensation paid to directors is disclosed annually in the Definitive Information Statement sent to shareholders, together with the Notice of the Annual Stockholders' Meeting.

The Nomination Committee

The Nomination Committee is tasked with the review and evaluation of the qualifications of all candidates nominated to the Board of Directors, and those nominated to positions that require Board approval under the Company's By-Laws. Per the Company's Manual on Corporate Governance, each director shall possess all of the following general qualifications:

- A holder of at least one (1) share of stock of the Company;
- At least be a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- At least be twenty-one (21) years old;
- Shall have proven to possess integrity and probity; and
- Shall be assiduous.

The Nomination Committee also ensures that all nominated directors meet all the qualifications and none of the disqualifications to be a director. Likewise, the Committee ensures that those nominated to the Board have attended an orientation or training related to corporate governance provided by a regulator accredited training provider. Furthermore, the Committee facilitates the annual performance evaluation of the Board as a whole, its respective Board Committees, the individual directors and the President. The Nomination Committee is composed of three (3) members, two (2) of whom are independent directors.

The Nomination Committee				
Office	Name	No. of Meetings Held	No. of Meetings Attended	Length of Service in the Committee
Chairman	**Herbert T. Sy**	1	1	8yrs.
Member (ID)	**Jose L. Cuisia, Jr.**	1	1	11yrs.
Member (ID)	**Gregorio U. Kilayko**	1	1	11yrs.

CORPORATE GOVERNANCE

Evaluation of the Board and President

Under the guidance of the Nomination Committee, the Board is tasked to conduct an annual performance evaluation. The evaluation is based on the duties and responsibilities of the Board of Directors, Board Committees, individual directors and President as provided for by SM Prime's Manual on Corporate Governance and By-Laws. Specifically, the evaluation focuses on the following:

Board Composition	• Diversity of competencies • Adequate knowledge of different risks	• Industrial background • Academic qualifications
Board Activities	• Work in general • Decision making • Discussions on short/long term development • Discussions on business strategies and plans • Discussions on risks and regulation • Follow-up of business plan, strategy, objective and budget	• Setting the tone in promoting good governance principles and policies • Promotion of continuing education or directors' training • Board committee performance
Board Meetings	• Frequency and length of meetings sufficient to accomplish goals • Full and positive participation during meetings	• Quality of materials and sufficient time to study such • Easy and timely access to information or inputs
Individual Directors	• Independence • Participation • Expertise	

The evaluation also rates the Company's President on leadership, integrity, diligence and adherence to corporate governance. Directors are also asked to identify areas for improvement, such as training/continuing education programs or any other forms of assistance that they may need in the performance of their duties. The evaluation forms also include items on support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to Management, the Corporate Secretary and Board Advisors. The Board then reviews and evaluates the results of the evaluation, discussing possible changes that will enhance the performance of the individual directors, the support services given and the Board as a collective body.

The Audit and Risk Management Committee

The Audit and Risk Management Committee is composed of six (6) members, three (3) of whom are independent directors. The Committee directly interfaces with the internal and external auditors in the conduct of their duties and responsibilities. Its mandate includes

Audit and Risk Management Committee

Office	Name	No. of Meetings Held	No. of Meetings Attended	Length of Service in the Committee
Chairman (ID)	**Jose L. Cuisia, Jr.**	5	5	11yrs.
Member (ID)	**Gregorio U. Kilayko**	5	5	5yrs.
Member (ID)	**Joselito H. Sibayan**	5	5	2yrs.
Member	**Jorge T. Mendiola**	5	5	1yrs.
Member	**Jose T. Sio**	5	5	9yrs.
Member	**Corazon I. Morando**	5	5	5yrs.
Member	**Serafin U. Salvador**	5	5	9yrs.

the review of the Company's financial reports and subsequent recommendation to the Board for approval. The Committee also reviews SM Prime's internal control systems, its audit plans, auditing processes and related party transactions. Under its amended Charter, the Committee also reviews and assesses the effectiveness of the Company's risk management system in the mitigation of financial and non-financial risks. (Please see the Audit and Risk Management Committee Report for more information on the Committee's roles and activities.)

Internal Audit

SM Prime's Internal Audit has a Charter that defines its roles and responsibilities. Under its Charter the primary purpose of Internal Audit is to provide an independent, objective, reasonable, systematic and disciplined evaluation of the Company's risk management, organization and procedural controls. The Charter requires the Internal Audit to do the following:

- Develop an annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit such plan as well as periodic update thereof, to the Audit and Risk Management Committee for review and approval.

- Implement the approved annual audit plan, including special tasks or projects mandated by the Audit and Risk Management Committee.

- Issue periodic reports to the Audit and Risk Management Committee and Senior Management, summarizing results of audit activities.

- Assist in the investigation of significant suspected fraudulent activities within the Company and notify Management and the Audit and Risk Management Committee of the results.

- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

To maintain its independence, the Internal Auditor reports functionally to the Board of Directors, through the Audit and Risk Management Committee, and administratively to the President. The Internal Auditor is authorized to have unrestricted access to all functions, records, property and personnel in the conduct of his duties, and free access to communicate with the Audit and Risk Management Committee and Management.

External Audit

The Audit and Risk Management Committee's primary responsibility is to make a well-informed recommendation regarding the appointment, re-appointment or removal of the external auditor. The external auditor is tasked to undertake an independent audit and provide and perform an objective assurance on the preparation and presentation of the financial statements. As required by the Manual on Corporate Governance, the external auditor or the handling partner should be rotated every five (5) years or earlier, and any non-audit work should not be in conflict with the functions of the external auditor.

Enterprise Risk Management (ERM)

SM Prime is committed to protect and preserve its ability to continue its operation and add value to its stakeholders by ensuring that its assets, both tangible and intangible, are protected against damage and loss. As such, it has implemented a program of risk management through the identification, analysis management and monitoring of risks which can most impact the Company's ability to pursue its approved strategy.

The Board of Directors is tasked to oversee the risk management system of the Company through the Audit and Risk Management Committee. SM Prime also established an Enterprise Risk Management Committee to develop and review regularly the risk framework to assist the organization in managing its risks.

In 2013, risk management initiatives focused on risk on the organization's reputation, information security and regulatory compliance. The Audit and Risk Management Committee were apprised on Management's action plans to address these risks.

CORPORATE GOVERNANCE POLICIES

SM Prime has adopted and implemented several corporate governance policies and programs to supplement the foundation provided by its Manual on Corporate Governance and Code of Ethics. The Company regularly reviews and enhances these policies to keep pace with corporate governance best practice. The policies referred to include the Company's Insider Trading Policy, Conflict of Interest Policy, Guidelines on Acceptance of Gifts and Anti-Money Laundering Guidelines to name a few. SM Prime's corporate governance related policies are available to the public through the Company website – please visit www.smprime.com to access the full downloadable versions of the Manual on Corporate Governance, Code of Ethics and other corporate governance related policies.

CORPORATE GOVERNANCE

Manual on Corporate Governance

The Manual on Corporate Governance institutionalizes the principles of good corporate governance, defines the Company's compliance system and identifies the responsibilities of the Board of Directors in relation to good corporate governance. It also states the Company's policies on disclosure and transparency, and mandates the conduct of communication and training programs on corporate governance. The Manual further provides for the rights of all shareholders and the protection of the interests of minority stockholders. It likewise sets the penalties for non-compliance with the Manual.

There have been no deviations from the Manual since it was adopted. SM Prime annually submits to the SEC its certification of full compliance with the Manual, certifying that its directors, officers and employees have adopted and fully complied with all leading practices and principles of good corporate governance as provided by in the Manual on Corporate Governance.

CODE OF ETHICS

The Code of Ethics reaffirms the Company's commitment to the highest standards of ethics and good corporate governance in the pursuit of SM Prime's mission and vision to serve the best interests of its stakeholders. The Code also sets guidelines for the Company's directors, officers and employees in the performance of their duties and responsibilities, and in the manner that they deal with investors, creditors, customers, contractors, suppliers, regulators and the public. The Code stresses the importance of integrity in the relationships and dealings with business partners, the Company's duties regarding employee welfare, the rights of shareholders, the protection of company information assets and the promotion of corporate social responsibility.

Related Party Transactions

SM Prime discloses in detail the nature, extent and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports to the SEC and PSE. Management regularly presents the details of transactions entered into by SM Prime with related parties at the meetings of the Audit and Risk Management Committee. This is to ensure that the Company conducts all related-party transactions on an arms' length basis.

Policy on Accountability, Integrity and Vigilance (Whisteblowing Policy)

SM Prime's whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. Under the policy, any director, officer or employee may accomplish an incident report on suspected or actual violations of the Code of Ethics, the Company's Code of Conduct or any other applicable law or regulation. Upon receipt of an incident report, Management conducts an investigation on its merit, subject to due process and applicable penalties and sanctions thereafter. A compilation of concluded reports is periodically presented to the Audit and Risk Management Committee. Furthermore, the PAIV includes provisions for non-retaliation against the filer of the issue.

DISCLOSURE AND TRANSPARENCY

SM Prime is committed to providing its shareholders and the public, timely and accurate information on the Company and its business. In accordance with this, SM Prime regularly updates its website and practices full and prompt disclosure of all material information. The website has a separate corporate governance section that features among others, policies, programs and other relevant corporate governance information.

SM Prime also conducts regular briefings and meetings with investors, analysts and the press to keep them updated on the Company's various projects, financial and operational results. The presentation materials at these briefings, as well as the Company's SEC and PSE reports and annual reports, may be viewed and downloaded from the website - please visit SM Prime's website at www.smprime.com for access to disclosures, write-ups and other company information.

Annual Corporate Governance Report (ACGR)

Also included in the Company's website is SM Prime's Annual Corporate Governance Report (ACGR). The ACGR highlights the Company's corporate governance practices and provides detailed information on the Board of Directors and Management and policies and programs.

Ownership Structure

The Company regularly discloses its top shareholders and beneficial owners holding more than 5% of SM Prime shares. SM Prime shares are of one class, common shares, and follow the one-share-one-vote. Shareholdings of directors and senior management are disclosed in the Definitive Information Statement sent to shareholders prior to the Annual Stockholders' Meeting.

The Annual Stockholders' Meeting

The Annual Stockholders' Meeting (ASM) gives SM Prime's shareholders an opportunity to raise concerns, give suggestions and vote on relevant issues. Voting methods are clearly defined and explained to shareholders to ensure the observance of their voting rights and continued participation in the voting process. Under the

Company's By-Laws and Manual on Corporate Governance and in accordance with certain laws, shareholders may cumulatively vote for the election, removal or replacement of Board Directors. Prior to the ASM, shareholders are furnished a copy of the annual report, including financial statements, and all relevant information about the current and nominated directors and key officers. Elected directors hold office for one (1) year until their successors are elected following the procedures set forth in the Company's By-Laws. All Board members are duly screened and deemed eligible and highly qualified by the Nomination Committee.

Proxy voting is permitted and facilitated through proxy forms which are distributed to shareholders prior to the ASM. Proxy forms may also be downloaded from the Company's website. To encourage shareholders to apply their right to vote through the proxy forms, notarization of such is not required. Shareholders are also given the opportunity to vote on certain corporate acts in accordance with law. These resolutions, along with shareholder questions and the corresponding responses are recorded in the minutes of the ASM. To ensure that all shareholders' concerns are properly addressed, the Chairman of the Board, Board Directors, the President, Board Committee Chairmen and Members, Senior Management, the Corporate Secretary and the Independent Auditors are always present during the ASM.

Rights of Shareholders

SM Prime encourages its shareholders' to exercise their voting right. Voting methods and vote counting systems employed by the Company are clearly explained to ensure the effectiveness of the voting process. Furthermore, the Company follows the system of cumulative voting for the election of its directors to give shareholders the opportunity to elect members of the Board individually.

Minority shareholders are given the right to propose the holding of a meeting as well as the right to propose items in the agenda of the meeting, provided that the items are for legitimate business purposes and in accordance with law, jurisprudence and best practice. Minority shareholders are also given access to information relating to matters for which Management is accountable.

Shareholders have the right to receive dividends subject to the discretion of the Board. They may exercise their appraisal right or the right to dissent and demand payment of the fair value of their shares in accordance with the Corporate Code. The Manual on Corporate Governance protects the shareholders' appraisal right as well as their rights to vote, inspect corporate books and records, gain access to material information and receive an equitable share of the Company's profits. Under the Manual, the Board is tasked to promote shareholder rights, remove impediments to the exercise of these rights and provide remedies for violations of the same.

Employee Welfare

In line with its mission and vision, SM Prime strives to be an employer of choice and provides for the health, safety and welfare of its employees. Through the efforts of its Human Resources Department (HRD), the Company has established policies and programs that promote a safe and healthy work environment that caters to all cultures and creeds and encourages employee development and growth.

SM Prime encourages good health and wellness through its various sports and fitness programs. Employees may use the courts and fitness facilities in the workplace and are encouraged to participate in HRD supported aerobic and dance activities. The Company also conducts orientations and learning sessions on health related matters, such as breast and cervical cancer awareness and detection; influenza and hepatitis B prevention and drug abuse awareness, to name a few. Furthermore, the Company facilitates the distribution and administration of essential vaccines, has a fully functioning clinic and has recently employed the services of a 24 hour roving ambulance service.

Orientations and Trainings

SM Prime understands that the continuous growth and development of its corporate governance culture rests on the promotion and awareness of the principles of good governance. As such, the Company continues to strengthen its training and orientation programs. Through the HRD's Orientation for New Employees of SM (ONE SM), new employees are given an overview of SM Prime's corporate governance framework, policies and its various components. It also covers the importance of integrity and ethics in the business, the Company's core values and the role that each individual must play in the overall development of the corporate governance culture. Also included in the orientation are the salient points of the Code of Ethics, which focus on employee rights and obligations, as well as the promotion of good work ethics and values.

For more information:

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www.sminvestments.com

SM Prime Holdings, Inc.

CORPORATE

Corporate Governance Asia 3rd Asian Excellence 2013 Recognition Award

SM Prime Holdings
– *Best Investor Relations Company*
SMPHI
– *Best Environmental Responsibility*
SMPHI
– *Hans T. Sy – Asian Corporate Director (Recognition Awards)*
SMPHI
– *Asia's Icon on Corporate Governance*

United Nations – Sasakawa Award for Disaster Risk Reduction - Finalist

SMPHI

RESIDENCES

Corporate Governance Asia – 3rd Asian Excellence 2013 – Recognition Award

SMDC
– *Best Investor Relations Website/Promotion*
SMDC – Henry T. Sy Jr (Chairman)
– *Asian Corporate Director Recognition Awards 2013*
SMDC
– *Henry T. Sy Jr (Chairman) – Asia's Best CEO*
SMDC
– *Asia's Outstanding Company on Corporate Governance*

BCI Asia – Top Ten Developers 2013 Philippines

SMDC

Republic of the Philippines – Department of Education Adopt-A-School Program – Certificate of Recognition

SMDC

LEISURE

Philippine Property Awards 2013 – Best Condo Development Resort

Pico de Loro Cove at Hamilo Coast

HOTELS

WWF – 2013 Environmental Leadership Award

Costa del Hamilo

Expedia – Best Reviews for 2013

Radisson Blu Hotel Cebu

Trip Advisor – 2013 Travellers Choice

Radisson Blu Hotel Cebu

Carlson Rezidor Hotel Group – 2013 Rising Star of the Year Asia Pacific

Park Inn by Radisson Davao

MALLS

Department of Energy - The Don Emilio Abello Energy Efficiency Awards

Outstanding Award
- SM City Davao
- SM City Lipa
- SM City Naga
- SM City Batangas
- SM City Lucena
- SM City Sta. Mesa

Citation Award
- SM City Pampanga
- SM Savemore Nagtahan
- SM City Iloilo
- SM City Novaliches

Special Award
- SM City Rosario
- SM Molino
- SM City Clark
- SM City North EDSA
- SM City Bicutan

The Presidential Apolinario Mabini Award - Disabled-Friendly Establishment of the Year award.

Gold Award
- SM Megamall
- SM Lanang Premier

Silver Award
- SM City Marikina
- MOA Arena

Bronze Award
- SM City Consolacion
- SM City General Santos
- SM City Fairview
- SM City Olongapo
- SM Southmall
- SM Center Las Pinas

Special Award "Mapagmahal sa may Kapansanan"
- SM Cares Program on Disability Affairs

Readers Digest – Trusted Brand 2013 Platinum

SM Supermalls – *Shopping Centre/mall*

San Beda College Alumni Foundation, Inc. – The Daluyang Buhay Leadership Award

SM Supermalls

CORPORATE INFORMATION

COMPANY HEADQUARTERS
SM Prime Holdings, Inc.
Mall of Asia Arena Annex Building
Coral Way cor. J.W. Diokno Boulevard
Mall of Asia Complex
Pasay City 1300
Philippines

EXTERNAL AUDITOR
SyCip Gorres Velayo & Co.

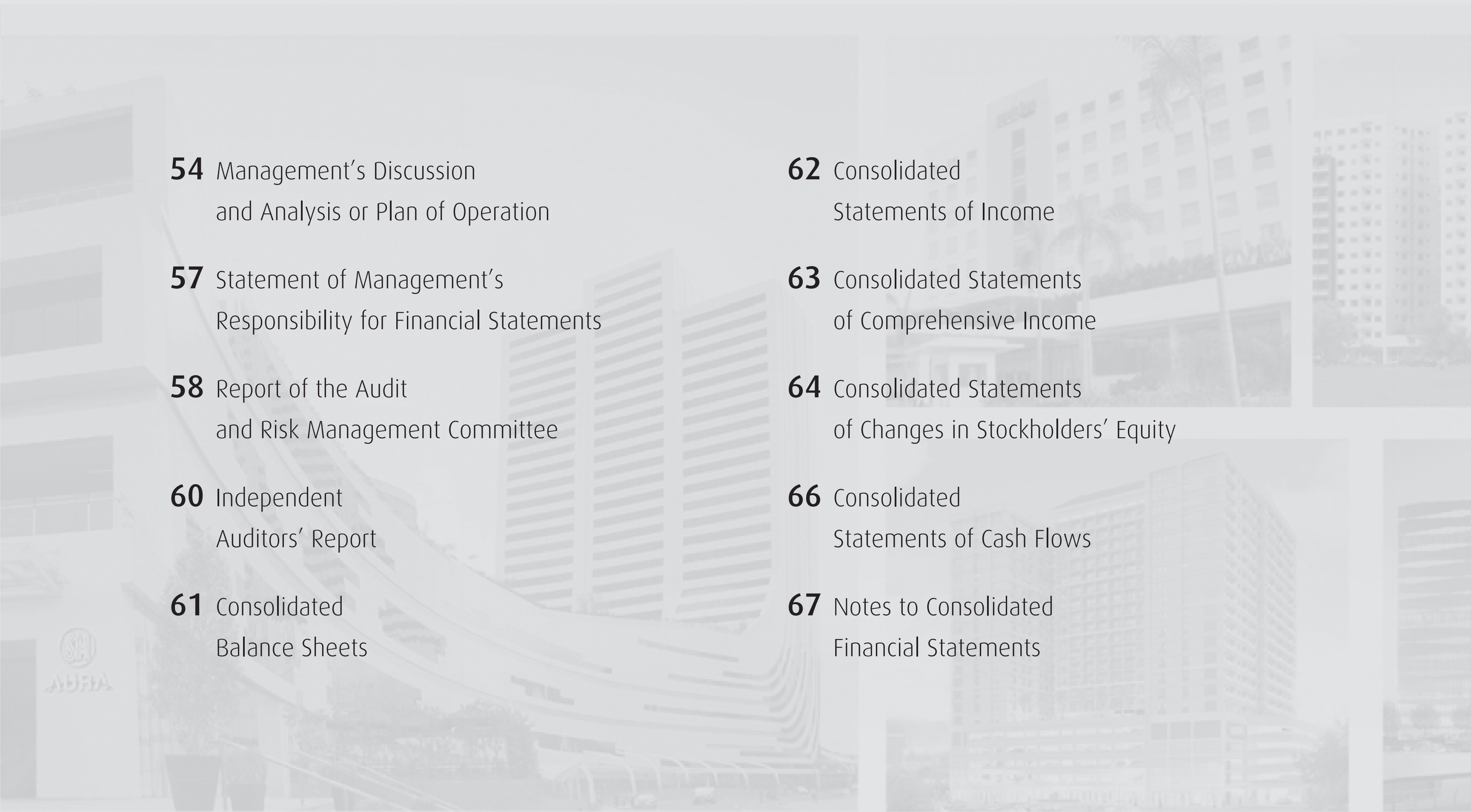
STOCKHOLDER INQUIRIES
SM Prime Holdings, Inc.'s common stock is listed and traded in the Philippine Stock Exchange under the symbol "SMPH"

Inquiries regarding dividend payments, account status, address changes, stock certificates, and other pertinent matters may be addressed to the company's transfer agent:

BANCO DE ORO UNIBANK, INC. – TRUST AND INVESTMENTS GROUP
BDO Corporate Center, 7899 Makati Avenue, Makati City
T: (632) 840-7000 loc. 6975 to 6980; 878-4052 to 54

INVESTOR RELATIONS
T: (632) 831.1000
E: info@smprime.com
www.smprime.com

Financial Statements



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MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

2013
Financial and Operational Highlights
(In Million Pesos, except for financial ratios and percentages)

	Twelve months ended Dec 31				
	2013	**% to Revenues**	**2012**	**% to Revenues**	**% Change**
Profit & Loss Data					
Revenues	59,794	100%	57,215	100%	5%
Costs and expenses	35,659	60%	35,145	61%	1%
Operating Income	24,136	40%	22,070	39%	9%
Net Income	16,275	27%	16,203	28%	0%
EBITDA	30,116	50%	27,197	48%	11%

	Dec 31 2013	**% to Total Assets**	**Dec 31 2012**	**% to Total Assets**	**% Change**
Balance Sheet Data					
Total Assets	335,584	100%	284,652	100%	18%
Investment Properties	171,666	51%	147,854	52%	16%
Total Debt	106,313	32%	80,580	28%	32%
Net Debt	77,132	23%	56,121	20%	37%
Total Stockholders' Equity	163,267	49%	147,628	52%	11%

	Dec 31	
Financial Ratios	**2013**	**2012**
Debt to Equity	0.39 : 0.61	0.35 : 0.65
Net Debt to Equity	0.32 : 0.68	0.28 : 0.72
Return on Equity	0.10	0.12
Debt to EBITDA	3.53	2.96
EBITDA to Interest Expense	8.17	8.87
Operating Income to Revenues	0.40	0.39
EBITDA Margin	0.50	0.48
Net Income to Revenues	0.27	0.28
Debt Service Coverage Ratio	2.15	1.09

Revenue

SM Prime recorded consolidated revenues of ₱59.79 billion in the year ended 2013, an increase of 5% from ₱57.22 billion in the year ended 2012 , primarily due to the following:

Rent
SM Prime recorded consolidated revenues from rent of ₱32.20 billion in 2013, an increase of 11% from ₱28.95 billion in 2012. The increase in rental revenue was 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, with a total gross floor area of 698,000 square meters. Excluding the new malls and expansions, same-store rental growth is at 7%. Rent from commercial operations also increased, primarily as a result of full year recognition of Two E-Com, which began operations in mid-2012 and is now 98% occupied.

Real Estate Sales
SM Prime recorded an 8% decrease in real estate sales in 2013 to ₱20.78 billion from ₱22.58 billion in 2012. 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. Sale of projects launched in 2013 were towards the last quarter already which is expected to contribute significantly to revenues starting in 2014. Three projects were launched in 2013 namely, Grass Phase 2, Shore and Trees.

Cinema Ticket Sales
SM Prime cinema ticket sales increased by 8% to ₱3.74 billion in 2013 from ₱3.48 billion in 2012. The increase was primarily the result of opening of additional digital cinemas at the new malls which enabled simultaneous nationwide releases and more blockbuster movies screened, both local and international. The major blockbusters shown in 2013 were "Ironman 3," "Man of Steel," "It Takes a Man and a Woman," "Thor: The Dark World," and "My Little Bossing."

Other Revenues
Other revenues likewise increased by 40% to ₱3.08 billion in 2013 from ₱2.21 billion in 2012. The increase was mainly due to opening of new amusement rides in SM by the Bay and the Sky Ranch in Tagaytay and increase in advertising income and sponsorship revenues.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱35.66 billion in the year ended 2013, an increase of 1% from ₱35.15 billion in the year ended 2012, primarily due to the following:

Costs of Real Estate
Consolidated costs of real estate was ₱11.92 billion in 2013, representing a decrease of 15% from ₱13.97 billion in 2012. Apart from the lower recognized real estate costs in line with the lower recognized real estate sales in 2013, the decrease also resulted from tighter cost controls during project engineering stage and stricter monitoring of project costs implemented in 2013, which resulted in improved gross margins. Gross profit margins for residential improved to 43% in 2013 compared to 38% in 2012.

Operating Expenses
SM Prime's consolidated operating expenses increased by 12% to ₱23.74 billion in 2013 compared to last year's ₱21.17 billion. Same-store mall growth in operating expenses is 4%. The increase is attributable to the opening of new malls and expansions, full year operations of commercial properties and launch of new residential projects.

Consolidated marketing and selling expenses increased to ₱2.05 billion in 2013, an increase of 16% from ₱1.76 billion in 2012 due to launch expenses related to new mall openings and mall events, which were partially offset by a reduction in expenses related to SM Residences showrooms and exhibits, out-of-home and media-based advertising, as part of SMDC's overall rationalization of its cost structure.

Other contributors to the increase are business taxes and licenses, depreciation and amortization, and rent expenses, due to the opening of new malls and expansions, commercial properties and residential projects.

Other Income (Charges)

Interest Expense
SM Prime's consolidated interest expense increased by 20% to ₱3.69 billion in 2013 compared to ₱3.06 billion in 2012 due to new bank loans availed during 2013 for working capital and capital expenditure requirements.

Restructuring Costs
SM Prime incurred restructuring costs amounting to ₱1.28 billion in 2013. This pertains to actual payments and accrual of transaction costs related to the Reorganization.

Interest and Dividend Income
Interest and dividend income increased slightly by 3% to ₱1.09 billion in 2013 from ₱1.06 billion in 2012. This account is mainly composed of dividend and interest income received from investments held for trading, available-for-sale investments and cash and cash equivalents.

Net income

As a result of the foregoing, consolidated net income is flat at ₱16.27 billion in 2013. Excluding restructuring costs of ₱1.28 billion, net income would have increased by 8% for the twelve months ended December 31, 2013.

Balance Sheet Accounts

Cash and cash equivalents significantly increased by 27% from ₱21.30 billion to ₱27.14 billion as of December 31, 2012 and 2013, respectively. This account includes the remaining proceeds from short-term and long-term debt drawn in 2013 which will be used for working capital and capital expenditure requirements.

Investments held for trading decreased by 14% from ₱1.34 billion to ₱1.15 billion as of December 31, 2012 and 2013, respectively, mainly due to pretermination of investment in corporate bonds with an original maturity of 2016.

Receivables increased by 59% from ₱17.15 billion to ₱27.18 billion as of December 31, 2012 and 2013, respectively, mainly due to increase in sales of real estate and rental receivables.

Condominium and residential units significantly increased by 105% from ₱2.97 billion to ₱6.10 billion as of December 31, 2012 and 2013, respectively, mainly due to transfers of costs of completed condominium towers to inventory coming from Field, Grass Phase 1, Jazz, Light, MPST, Princeton, Sun and Wind.

Likewise, land and development increased by 8% from ₱32.28 billion to ₱34.82 billion as of December 31, 2012 and 2013, respectively, mainly due to cumulative construction costs incurred for residential developments including land banking activities.

Available-for-sale investments slightly decreased by 4% from ₱24.30 billion to ₱23.37 billion as of December 31, 2012 and 2013, respectively, mainly due to early redemption of investment in corporate notes amounting to ₱1.0 billion at par last May 2013.

Investment properties increased by 16% from ₱147.85 billion to ₱171.67 billion as of December 31, 2012 and 2013, respectively, primarily because of ongoing new mall projects located in Cauayan City, Cebu City in the Philippines and Zibo and Tianjin in China. Expansions and renovations in SM Megamall which was recently opened last January 28, 2014, SM City Bacolod, SM City Sta. Rosa, SM City Lipa, SM City Clark and SM City Dasmariñas are also in progress. The increase is also attributable to the acquisition of additional land bank and construction costs incurred for ongoing projects of the commercial and the hotel group namely, Five-Ecom, SM Cyberwest and Conrad Hotel.

Derivative assets significantly increased from ₱109.98 million as of December 31, 2012 to ₱1,778.81 million as of December 31, 2013, mainly resulting from unrealized mark-to-market gains on a $350 million cross currency swap transaction designated as a cash flow hedge and the outstanding interest rate swaps designated as fair value hedges. On the other hand, derivative liabilities decreased by 35% from ₱244.33 million as of December 31, 2012 to ₱159.97 million as of December 31, 2013, due to mark-to-market gains on interest rate swaps used to hedge interest rate exposure on loans.

Deferred tax assets significantly increased from ₱0.49 billion to ₱0.69 billion as of December 31, 2012 and 2013, respectively, mainly resulting from the SM Property group restructuring transaction.

Other noncurrent assets increased by 30% from ₱22.43 billion to ₱29.27 billion as of December 31, 2012 and 2013, respectively, mainly due to investment in associates and deposits for acquisition of properties. This account also includes noncurrent capitalized input tax, deposits to contractors, suppliers and advances and deposits paid for leased properties.

Loans payable decreased from ₱8.97 billion to ₱3.25 billion as of December 31, 2012 and 2013, respectively, due to subsequent payments of maturing loans.

The increase in accounts payable and other current liabilities by 32% from ₱34.40 billion to ₱45.30 billion as of December 31, 2012 and 2013, respectively, is mainly due to payables to mall and residential contractors and suppliers related to ongoing projects and accrued operating expenses.

Long-term debt increased by 44% from ₱71.61 billion to ₱103.06 billion as of December 31, 2012 and 2013, mainly to fund capital expenditures and for working capital requirements.

The increase in tenants' deposits by 14% from ₱8.97 billion to ₱10.25 billion as of December 31, 2012 and 2013, respectively, is due to the new malls and expansions which opened in 2012 and 2013. On the other hand, liability for purchased land decreased from ₱4.20 billion to ₱1.12 billion as of December 31, 2012 and 2013, respectively, due to subsequent payments.

The Company's key financial indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to stockholders' equity; (2) net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents and investment securities to stockholders' equity; (3) debt service coverage ratio (DSCR) which measures the ratio of annualized operating cash flows to loans payable excluding condominium, residential units for sale and club shares and land and development, current portion of long-term debt and interest expense, excluding the portion of debt which are fully hedged by cash and cash equivalents and temporary investments; (4) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (5) earnings before interest, income taxes, depreciation and amortization (EBITDA); (6) debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities; (7) EBITDA to interest expense which measures the ratio of EBITDA to interest expense; (8) operating income to revenues which basically measures the gross profit ratio; (9) EBITDA margin which measures the ratio of EBITDA to gross revenues and (10) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key performance indicators of the Company.

Interest-bearing debt to stockholders' equity increased to 0.39:0.61 from 0.35:0.65 as of December 31, 2013 and 2012, respectively, while net interest-bearing debt to stockholders' equity also increased to 0.32:0.68 from 0.28:0.72 as of December 31, 2013 and 2012, respectively, due to the additional borrowings. Debt service coverage ratio increased to 2.15:1 from 1.09:1 for the years ended December 31, 2013 and 2012, respectively, due to higher operating cash flows in 2013 compared to 2012.

In terms of profitability, ROE decreased to 10% from 12% for the years ended December 31, 2013 and 2012, respectively, due to restructuring costs. Excluding the one-time restructuring costs, ROE would have been 11% in the year ended 2013. EBITDA increased by 11% to ₱30.12 billion in 2013 from ₱27.20 billion in 2012.

Debt to EBITDA increased to 3.53:1 from 2.96:1 as of December 31, 2013 and 2012, respectively, due to increase in long-term debt. While EBITDA to interest expense decreased to 8.17:1 from 8.87:1 for the years ended December 31, 2013 and 2012, respectively, due to higher interest expense in 2013. EBITDA margin improved at 50% from 48% for the years ended December 31, 2013 and 2012, respectively.

Consolidated operating income to revenues remains steady at 40% and 39% for the years ended December 31, 2013 and 2012. Net income to revenues is steady at 27% and 28% for the years ended December 31, 2013 and 2012.

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.

For the year 2014, the Company expects to incur capital expenditures of approximately ₱71 billion. This will be funded with internally generated funds and external borrowings.

As of December 2013, SM Prime has twenty two residential projects in the market, twenty one of which are in Metro Manila and one in Tagaytay. For this year, SM Prime is launching four new projects and four expansions of existing towers all in Metro Manila, except Wind in Tagaytay.

SM Prime's mall business unit has forty eight shopping malls in the Philippines with 6.2 million square meters of gross floor area and five shopping malls in China with 0.8 million square meters of gross floor area. For the rest of 2014, the mall business unit 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 end 2014, the mall business unit will have an estimated 7.5 million square meters of gross floor area.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SM Prime Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 and appointed by the stockholders, has examined the consolidated financial statements of SM Prime Holdings, Inc. 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.

JOSE L. CUISIA, JR.
Vice Chairman

HANS T. SY
President

JEFFREY C. LIM
Executive Vice President/
Chief Finance Officer

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee assists the Board of Directors in fulfilling its oversight responsibilities to ensure the integrity and adequacy of the financial reporting process, the internal control system, the audit process, the company's risk management system and compliance with pertinent laws, rules and regulations. The Committee likewise oversees special investigations as may be necessary and reviews its Charter annually.

In compliance with the Audit and Risk Management Committee Charter, the Manual on Corporate Governance and pertinent laws, rules and regulations, we confirm that:

- The Audit and Risk Management Committee is composed of seven (7) members, three (3) of whom are independent directors, namely Mr. Gregorio U. Kilayko, Mr. Joselito H. Sibayan and Committee Chairman, Mr. Jose L. Cuisia, Jr.
- We met five (5) times in 2013 (on February 18, April 16, June 10, July 29 and November 4);

Members	2/18/13	4/16/13	6/10/13	7/29/13	11/04/13	Percentage
Jose L. Cuisia, Jr.	√	√	√	√	√	100
Gregorio U. Kilayko	√	√	√	√	√	100
Jorge T. Mendiola	√	√	√	√	√	100
Joselito H. Sibayan	√	√	√	√	√	100
Jose T. Sio	√	√	√	√	√	100
Serafin U. Salvador	√	√	√	√	√	100
Corazon I. Morando	√	√	√	√	√	100

- Each member of the Committee possesses adequate knowledge and competence of finance and accounting processes;

  Profile/Qualifications of the Audit and Risk Management Committee members:

  - **Mr. Jose L. Cuisia Jr.** (Chairman – Independent Director) – Mr. Cuisia has served as Vice Chairman of the Board of Directors of SM Prime since 1994. In 2011, he took his official diplomatic post as Ambassador Extraordinary and Plenipotentiary to the United States of America. He was the Former President and Chief Executive Officer of the Philippine American Life and General Insurance Company and is currently the Vice Chairman of Philamlife since August 2009. Previously, he served as Governor of the Bangko Sentral ng Pilipinas from 1990 to 1993 and Administrator of the Social Security System from 1986 to 1990. In May 2011, he was awarded the "Joseph Wharton Award for Lifetime Achievement" by the prestigious Wharton School of the University of Pennsylvania for an outstanding career in the country's banking and social security system.
  - **Mr. Jose T. Sio (Member)** – Mr. Sio is the Executive Vice President and Chief Finance Officer of SM Investments Corporation. He is also a Director of China Banking Corporation, Belle Corporation, SM Keppel Land, Inc., Manila North Tollways Corporation, and Atlas Consolidated Mining and Development Corporation as well as other companies within the SM Group. Mr. Sio is also Adviser to the Board of Directors of BDO Unibank, Inc. and SM Development 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. (a member practice of Ernst & Young).
  - **Mr. Joselito H. Sibayan** (Member – *Independent Director*) – Mr. Sibayan has spent the past 25 years of his career in investment banking. From 1987 to 1994, and after taking his MBA from University of California in Los Angeles (UCLA), he served as Head of International Fixed Income Sales at Deutsche Bank in New York and later moved to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operation. He then moved to London in 1995 to run Natwest Markets' International Fixed Income Sales Team. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country Manager for Credit Suisse First Boston (CSFB). He put up CSFB's Manila representative office in 1998, which he later migrated to branch status. He was elected as an Independent Director in 2011.
  - **Mr. Serafin U. Salvador** (Member) – Mr. Salvador graduated with a Bachelor of Law degree from the University of the Philippines in 1968. He also attended the Graduate Tax Program at the Graduate School of Law of the New York University. Atty. Salvador completed his Master's in Business Administration at the Ateneo de Manila University. He likewise attended the TOP Management Program at the Asian Institute of Management and the Managing Multinational Enterprises Program at the INSEAD, Fontainebleau, France. Atty. Salvador was the previous Head of the Tax Division and a Tax Principal of Sycip Gorres Velayo & Co. where he stayed for 30 years. He is also a professor of Taxation in the colleges of Law of the University of the Philippines and the Ateneo de Manila University.
  - **Atty. Corazon I. Morando** (Member) – Atty. Morando is the Senior Vice President for Legal and Corporate Affairs/Compliance Officer/and Assistant Corporate Secretary of the Company and SM Investments Corporation, and Compliance Officer of SM Development Corporation. She is also Corporate Secretary of Highlands Prime, Inc. and China Banking Corporation. She holds a Bachelor of Law degree from the University of the Philippines and took up graduate studies under the MBA-Senior Executive Program in the Ateneo de Manila University. She was formerly the Director of the Corporate and Legal Department of the Securities and Exchange Commission in the Philippines.
  - **Mr. Gregorio Kilayko** (Member – *Independent Director*) - Mr. Gregorio U. Kilayko is the former Chairman of ABN Amro's banking operations in the Philippines. He was the founding head of ING Barings' stockbrokerage and investment banking business in the Philippines and a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the demutualized Philippine Stock Exchange in 2003. He was elected as Independent Director in 2008.
  - **Mr. Jorge T. Mendiola** (Member) – Mr. Jorge T. Mendiola was elected as Director in December 2012. He is currently the President of SM Department Store. He started his career with the SM Department Stores as a Special Assistant to the Senior Branch Manager in 1989 and rose to become the President in 2011. He is also Vice Chairman for Advocacy of the Philippine Retailers Association. He took his Master's in Business Administration from the Asian Institute of Management and has an A.B. Economics degree from Ateneo de Manila University.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

- We have reviewed and approved the amended Audit and Risk Management Committee Charter consistent with the provisions in SEC Memorandum Circular No. 4 on the Self-Assessment of the Performance of Audit Committees. Furthermore, we complied with the required self-assessment and submission of the results to the SEC accordingly. Subject Charter was ratified by the Board of Directors;
- We have reviewed and approved the following with regard to our Independent Auditor, SGV & Co. and our Internal Auditor:
  - Their respective annual audit plans, scope, risk-based methods and time table;
  - The results of their examinations and action plan to address pending audit issues; and
  - The assessment of internal controls and financial reporting;
- We have received and reviewed the report of SGV & Co. on significant accounting issues, changes in accounting principles, relevant pending tax legislation which would impact SM Prime Holdings, Inc.;
- We have reviewed and approved all audit services provided by SGV & Co., and related audit fees;
- We have reviewed and ensured that the Company's related party transactions are conducted at arms' length basis;
- We have reviewed the internal control system of the Company based upon the assessments completed and reported by the internal and external auditors and found that the system is adequate and appropriate;
- We have discussed the results of the enterprise-wide risk assessment and Management's action plan to address identified risks;
- We have discussed with SGV & Co. the matters required to be discussed by the prevailing applicable Auditing Standards, and we have received written disclosures and the letter from SGV & Co. as required by prevailing applicable Independence Standards and have discussed with SGV & Co., its independence;
- We have reviewed the financial statements of SM Prime Holdings, Inc. for the first quarter ended March 31, 2013, second quarter ended June 30, 2013, and third quarter ended September 30, 2013;
- Based on its review and discussion, and subject to the limitations on the roles and responsibilities referred to above, the Committee recommended for Board approval, and the Board approved, the audited financial statements of SM Prime Holdings, Inc. for the year ended December 31, 2013.
- We have reviewed and discussed the performance, independence and qualifications of the Independent Auditor, SGV & Co., in the conduct of their audit of the financial statements of SM Prime Holdings, Inc. for the year. Based on the review of their performance and qualifications, the Committee also recommends the re-appointment of SGV & Co. as external auditors for 2014.

24 February 2014

Jose L. Cuisia, Jr.*
Chairman

Gregorio U. Kilayko*
Member

Joselito H. Sibayan*
Member

Jose T. Sio
Member

Serafin U. Salvador
Member

Jorge T. Mendiola
Member

Atty. Corazon I. Morando
Member

Atty. Emmanuel C. Paras
Corporate Secretary

*Independent Director

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SM Prime Holdings, Inc.

We have audited the accompanying consolidated financial statements of SM Prime Holdings, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting and financial reporting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SM Prime Holdings, Inc. and Subsidiaries as at December 31, 2013 and 2012 and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0923-AR-1 (Group A),
March 25, 2013, valid until March 24, 2016
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225152, January 2, 2014, Makati City

February 24, 2014

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31, 2013	December 31, 2012 (As restated - Notes 2 and 6)	January 1, 2012 (As restated - Notes 2 and 6)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 7, 22, 28 and 29)	**₱27,141,506**	₱21,299,366	₱17,345,309
Short-term investments (Notes 8, 22, 28 and 29)	**887,900**	821,000	876,800
Investments held for trading (Notes 9, 22, 28 and 29)	**1,151,464**	1,338,777	1,196,956
Receivables (Notes 10, 17, 22, 28 and 29)	**27,184,434**	17,145,695	11,622,830
Condominium and residential units for sale (Note 11)	**6,102,653**	2,969,757	945,363
Land and development - current portion (Note 12)	**13,281,246**	11,673,553	5,780,360
Available-for-sale investments (Notes 13, 22, 28 and 29)	**–**	1,000,000	1,000,000
Prepaid expenses and other current assets (Notes 14, 22, 28 and 29)	**9,936,120**	12,014,185	11,394,881
Total Current Assets	**₱85,685,323**	₱68,262,333	₱50,162,499
Noncurrent Assets			
Available-for-sale investments - net of current portion (Notes 13, 22, 28 and 29)	**23,369,074**	23,303,128	16,052,509
Property and equipment - net (Note 15)	**1,578,893**	1,597,066	1,180,653
Investment properties - net (Notes 16, 20 and 22)	**171,666,409**	147,854,289	129,972,301
Land and development - net of current portion (Note 12)	**21,539,938**	20,606,270	17,862,368
Derivative assets (Notes 28 and 29)	**1,778,810**	109,979	115,619
Deferred tax assets - net (Note 26)	**690,525**	486,314	395,548
Other noncurrent assets (Notes 17, 22, 25, 28 and 29)	**29,274,710**	22,432,737	13,121,593
Total Noncurrent Assets	**249,898,359**	216,389,783	178,700,591
	₱335,583,682	₱284,652,116	₱228,863,090
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable (Notes 18, 22, 28 and 29)	**₱3,250,000**	₱8,973,500	₱2,387,000
Accounts payable and other current liabilities (Notes 19, 22, 28 and 29)	**45,298,216**	34,399,069	28,528,058
Current portion of long-term debt (Notes 20, 22, 28 and 29)	**7,387,260**	3,856,767	1,162,420
Income tax payable	**946,593**	662,805	627,064
Total Current Liabilities	**56,882,069**	47,892,141	32,704,542
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 20, 22, 28 and 29)	**95,675,730**	67,749,383	52,382,248
Tenants' deposits (Notes 27, 28 and 29)	**10,248,792**	8,968,623	7,984,377
Liability for purchased land - net of current portion (Notes 19, 28 and 29)	**1,117,809**	4,202,128	1,682,368
Deferred tax liabilities - net (Note 26)	**2,022,539**	2,014,230	1,770,620
Derivative liabilities (Notes 28 and 29)	**159,974**	244,330	237,980
Other noncurrent liabilities (Notes 16, 22, 25, 28 and 29)	**3,255,244**	3,119,296	3,039,795
Total Noncurrent Liabilities	**112,480,088**	86,297,990	67,097,388
Total Liabilities	**169,362,157**	134,190,131	99,801,930
Equity Attributable to Equity Holders of the Parent (Notes 21 and 30)			
Capital stock (Notes 6, 21 and 30)	**33,166,300**	33,166,300	29,691,565
Additional paid-in capital - net (Notes 6 and 21)	**22,303,436**	19,668,994	17,732,721
Cumulative translation adjustment	**1,381,268**	607,237	897,925
Net unrealized gain on available-for-sale investments (Note 13)	**19,958,330**	19,781,021	13,323,397
Net fair value changes on cash flow hedges (Note 29)	**429,149**	–	–
Remeasurement loss on defined benefit obligation (Note 25)	**771**	(61,088)	(28,000)
Retained earnings (Note 21):			
Appropriated	**42,200,000**	42,200,000	23,200,000
Unappropriated	**47,807,664**	36,250,679	45,825,366
Treasury stock (Notes 21 and 30)	**(3,980,378)**	(3,985,462)	(3,985,462)
Total Equity Attributable to Equity Holders of the Parent	**163,266,540**	147,627,681	126,657,512
Non-controlling Interests (Note 21)	**2,954,985**	2,834,304	2,403,648
Total Equity	**166,221,525**	150,461,985	129,061,160
	₱335,583,682	₱284,652,116	₱228,863,090

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated - Notes 2 and 6)	2011 (As restated - Notes 2 and 6)
REVENUE			
Rent (Notes 22 and 27)	**₱32,195,285**	₱28,951,727	₱25,208,474
Sales:			
Real estate	**20,775,195**	22,575,692	17,359,748
Cinema ticket	**3,740,030**	3,477,262	3,051,717
Others (Note 22)	**3,083,900**	2,210,413	4,449,304
	59,794,410	57,215,094	50,069,243
COSTS AND EXPENSES (Note 23)	**35,658,865**	35,145,277	30,771,982
INCOME FROM OPERATIONS	**24,135,545**	22,069,817	19,297,261
OTHER INCOME (CHARGES)			
Interest expense (Notes 22, 24, 28 and 29)	**(3,686,603)**	(3,064,825)	(2,933,337)
Interest and dividend income (Notes 13, 22 and 24)	**1,093,870**	1,062,028	1,180,382
Restructuring costs (Note 6)	**(1,276,629)**	–	–
Others - net (Notes 9, 12, 13, 17, 20, 22 and 29)	**443,908**	366,874	(501,464)
	(3,425,454)	(1,635,923)	(2,254,419)
INCOME BEFORE INCOME TAX	**20,710,091**	20,433,894	17,042,842
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)			
Current	**4,392,114**	3,687,530	3,111,294
Deferred	**(407,951)**	102,931	(70,585)
	3,984,163	3,790,461	3,040,709
NET INCOME	**₱16,725,928**	₱16,643,433	₱14,002,133
Attributable to			
Equity holders of the Parent (Notes 21 and 30)	**₱16,274,820**	₱16,202,777	₱13,628,870
Noncontrolling interests (Note 21)	**451,108**	440,656	373,263
	₱16,725,928	₱16,643,433	₱14,002,133
Basic/Diluted earnings per share (Note 30)	**₱0.586**	₱0.584	₱0.491

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated - Notes 2 and 6)	2011 (As restated - Notes 2 and 6)
NET INCOME	**₱16,725,928**	₱16,643,433	₱14,002,133
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized gain due to changes in fair value in available-for-sale investments (Note 13)	**177,309**	6,457,624	525,634
Net fair value changes on cash flow hedges (Note 29)	**429,149**	–	–
Cumulative translation adjustment	**774,031**	(290,688)	308,225
	1,380,489	6,166,936	833,859
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods -			
Remeasurement income (loss) on defined benefit obligation (Note 25)	**61,192**	(33,088)	(28,000)
TOTAL COMPREHENSIVE INCOME	**₱18,167,609**	₱22,777,281	₱14,807,992
Attributable to			
Equity holders of the Parent (Notes 21 and 30)	**₱17,717,168**	₱22,336,625	₱14,434,729
Non-controlling interests (Note 21)	**450,441**	440,656	373,263
	₱18,167,609	₱22,777,281	₱14,807,992

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

	Equity Attributable to			
	Capital Stock (Notes 6, 21 and 30)	**Additional Paid-in Capital - Net** (Notes 6 and 21)	**Cumulative Translation Adjustment**	**Net Unrealized Gain on Available-for-Sale Investments** (Note 13)
At January 1, 2013, as previously reported	**₱17,392,535**	**₱8,219,067**	**₱544,146**	**₱–**
Effect of adoption of revised PAS 19 (Note 2)	**–**	**–**	**–**	**–**
Effect of common control business combination (Note 6)	**15,773,765**	**11,449,927**	**63,091**	**19,781,021**
At Januay 1, 2013, as restated	**33,166,300**	**19,668,994**	**607,237**	**19,781,021**
Net income for the year	**–**	**–**	**–**	**–**
Other comprehensive income (loss)	**–**	**–**	**774,031**	**177,309**
Total comprehensive income for the year	**–**	**–**	**774,031**	**177,309**
Equity adjustment from common control business combination (Note 6)	**–**	**2,480,478**	**–**	**–**
Cash dividends (Note 21)	**–**	**–**	**–**	**–**
Cash dividends received by non-controlling interests	**–**	**–**	**–**	**–**
Acquisition of non-controlling interests	**–**	**153,964**	**–**	**–**
At December 31, 2013	**₱33,166,300**	**₱22,303,436**	**₱1,381,268**	**₱19,958,330**
At January 1, 2012, as previously reported	₱13,917,800	₱8,219,067	₱872,659	₱–
Effect of adoption of revised PAS 19 (Note 2)	–	–	–	–
Effect of common control business combination (Note 6)	15,773,765	9,513,654	25,266	13,323,397
At Januay 1, 2012, as restated	29,691,565	17,732,721	897,925	13,323,397
Net income for the year	–	–	–	–
Other comprehensive income (loss)	–	–	(290,688)	6,457,624
Total comprehensive income for the year	–	–	(290,688)	6,457,624
Equity adjustment from common control business combination (Note 6)	–	1,936,273	–	–
Cash dividends (Note 21)	–	–	–	–
Stock dividends (Note 21)	3,474,735	–	–	–
Cash dividends received by non-controlling interests	–	–	–	–
Appropriation during the year - net of reversal	–	–	–	–
At December 31, 2012	₱33,166,300	₱19,668,994	₱607,237	₱19,781,021
At Januay 1, 2011, as previously reported	₱13,917,800	₱8,219,067	₱589,700	₱3,745
Effect of adoption of revised PAS 19	–	–	–	–
Effect of common control business combination (Note 6)	15,773,765	1,375,390	–	12,794,018
Balance at Januay 1, 2011, as restated	29,691,565	9,594,457	589,700	12,797,763
Net income for the year	–	–	–	–
Other comprehensive income (loss)	–	–	308,225	525,634
Total comprehensive income for the year	–	–	308,225	525,634
Equity adjustment from business combination under common control (Note 6)	–	8,138,264	–	–
Cash dividends (Note 21)	–	–	–	–
Cash dividends received by non-controlling interests	–	–	–	–
Appropriation during the year	–	–	–	–
At December 31, 2011	₱29,691,565	₱17,732,721	₱897,925	₱13,323,397

See accompanying Notes to Consolidated Financial Statements

Equity Holders of the Parent (Notes 21 and 30)							
Remeasurement Loss on Defined Benefit Obligation (Note 25)	Net Fair Value Changes on Cash Flow Hedges (Note 29)	Retained Earnings (Note 21) Appropriated	Unappropriated	Treasury Stock (Notes 21 and 30)	Total	Noncontrolling Interests (Note 21)	Total Equity
₱–	**₱–**	**₱27,000,000**	**₱16,890,137**	**(₱101,475)**	**₱69,944,410**	**₱955,336**	**₱70,899,746**
(61,088)	**–**	**–**	**1,039**	**–**	**(60,049)**	**–**	**(60,049)**
–	**–**	**15,200,000**	**19,359,503**	**(3,883,987)**	**77,743,320**	**1,878,968**	**79,622,288**
(61,088)	**–**	**42,200,000**	**36,250,679**	**(3,985,462)**	**147,627,681**	**2,834,304**	**150,461,985**
–	**–**	**–**	**16,274,820**	**–**	**16,274,820**	**451,108**	**16,725,928**
61,859	**429,149**	**–**	**–**	**–**	**1,442,348**	**(667)**	**1,441,681**
61,859	**429,149**	**–**	**16,274,820**	**–**	**17,717,168**	**450,441**	**18,167,609**
–	**–**	**–**	**(26,942)**	**–**	**2,453,536**	**–**	**2,453,536**
–	**–**	**–**	**(4,690,893)**	**–**	**(4,690,893)**	**–**	**(4,690,893)**
–	**–**	**–**	**–**	**–**	**–**	**(329,760)**	**(329,760)**
–	**–**	**–**	**–**	**5,084**	**159,048**	**–**	**159,048**
₱771	**₱429,149**	**₱42,200,000**	**₱47,807,664**	**(₱3,980,378)**	**₱163,266,540**	**₱2,954,985**	**₱166,221,525**
₱–	₱–	₱7,000,000	₱33,865,610	(₱101,475)	₱63,773,661	₱573,144	₱64,346,805
(28,000)	–	–	(896)	–	(28,896)	–	(28,896)
–	–	16,200,000	11,960,652	(3,883,987)	62,912,747	1,830,504	64,743,251
(28,000)	–	23,200,000	45,825,366	(3,985,462)	126,657,512	2,403,648	129,061,160
–	–	–	16,202,777	–	16,202,777	440,656	16,643,433
(33,088)	–	–	–	–	6,133,848	–	6,133,848
(33,088)	–	–	16,202,777	–	22,336,625	440,656	22,777,281
–	–	–	727,966	–	2,664,239	–	2,664,239
–	–	–	(4,030,695)	–	(4,030,695)	–	(4,030,695)
–	–	–	(3,474,735)	–	–	–	–
–	–	–	–	–	–	(10,000)	(10,000)
–	–	19,000,000	(19,000,000)	–	–	–	–
(₱61,088)	₱–	₱42,200,000	₱36,250,679	(₱3,985,462)	₱147,627,681	₱2,834,304	₱150,461,985
₱–	₱–	₱7,000,000	₱28,562,329	(₱101,475)	₱58,191,166	₱758,715	₱58,949,881
–	–	–	(11,738)	–	(11,738)	–	(11,738)
–	–	11,200,000	13,357,466	(3,883,987)	50,616,652	1,783,466	52,400,118
–	–	18,200,000	41,908,057	(3,985,462)	108,796,080	2,542,181	111,338,261
–	–	–	13,628,870	–	13,628,870	373,263	14,002,133
(28,000)	–	–	–	–	805,859		805,859
(28,000)	–	–	13,628,870	–	14,434,729	373,263	14,807,992
–	–	–	(958,846)	–	7,179,418	–	7,179,418
–	–	–	(3,752,715)	–	(3,752,715)	–	(3,752,715)
–	–	–	–	–	–	(511,796)	(511,796)
–	–	5,000,000	(5,000,000)	–	–	–	–
(₱28,000)	₱–	₱23,200,000	₱45,825,366	(₱3,985,462)	₱126,657,512	₱2,403,648	₱129,061,160

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated - Notes 2 and 6)	2011 (As restated - Notes 2 and 6)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and non-controlling interests	**₱20,710,091**	₱20,433,894	₱17,042,842
Adjustments for:			
Interest expense (Note 24)	**3,686,603**	3,064,825	2,933,337
Interest income and dividend income (Notes 13 and 24)	**(1,093,870)**	(1,062,028)	(1,180,382)
Depreciation and amortization (Note 23)	**5,980,940**	5,126,801	4,823,506
Restructuring costs	**1,276,629**	–	–
Loss (gain) on:			
Sale of available-for-sale investments	**(285,129)**	(158,444)	(103,400)
Fair value changes on derivatives - net	**(62,717)**	16,278	226,901
Fair value changes on investment held-for-trading (Note 9)	**(93,996)**	(194,768)	(16,773)
Sale/retirement of investment properties and property and equipment	**(68,579)**	(253,590)	(4,863)
Unrealized foreign exchange loss (gain) - net	**(29,994)**	(107,495)	72,888
Operating income before working capital changes	**30,019,978**	26,865,473	23,794,056
Decrease (increase) in:			
Receivables	**(8,470,424)**	(10,377,471)	(5,726,200)
Condominium and residential units for sale	**4,196,726**	618,220	254,050
Land and development	**(11,109,456)**	(11,281,180)	(3,231,368)
Prepaid expenses and other current assets	**2,722,125**	(3,079,072)	(2,984,535)
Increase in:			
Accounts payable and other current liabilities	**9,478,924**	3,909,461	1,789,208
Tenants deposits	**1,192,142**	3,577,509	715,284
Cash generated from operations	**28,030,015**	10,232,940	14,610,495
Income tax paid	**(4,116,235)**	(3,599,308)	(2,848,493)
Interest paid	**(95,258)**	(45,936)	(138,369)
Cash provided by operating activities	**23,818,522**	6,587,696	11,623,633
CASH FLOWS FROM INVESTING ACTIVITIES			
Deductions (additions) to:			
Investment properties	**(24,553,198)**	(22,413,476)	(18,171,149)
Available-for-sale investments	**(2,396)**	(914,339)	(335,076)
Property and equipment	**(440,890)**	(580,236)	(220,614)
Investments held for trading	**–**	–	(299,380)
Proceeds from early redemption of available-for-sale investments	**1,000,000**	–	–
Proceeds from sale of:			
Held-for-trading investments	**300,448**	38,508	–
Investment properties	**99,991**	1,124,850	9,680
Available-for-sale-investments	**397,977**	282,420	210,400
Interest received	**692,313**	738,434	818,368
Dividends received	**354,602**	1,795,812	1,721,439
Investment in a joint venture and acquisition of a subsidiary - net of cash acquired (Notes 6 and 17)	**(7,352,729)**	–	–
Decrease (increase) in other noncurrent assets	**(1,211,579)**	(599,679)	752,515
Net cash used in investing activities	**(30,715,461)**	(20,527,706)	(15,513,817)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of loans	**76,494,060**	38,797,456	17,786,082
Payments of:			
Long-term debt	**(20,812,576)**	(13,123,309)	(14,142,267)
Dividends	**(5,020,653)**	(5,012,766)	(5,204,471)
Interest	**(4,111,850)**	(3,006,566)	(3,253,616)
Bank loans	**(33,210,179)**	(1,200)	(691,667)
Proceeds from issuance of common and treasury shares	**–**	400,000	69,347
Proceeds from unwinding of derivatives	**(22,071)**	–	–
Payments of restructuring costs	**(607,172)**	–	–
Decrease (increase) in non-controlling interests	**(667)**	(146,730)	1,779,740
Deposit for future subscription and others	**–**	187	498,129
Net cash provided by (used in) financing activities	**12,708,892**	17,907,072	(3,158,723)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**30,187**	(13,005)	60,652
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,842,140**	3,954,057	(6,988,255)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**21,299,366**	17,345,309	24,333,564
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱27,141,506**	₱21,299,366	₱17,345,309

See accompanying Notes to Consolidated Financial Statements.

1. CORPORATE INFORMATION AND CORPORATE RESTRUCTURING

SM Prime Holdings, Inc. (SMPH or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SMPH and its subsidiaries (collectively known as "the Company") are incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes.

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

As at December 31, 2013, SMPH is 51.04% and 26.13% directly-owned by SM Investments Corporation (SMIC) and the Sy Family, respectively. SMIC, the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the "SM Group".

The registered office and principal place of business of SMPH is Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City 1300.

Corporate Restructuring

In 2013, SMPH initiated a corporate restructuring exercise to consolidate all of the SM Group's real estate companies and real estate assets under one single listed entity which is SMPH (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. This will leverage on SM's strong brand franchise, group synergies, dominant position in mall and residential development, extensive marketing and supplier network, huge landbank and other resources to strongly enhance the overall value of the company and all its future projects, which also include township and mixed-use development, commercial and resorts development, and hotels and convention centers. The corporate restructuring involves the following transactions:

- SM Land, Inc.'s (SM Land) tender offers for SM Development Corporation (SMDC) and Highlands Prime, Inc. (HPI);
- Merger of SMPH (the "Surviving entity") and SM Land (the "Absorbed entity"); and
- Acquisition of unlisted real estate companies and real estate assets from SMIC and the Sy Family.

The corporate restructuring was approved by the Board of Directors (BOD) of SMPH on May 31, 2013 and ratified by the stockholders in a special stockholders meeting held on July 10, 2013. This was subsequently approved by the SEC on October 10, 2013 (see Note 6).

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on February 24, 2014.

2. BASIS OF PREPARATION

The accompanying consolidated financial statements 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 peso, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting and Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS and PAS which the Company has adopted starting January 1, 2013:

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, became effective for annual periods beginning on or after January 1, 2013.
- PFRS 10, *Consolidated Financial Statements*, became effective for annual periods beginning on or after January 1, 2013.
- PFRS 11, *Joint Arrangements*, became effective for annual periods beginning on or after January 1, 2013.
- PFRS 12, *Disclosure of Interests in Other Entities*, became effective for annual periods beginning on or after January 1, 2013.
- PFRS 13, *Fair Value Measurement*, became effective for annual periods beginning on or after January 1, 2013.
- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)*, became effective for annual periods beginning on or after July 1, 2012.
- PAS 19, *Employee Benefits (Revised)*, became effective for annual periods beginning on or after January 1, 2013.
- PAS 27, *Separate Financial Statements (as revised in 2011)*, became effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*, became effective for annual periods beginning on or after January 1, 2013.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, became effective for annual periods beginning on or after January 1, 2013.
- Philippine Interpretations Committee Q&A No. 2013-03, *Accounting for Employee Benefits under a Defined Contribution Plan Subject to Requirements of Republic Act 7641, The Philippine Retirement Law,* became effective for annual periods beginning on or after January 1, 2013.
- 2012 improvements to PFRSs, effective 2013.

The standards that have been adopted are deemed to have no material impact on the consolidated financial statements of the Company except for the adoption of the Revised PAS 19.

Adoption of Revised PAS 19

For defined benefit plans, the Revised PAS 19 requires all remeasurements (including actuarial gains and losses) to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested.

Upon adoption of the Revised PAS 19, the Company changed its accounting policy to recognize all remeasurements in other comprehensive income, which will not be reclassified to profit or loss in subsequent periods, and all past service costs in profit or loss in the period they occur. Moving forward, the Company will retain the remeasurements in other comprehensive income and will not transfer this to other items of equity.

Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Company's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption of the Revised PAS 19 on the consolidated financial statements are as follows:

	As at December 31, 2012	As at January 1, 2012
	(In Thousands)	
Increase (decrease) in consolidated balance sheets:		
Pension liability	₱49,166	₱30,939
Pension asset	(15,546)	(3,933)
Deferred tax asset	–	4,795
Deferred tax liability	(4,664)	(1,180)
Other comprehensive income, net of tax	(61,088)	(28,000)
Retained earnings	1,040	(896)

	For the Years Ended December 31	
	2012	2011
	(In Thousands)	
Increase (decrease) in consolidated statements of income:		
Pension cost	₱2,766	₱12,284
Income before income tax	2,766	12,284
Benefit from income tax	(830)	(1,442)
Net income attributable to equity holders of the parent	₱1,936	₱10,842
Increase (decrease) in consolidated statements of comprehensive income:		
Remeasurement loss on defined benefit obligation	₱33,569	₱30,868
Income tax effects	(481)	(2,868)
Other comprehensive loss, net of tax	₱33,088	₱28,000
Total comprehensive loss attributable to equity holders of the parent	₱33,088	₱28,000

Future Changes in Accounting Policies

Standards and Interpretations
The Company did not early adopt the following standards and Philippine Interpretations that have been approved but are not yet effective. The Company will adopt these standards and interpretations on their effective dates.

- PFRS 9, *Financial Instruments*, currently has no mandatory effective date and may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- PFRS 10, PFRS 12 and PAS 27 - *Investment Entities (Amendments)*, will become effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Company since none of the entities in the Company would qualify to be an investment entity under PFRS 10.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*, will become effective for annual periods beginning on or after July 1, 2014. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied. The amendments will have no significant impact on the Company's consolidated financial statements.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*, will become effective for annual periods beginning on or after January 1, 2014. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be applied retrospectively. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*, will become effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*, will become effective for annual periods beginning on or after January 1, 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- Philippine Interpretation IFRIC 15*, Agreements for the Construction of Real Estate,* 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 rewards 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 Financial Reporting Standards Council 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. The adoption of this interpretation will result to a change in the revenue and cost recognition from percentage of completion method to completed contract method. The Company has made an assessment and is continuously monitoring the impact of this new interpretation to its consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies*, is effective for annual periods beginning on or after January 1, 2014. This clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

Improvements to PFRSs (2010–2012 cycle)
The annual improvements contain non-urgent but necessary amendments to the following standards effective on or after January 1, 2014 and are applied prospectively:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be applied prospectively. This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. 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 PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be applied prospectively. The Company 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*, require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments shall be applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b) The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments shall be applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

b) The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Company's financial position or performance.

Improvements to PFRSs (2011–2013 cycle)
The annual improvements contain non-urgent but necessary amendments to the following standards effective on or after January 1, 2014 and are applied prospectively:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment has no significant impact on the Company's financial position or performance.

- PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. The amendment has no significant impact on the Company's financial position or performance.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

		Percentage of Ownership	
Company	Country of Incorporation	**2013**	2012
First Asia Realty Development Corporation (FARDC)	Philippines	**74.2**	74.2
Premier Central, Inc.	- do -	**100.0**	100.0
Consolidated Prime Dev. Corp.	- do -	**100.0**	100.0
Premier Southern Corp.	- do -	**100.0**	100.0
San Lazaro Holdings Corporation	- do -	**100.0**	100.0
Southernpoint Properties Corp.	- do -	**100.0**	100.0
First Leisure Ventures Group Inc. (FLVGI)	- do -	**50.0**	50.0
SMDC and Subsidiaries[(a)]	- do -	**100.0**	100.0
Magenta Legacy, Inc.[(a)]	- do -	**100.0**	100.0
Associated Development Corporation[(a)]	- do -	**100.0**	100.0
HPI[(a)]	- do -	**100.0**	100.0
SM Hotels and Conventions Corp. and Subsidiaries (SMHCC)[(a)]	- do -	**100.0**	100.0
SM Arena Complex Corporation (SMACC)[(a)]	- do -	**100.0**	100.0
Costa del Hamilo, Inc. and Subsidiaries (Costa)[(a)]	- do -	**100.0**	100.0
Prime Metro Estate, Inc. (PMI)[(a)]	- do -	**60.0**	60.0
Tagaytay Resorts and Development Corporation (TRDC)[(a)]	- do -	**100.0**	100.0
CHAS Realty and Development Corporation and Subsidiaries (CHAS)[(b)]	- do -	**100.0**	100.0
Summerhills Home Development Corp. (SHDC)[(c)]	- do -	**100.0**	100.0
Affluent Capital Enterprises Limited and Subsidiaries	British Virgin Islands (BVI)	**100.0**	100.0
Mega Make Enterprises Limited and Subsidiaries	- do -	**100.0**	100.0
Springfield Global Enterprises Limited	- do -	**100.0**	100.0
Simply Prestige Limited and Subsidiaries[(c)]	- do -	**100.0**	100.0
SM Land (China) Limited and Subsidiaries (SM Land China)	Hong Kong	**100.0**	100.0

a. Acquired in 2013 as part of SM Property Group corporate restructuring accounted for as common control business combination using pooling of interest method.
b. Acquired in 2013 from unrelated parties accounted for under acquisition method.
c. Acquired in 2013 accounted for as common control business combination using pooling of interest method.

The consolidated financial statements also include the historical financial information of the real estate assets accounted for as "business" acquired from SMIC.

Properties	Classification	Location
Taal Vista Hotel	Land and building	Tagaytay
Radisson Cebu Hotel	Building	Cebu
Pico Sands Hotel	Building	Batangas
SMX Convention Center	Building	Pasay
Mall of Asia Arena	Building	Pasay
Mall of Asia Arena Annex	Building	Pasay
Corporate Office	Building	Pasay
Casino and Waste Water Treatment Plant	Building	Tagaytay
Tagaytay land	Land	Tagaytay
EDSA West land	Land	Quezon City
Park Inn Davao	Building	Davao

FLVGI is accounted for as a subsidiary by virtue of control, as evidenced by the majority members of the BOD representing the Parent Company.

The individual financial statements of the Parent Company and its subsidiaries, which were prepared for the same reporting period using their own set of accounting policies, are adjusted to the accounting policies of the Company when consolidated financial statements are prepared. All intracompany balances, transactions, income and expenses, and profits and losses resulting from intracompany transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and when the Company has the ability to affect those returns through its power over the investee.

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

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

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statements of income and within equity section in the consolidated balance sheets, separately from equity attributable to equity holders of the parent.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments
In the process of applying the Company'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. The Company'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.

Revenue from real estate sales amounted to ₱20,775 million, ₱22,576 million and ₱17,360 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Property Acquisition and Business Combination. The Company acquires subsidiaries which own real estate. At the time of acquisition, the Company considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Company accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate property.

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 is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition and no goodwill or deferred tax is recognized.

Classification of Property. The Company determines whether a property is classified as investment property or land and development.

Investment property comprises building spaces and improvements which are not occupied for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Inventory comprises property that is held for sale in the ordinary course of business in which the Company develops and intends to sell on or before completion of construction.

Distinction between Land and Development, Investment Properties and Property and Equipment. The Company determines whether a property qualifies as land and development. In making this judgment, the Company considers whether the property will be sold in the ordinary course of business or is part of its strategic landbanking activities which will be developed for sale as condominium residential projects. For investment properties, the Company considers whether the property generates cash flows largely independent of the other assets and is held primarily to earn rentals or capital appreciation. Property and equipment is held for use in the supply of goods or services or for administrative purposes.

The Company considers each property separately in making its judgment.

The aggregate carrying values of land and development, investment properties and property and equipment amounted to ₱208,066 million and ₱181,731 million as at December 31, 2013 and 2012, respectively (see Notes 12, 15 and 16).

Operating Lease Commitments - as Lessor. The Company has entered into commercial property leases in its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the properties and thus accounts for the contracts as operating leases.

Rent income amounted to ₱32,195 million, ₱28,952 million and ₱25,208 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 27).

Operating Lease Commitments - as Lessee. The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

Rent expense amounted to ₱1,295 million, ₱926 million and ₱800 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 27).

Impairment of AFS Investments - Significant or Prolonged Decline in Fair Value. The Company determines that an AFS investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. The Company determines that a decline in fair value of greater than 20% below cost is considered to be a significant decline and a decline for a period longer than 12 months is considered to be a prolonged decline. The determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates, among other factors, the normal volatility in price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

There was no impairment loss recognized on AFS investments for the years ended December 31, 2013, 2012 and 2011. The carrying values of AFS investments amounted to ₱23,369 million and ₱24,303 million as at December 31, 2013 and 2012, respectively (see Note 13).

Estimates and Assumptions

The key estimates and assumptions that may have significant risks 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 Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenue from real estate and construction contracts recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Revenue from sale of real estate amounted to ₱20,775 million, ₱22,576 million and ₱17,360 million for the years ended December 31, 2013, 2012, and 2011, respectively, while cost of real estate sold amounted to ₱11,921 million, ₱13,976 million and ₱10,303 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 23).

Estimation of Allowance for Impairment Losses on Receivables. The Company maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated by the Company on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the relationship with the customers and counterparties, average age of accounts and collection experience. The Company 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 Company made different judgments or utilized different methodologies. An increase in allowance for impairment loss would increase the recorded costs and expenses and decrease current assets.

Allowance for impairment losses amounted to ₱323 million and ₱188 million as at December 31, 2013 and 2012, respectively. Receivables, including noncurrent portion of receivables from sale of real estate, amounted to ₱37,462 million and ₱32,335 million as at December 31, 2013 and 2012, respectively (see Notes 10 and 17).

Net Realizable Value of Condominium Units for Sale and Land and Development. The Company writes down the carrying value of condominium units held for sale and land and development cost when the net realizable value becomes lower than the carrying value due to changes in market prices or other causes. The net realizable value of properties under construction is assessed with reference to market price at the balance sheet date for similar completed property, less estimate cost to complete the construction and estimated cost to sell. The carrying value is reviewed regularly for any decline in value.

The carrying values of condominium units for sale and land and development amounted to ₱5,788 million and ₱34,821 million as at December 31, 2013, respectively, and ₱2,590 million and ₱32,280 million as at December 31, 2012, respectively (see Notes 11 and 12).

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 Company 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 investments.

The carrying values of AFS investments amounted to ₱23,369 million and ₱24,303 million as at December 31, 2013 and 2012, respectively (see Note 13).

Estimated Useful Lives of Property and Equipment and Investment Properties. The useful life of each of the Company'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. A reduction in the estimated useful life of any property and equipment and investment properties would increase the recorded costs and expenses and decrease noncurrent assets.

The aggregate carrying values of property and equipment and investment properties amounted to ₱173,245 million and ₱149,451 million as at December 31, 2013 and 2012, respectively (see Notes 15 and 16).

Impairment of Other Nonfinancial Assets. The Company assesses at each reporting date whether there is an indication that an item of property and equipment and investment properties may be impaired. Determining the value of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

The aggregate carrying values of property and equipment and investment properties amounted to ₱173,245 million and ₱149,451 million as at December 31, 2013 and 2012, respectively (see Notes 15 and 16).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) and net operating loss carryover (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 Company's deferred tax assets was recognized.

Deferred tax assets recognized in the consolidated balance sheets amounted to ₱1,160 million and ₱538 million as at December 31, 2013 and 2012, respectively, while the unrecognized deferred tax assets amounted to ₱93 million and ₱121 million as at December 31, 2013 and 2012, respectively (see Note 26).

Fair Value of Financial Assets and Liabilities. The Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting judgments and estimates. 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 Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would directly affect consolidated profit or loss and consolidated other comprehensive income.

The fair value of financial assets and liabilities are discussed in Note 29.

Contingencies. The Company is currently involved in various legal and administrative proceedings. The estimate of the probable costs for the resolution of these proceedings has been developed in consultation with in-house as well as outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its consolidated financial position and performance. It is possible, however, that future consolidated financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No provisions were made in relation to these proceedings (see Note 31).

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

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 from acquisition date and are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments are cash placements, shown under current assets, with original maturities of more than three months but less than one year.

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 principal or the most advantageous market must be accessible to the Company.

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

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

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

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 Company 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 Company determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Company 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 Company 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.

"Day 1" Difference. Where the transaction price in a nonactive 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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statements 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 statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. The Company 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. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, are done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. 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 costs.

The Company 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.

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. Derivatives, including any separated derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on investments held for trading are recognized in the consolidated statements of income under "Others - net" account. Interest income on investments held for trading is included in the consolidated statements of income under the "Interest and dividend income" account. Instruments under this category are classified as current assets/liabilities if these are held primarily for the purpose of trading or expected to be realized/settled within 12 months from balance sheet date. Otherwise, these are classified as noncurrent assets/liabilities.

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.

Classified as financial assets at FVPL are the Company's investments held for trading and derivative assets. The aggregate carrying values of financial assets under this category amounted to ₱2,930 million and ₱1,449 million as at December 31, 2013 and 2012, respectively. Included under financial liabilities at FVPL are the Company's derivative liabilities. The carrying values of financial liabilities at FVPL amounted to ₱160 million and ₱244 million as at December 31, 2013 and 2012, respectively (see Note 29).

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 statements 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 from reporting period. Otherwise, these are classified as noncurrent assets.

Classified under this category are cash and cash equivalents, short-term investments, receivables (including noncurrent portion of receivables from sale of real estate), cash in escrow (included under "Prepaid expenses and other current assets" account) and bonds and deposits (included under "Other noncurrent assets" account). Other than those loans and receivables whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial assets under this category amounted to ₱10,277 million and ₱15,189 million as at December 31, 2013 and 2012, respectively (see Note 29).

HTM Investments. HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Company's management has the positive intention and ability to hold to maturity. Where the Company 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 statements 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 Company has no financial assets under this category as at December 31, 2013 and 2012.

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 statements of comprehensive income 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 statements of comprehensive income is transferred to the consolidated statements of income. Interest earned on holding AFS investments are recognized in the consolidated statements of income using the effective interest method. Assets under this category are classified as current assets if expected to be disposed of within twelve months from reporting period and as noncurrent assets if expected date of disposal is more than twelve months from reporting period.

Classified under this category are the investments in corporate notes and quoted and unquoted shares of stocks of certain companies. The carrying values of financial assets classified under this category amounted to ₱23,369 million and ₱24,303 million as at December 31, 2013 and 2012, respectively (see Note 29).

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 statements of income when the liabilities are derecognized, as well as through the amortization process. Other financial liabilities are classified as current liabilities if settlement is within 12 months from balance sheet date. Otherwise, these are classified as noncurrent liabilities.

Classified under this category are loans payable, accounts payable and other current liabilities, long-term debt, tenants' deposits, liability for purchased land and other noncurrent liabilities (except for taxes payables and other payables covered by other accounting standards). Other than those other financial liabilities whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial liabilities under this category amounted to ₱109,829 million and ₱83,592 million as at December 31, 2013 and 2012, respectively (see Note 29).

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;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; 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 Company 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 Costs
Debt issue costs are presented as reduction in long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Derivative Financial Instruments
The Company uses various derivative financial instruments such as non-deliverable forwards, interest rate swaps and cross currency swaps to hedge the risks associated with foreign currency and interest rate fluctuations (see Note 29). Such derivative financial instruments 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 method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated as accounting hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statements of income. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges.

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 "Net fair value changes on cash flow hedges" in the consolicated statements of comprehensive income, whereas any hedge ineffectiveness is immediately recognized in the consolidated statements of income under "Others - net" account (see Note 29).

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 "Net fair value changes on cash flow hedges" 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 Company'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 "Others - net" account in the consolidated statements of income (see Note 29). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded Derivatives. An embedded derivative is a component of a hybrid instrument that also includes a nonderivative host contract with the effect that some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivative. 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 instrument is not recognized at FVPL.

The Company assesses whether embedded derivatives are required to be separated from the host contracts when the Company becomes a party to the contract. 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 reassessment is required. The Company 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 flow on the contract.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 Company'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 Company 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 an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Company 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 Company 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 statements 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 Company. 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 statements of income under "Others - net" account.

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. In the case of equity instruments classified as AFS investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income - is removed from the consolidated statements of comprehensive income and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income. Increases in fair value after impairment are recognized directly in the consolidated statements 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 and dividend income" account in the consolidated statements of income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

<u>Offsetting Financial Instruments</u>
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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheets.

<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. 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 and condominium units for sale include 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.

<u>Prepaid Expenses and Other Current Assets</u>
Other current assets consist of advances to suppliers and contractors, input tax, creditable withholding taxes, deposits, cash in escrow, prepayments and others. Advances to contractors are carried at cost. These represent advance payments to contractors for the construction and development of the projects. These are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances for project development represent advances made for the purchase of land and is stated initially at cost. Advances for project development are subsequently measured at cost, net of any impairment. Prepaid taxes and other prepayments are carried at cost less amortized portion. These include prepayments for taxes and licenses, rent, advertising and promotions and insurance. Deposits represent advances made for acquisitions of property for future development and of shares of stocks.

<u>Property Acquisitions and Business Combinations</u>
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 corporate 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. Applying the acquisition method requires the (a) determination whether the Company will be identified as the acquirer, (b) determination of the acquisition-date, (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquire and (d) recognition and measurement of goodwill or a gain from a bargain purchase.

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 Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the costs and expenses.

When the Company 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 Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Company is 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 is recognized in accordance with PAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled and final difference is recognized within equity.

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Company 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. Before recognizing a gain on a bargain purchase, the Company determines whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognize any additional assets or liabilities that are identified in that review.

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 Company'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 Company 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 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 Company 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 Company 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 does not exceed one year from the acquisition-date.

Common Control Business Combinations
Business combinations involving entities or businesses under common control are business combinations in which all of the entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Business combinations under common control are accounted for similar to pooling of interest method. Under the 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 the comparative periods presented, are included in the consolidated financial statements at their carrying amounts as if the consolidation had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the acquisition;
- No adjustments are made to reflect the fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired companies is considered as equity adjustment from business combinations, included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheets; and
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Acquisition of Non-controlling Interests
Changes in a parent'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 and included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheets.

Property and Equipment
Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. 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 interest incurred during the construction period on funds borrowed to finance the construction of the projects. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Expenditures incurred after the item has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

Land improvements	5 years
Buildings	10–25 years
Building and leasehold improvements	5–10 years or term of the lease, whichever is shorter
Data processing equipment	5–8 years
Transportation equipment	5–6 years
Furniture, fixtures and office 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 each reporting period.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value 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.

An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property and equipment are recognized in the consolidated statements of income in the period of retirement or disposal.

Investment Properties
Investment properties are measured initially at cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Subsequently, investment properties, except land and construction in progress, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Property under construction or development for future use as an investment property is classified as investment property.

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

Land improvements	5 years	
Land use rights	40–60 years	
Buildings and improvements	20–35 years	
Building equipment, furniture and others	3–15 years	
Building and leasehold improvements	5 years	or terms of lease whichever is shorter

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

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, property and equipment, 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.

Investment property is derecognized when either it has been disposed or when it is 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 recognized in the consolidated statements of income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or 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 Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investments in Shares of Stocks of Associates and Joint Ventures
An associate is an entity over which the Company 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 type of 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 are similar to those necessary to determine control over subsidiaries.

The Company's investments in shares of stocks of 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 Company's share in the net asset of the associate or joint venture. The consolidated statements of income reflects the share in the result 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 Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of comprehensive income. Profit and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate or joint venture. An investment in associate or joint venture is accounted for using the equity method from the date when it becomes an 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 identifiable assets, liabilities and contingent liabilities is accounted for as follow:

- 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 Company's share in the associate's or joint venture's profits or losses.
- Any excess of the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share in the associate's or joint venture's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Company'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.

The Company discontinues the use of equity method from the date when it ceases to have significant influence or joint control over an associate or joint venture and accounts for the investment in accordance with PAS 39, from that date, provided the associate or joint venture does not become a subsidiary. Upon loss of significant influence or joint control over the associate or joint venture, the Company measures and recognizes any remaining investment at its fair value. Any difference in the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statements of income. When the Company's interest in an investment in associate or joint venture is reduced to zero, additional losses are provided only to the extent that the Company has incurred obligations or made payments on behalf of the associate or joint venture to satisfy obligations of the investee that the Company has guaranteed or otherwise committed. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Company. The accounting policies of the associates and joint ventures conform to those used by the Company for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets
The carrying values of property and equipment, investment properties and investments in shares of stock of associates and joint ventures are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements 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 consolidated statements 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.

Tenants' Deposits
Tenants' deposits are measured at amortized cost. Tenants' deposits refers to security deposits received from various tenants upon inception of the respective lease contracts on the Company's investment properties. At the termination of the lease contracts, the deposits received by the Company 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.

Customers' Deposits
Customers' deposits, included under "Accounts payable and other current liabilities" account, mainly represent reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statements of income as the related obligations to the real estate buyers are fulfilled.

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 - net" account.

Retained Earnings
Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments.

Treasury Stock
Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statements of income on the purchase, sale, issuance or cancellation of own equity instruments.

Dividends
Dividends on common shares are recognized as liability and deducted from equity when approved by the BOD. Dividends for the year that are approved after balance sheet date are dealt with as an event after the reporting period.

Revenue
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company 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. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Real Estate. The Company assesses whether it is probable that the economic benefits will flow to the Company when the sales prices are collectible. Collectibility of the contract 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 method is used to recognize income from sales of projects where the Company 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 "Customers' deposits" account in the consolidated balance sheets. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" account in the consolidated balance sheets.

Revenue from construction contracts included in the "Revenue from real estate" account in the consolidated statements of income is recognized using the percentage-of-completion method, measured principally on the basis of the estimated physical completion of the contract work.

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.

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

Management and Service Fees. Revenue is recognized when earned 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.

Management Fees
Management fees are recognized as expense in accordance with the terms of the agreements.

Cost and Expenses

Cost of Real Estate Sales. 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 statements 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 percentage of completion used for revenue recognition purposes.

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.

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

Pension Benefits
The Company is a participant in the SM Corporate and Management Companies Employer Retirement Plan. The plan is a funded, noncontributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit pension costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service cost which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation 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 obligation or asset is recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statements of income.

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 obligation) 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. 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).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Foreign Currency-denominated Transactions
The consolidated financial statements are presented in Philippine peso, which is SMPH's functional and presentation currency. 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 at reporting period. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are taken to the consolidated statements of income.

Foreign Currency Translation
The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange ruling at reporting period 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 statements of comprehensive income and are presented within the "Cumulative translation adjustment" account in the consolidated statements 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 the 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.

Company as Lessee. Finance leases, which transfer to the Company 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 statements of income.

Capitalized leased 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 Company will obtain ownership by the end of the lease term.

Leases which do not transfer to the Company 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 statements of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Company as Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases are 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 Company 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 Company 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 if they are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that 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 Company. 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.

Taxes

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 reporting period.

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and 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 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 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 at reporting period.

Income tax relating to items recognized directly in the consolidated statements of comprehensive income is recognized in the consolidated statements of comprehensive income and not in the consolidated statements 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
- 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 "Prepaid expenses and other current assets" and "Accounts payable and other current liabilities" accounts in the consolidated balance sheets.

Business Segments

The Company is organized and managed separately according to the nature of business. The four operating business segments are mall, residential, commercial and hotels and convention centers. These operating businesses are the basis upon which the Company reports its segment information presented in Note 5 to 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, if any.

Contingencies

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

Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial 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.

5. **SEGMENT INFORMATION**

For management purposes, the Company is organized into business units based on their products and services, and has four reportable operating segments as follows: mall, residential, commercial and hotels and convention centers.

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.

Hotels and convention centers segment engages in and carry on the business of hotel and convention centers and operates and maintains any and all services and facilities incident thereto.

Management 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.

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

Inter-segment Transactions

Transfer prices between business segments are set on an arm's length basis similar to transactions with nonrelated parties. Such transfers are eliminated in the consolidated financial statements.

Business Segment Data

			2013			
	Mall	**Residential**	**Commercial**	**Hotels and Convention Centers**	**Eliminations**	**Consolidated Balances**
Revenue:			*(In Thousands)*			
External customers	**₱34,306,856**	**₱20,906,585**	**₱2,928,283**	**₱1,652,686**	**₱–**	**₱59,794,410**
Inter-segment	**145,454**	**9,565**	**500,252**	**162,024**	**(817,295)**	**–**
	₱34,452,310	**₱20,916,150**	**₱3,428,535**	**₱1,814,710**	**(₱817,295)**	**₱59,794,410**
Segment results:						
Income (loss) before income tax	**₱15,569,490**	**₱4,609,703**	**₱2,181,254**	**(₱43,087)**	**(₱1,607,269)**	**₱20,710,091**
Benefit from (provision for) income tax	**(3,709,006)**	**(367,900)**	**(327,890)**	**(29,367)**	**450,000**	**(3,984,163)**
Net income (loss)	**₱11,860,484**	**₱4,241,803**	**₱1,853,364**	**(₱72,454)**	**(₱1,157,269)**	**₱16,725,928**
Net income (loss) attributable to:						
Equity holders of the Parent	**₱11,454,753**	**₱4,241,803**	**₱1,853,364**	**(₱72,454)**	**(₱1,202,646)**	**₱16,274,820**
Noncontrolling interests	**405,731**	**–**	**–**	**–**	**45,377**	**451,108**
Segment assets	**₱185,715,888**	**₱97,345,097**	**₱47,335,393**	**₱7,173,803**	**(₱1,986,499)**	**₱335,583,682**
Segment liabilities	**₱92,345,056**	**₱50,203,798**	**₱26,466,344**	**₱1,682,990**	**(₱1,336,031)**	**₱169,362,157**
Other information:						
Capital expenditures	**₱25,867,627**	**₱12,439,263**	**₱5,002,947**	**₱146,437**	**₱–**	**₱43,456,274**
Depreciation and amortization	**4,755,452**	**233,137**	**670,444**	**375,122**	**(53,215)**	**5,980,940**

			2012 (As restated - see Notes 2 and 6)			
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱30,496,303	₱22,759,320	₱2,558,281	₱1,401,190	₱–	₱57,215,094
Inter-segment	155,247	2,028	518,650	54,527	(730,452)	–
	₱30,651,550	₱22,761,348	₱3,076,931	₱1,455,717	(₱730,452)	₱57,215,094
Segment results:						
Income (loss) before income tax	₱14,088,139	₱5,062,309	₱3,352,345	(₱94,864)	(₱1,974,035)	₱20,433,894
Benefit from (provision for) income tax	(3,366,560)	(99,358)	(334,867)	11,153	(829)	(3,790,461)
Net income (loss)	₱10,721,579	₱4,962,951	₱3,017,478	(₱83,711)	(₱1,974,864)	₱16,643,433
Net income (loss) attributable to:						
Equity holders of the Parent	₱10,329,388	₱4,962,951	₱3,017,478	(₱83,711)	(₱2,023,329)	₱16,202,777
Noncontrolling interests	392,191	–	–	–	48,465	440,656
Segment assets	₱148,645,287	₱88,090,399	₱60,827,412	₱6,080,086	(₱18,991,068)	₱284,652,116
Segment liabilities	₱78,645,353	₱44,717,364	₱11,657,619	₱1,685,697	(₱2,515,902)	₱134,190,131
Other information:						
Capital expenditures	₱21,114,932	₱11,403,994	₱1,725,722	₱30,244	₱–	₱34,274,892
Depreciation and amortization	3,984,526	151,171	879,965	111,139	–	5,126,801

2011 (As restated - see Notes 2 and 6)						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱26,725,687	₱17,506,085	₱4,702,062	₱1,135,409	₱–	₱50,069,243
Inter-segment	151,644	845	249,455	57,906	(459,850)	–
	₱26,877,331	₱17,506,930	₱4,951,517	₱1,193,315	(₱459,850)	₱50,069,243
Segment results:						
Income (loss) before income tax	₱12,074,215	₱4,227,735	₱2,982,940	(₱176,269)	(₱2,065,779)	₱17,042,842
Benefit from (provision for) income tax	(2,838,169)	14,552	(210,154)	(6,938)	–	(3,040,709)
Net income (loss)	₱9,236,046	₱4,242,287	₱2,772,786	(₱183,207)	(₱2,065,779)	₱14,002,133
Net income (loss) attributable to:						
Equity holders of the Parent	₱8,909,820	₱4,242,287	₱2,772,786	(₱183,207)	(₱2,112,816)	₱13,628,870
Noncontrolling interests	326,226	–	–	–	47,037	373,263
Segment assets	₱128,594,425	₱62,152,808	₱53,263,546	₱5,872,557	(₱21,020,246)	₱228,863,090
Segment liabilities	₱64,950,476	₱23,234,756	₱11,835,191	₱1,592,799	(₱1,811,292)	₱99,801,930
Other information:						
Capital expenditures	₱16,550,284	₱3,323,255	₱1,679,154	₱70,438	₱–	₱21,623,131
Depreciation and amortization	4,214,935	131,524	354,851	122,196	–	4,823,506

For the years ended December 31, 2013, 2012 and 2011, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

6. BUSINESS COMBINATIONS

Common Control Business Combinations
As disclosed in Note 1, SMPH initiated the corporate restructuring of the SM Property Group involving series of transactions. SMPH's management viewed the series of the corporate restructuring transactions described below 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. Thus, the re-organization was considered as common control business combinations and was accounted for using the pooling of interest method.

Assets, liabilities and equity of the acquired businesses are included in the consolidated financial statements at their carrying amounts. Financial information for periods prior to the date of business combination were also restated.

- *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 SMPH shares held by SM Land. The terms of the tender offer were executed at an exchange ratio of 0.472 SMPH share for 1 SMDC and 0.135 SMPH share for 1 HPI share. The exchange ratios were arrived at based on SMPH'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 SMPH'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 SMPH common shares held by SM Land exchanged to complete the tender offer to shareholders of SMDC and HPI is 1,778,427,940.

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

- *Merger of SMPH (the "Surviving entity") and SM Land (the "Absorbed entity")*

  Following the completion of the tender offer, on October 10, 2013, the SEC approved the merger of SMPH and SM Land via a share-for-share swap where the stockholders of SM Land received new SMPH shares in exchange for their shareholdings in SM Land. SMPH is the surviving entity while SM Land is the absorbed entity. As a result of the merger, SMDC and HPI became subsidiaries of SMPH effective October 10, 2013. In addition to the shareholdings in SMDC and HPI, SMPH 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 SMPH shares for 1 SM Land share were arrived based on the net appraised values of SMPH and SM Land as at February 28, 2013 as conducted by CB Richard Ellis. The total number of new SMPH common shares issued to SM Land shareholders is 14,390,923,857.

  Also included in the plan of merger, which were also approved by the SEC on October 10, 2013 are the following:

  a) The increase in the authorized capital stock of SMPH by 20,000 million, from ₱20,000 million consisting of 20,000 million common shares with a par value of ₱1 per share to ₱40,000 million consisting of ₱40,000 million common shares with a par value of ₱1 per share, and the consequent amendment of Article VII of the Articles of Incorporation (see Note 21).

  b) The change in SMPH's primary purpose from development and operation of commercial shopping centers to a mixed-use real property developer, and the consequent amendment of Article II of the Articles of Incorporation.

  The merger resulted to equity adjustment from common control business combination, included under "Additional paid-in capital" account, amounting to ₱1,753 million.

- *Acquisition of Unlisted Real Estate Companies and Real Estate Assets from SMIC and the Sy Family*

  On October 10, 2013, the SEC also approved SMPH's acquisition of SMIC's unlisted real estate companies including SM Hotels and Conventions Corp. (SMHCC), SM Arena Complex Corporation (SMACC), Costa del Hamilo, Inc. (Costa), Prime Metro Estate, Inc. (PMI) and Tagaytay Resort and Development Corporation (TRDC). The SEC likewise approved SMPH'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 SMPH 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. Total acquisition price of the unlisted real estate companies and real property assets amounted to ₱25.8 billion equivalent to 1,382,841,458 SMPH common shares issued based on SMPH 30-day VWAP of ₱18.66.

The acquisition of real estate companies and real estate assets resulted to equity adjustment from common control business combination, included under "Additional paid-in capital" account, amounting to ₱12,067 million.

Other Common Control Business Combinations
In 2013, SMPH also acquired SM Store (China) Holdings Ltd. Co. (SM Store) through its newly incorporated subsidiary, Simply Prestige Limited, for a nominal amount. As a result of the acquisition, SM Store became a wholly-owned subsidiary of SMPH. SM Store owns and operates all the SM Department Stores in the SM Malls in China. SM Store is owned and controlled by the Sy Family. Thus, the transaction was considered a combination of businesses under common control for which pooling of interests was applied. The excess of the cost of business combination over the paid-up capital amounting to ₱110 million is included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheets.

Business Acquisitions
In January 2013, the Company 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 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 million, which mainly consist of investment properties amounting to ₱1,385 million and cash and other assets amounting to ₱192 million. Total identifiable liabilities assumed amounted to ₱271 million, which mainly consist of accounts payable and other current liabilities amounting to ₱72 million and deferred tax liabilities amounting to ₱199 million. The resulting identifiable net assets acquired amounted to ₱1,306 million.

Provisional goodwill which relates to the value of expected synergies arising from the acquisition of CHAS amounted to ₱379 million.

The fair value of acquired receivables amounting to ₱73 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 million and decreased by ₱105 million, respectively, for the year ended December 31, 2013 had the acquisition of CHAS took 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 million, inclusive of advances made to CHAS prior to the acquisition amounting to ₱665 million, and net of cash acquired from CHAS amounting to ₱112 million.

7. CASH AND CASH EQUIVALENTS

This account consists of:

	2013	2012 (As restated- see Note 6)
	(In Thousands)	
Cash on hand and in banks (see Note 22)	**₱2,869,204**	₱1,183,887
Temporary investments (see Note 22)	**24,272,302**	20,115,479
	₱27,141,506	₱21,299,366

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective temporary investment rates.

Interest income earned from cash in banks and temporary investments amounted to ₱529 million, ₱589 million and ₱563 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 24).

8. SHORT-TERM INVESTMENTS

This account pertains to a time deposit with Banco de Oro Unibank, Inc. (BDO) amounting to ₱888 million and ₱821 million as at December 31, 2013 and 2012, respectively, with fixed interest rate of 3.24%. Such deposit is intended to meet short-term cash requirements and may be preterminated anytime by the Company.

Interest income earned from short-term investments amounted to ₱29 million, ₱27 million and ₱28 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 24).

9. INVESTMENTS HELD FOR TRADING

This account consists of investments in Philippine government and corporate bonds and listed common shares amounting to ₱1,151 million and ₱1,339 million as at December 31, 2013 and 2012, respectively. The Philippine government and corporate bonds have yields ranging from 4.90% to 8.64% in 2013 and 2012. These Philippine peso-denominated and U.S. dollar-denominated investments have various maturities ranging from 2014 to 2017.

The movements in this account are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
At beginning of the year	**₱1,338,777**	₱1,196,956
Disposals	**(300,448)**	(38,508)
Mark-to-market gains during the year	**93,996**	194,768
Unrealized foreign exchange gains (loss)	**19,139**	(14,439)
At end of the year	**₱1,151,464**	₱1,338,777

Mark-to-market gains on changes in fair value of investments held for trading are included under "Others - net" account in the consolidated statements of income.

Interest income earned from investments held for trading amounted to ₱28 million, ₱43 million and ₱42 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 24).

10. RECEIVABLES

This account consists of:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Trade:		
Sale of real estate	**₱28,012,712**	₱23,276,263
Rent:		
Third parties	**2,707,222**	1,965,685
Related parties (see Note 22)	**2,674,980**	2,715,628
Promotions and sponsorships:		
Third parties	**156,764**	151,037
Related parties (see Note 22)	**–**	29,298
Others (see Note 22)	**130,012**	109,938
Due from related parties (see Note 22)	**2,143,506**	2,383,551
Advances to suppliers	**735,039**	738,059
Receivable from a co-investor	**273,878**	246,079
Accrued interest (see Note 22)	**163,500**	69,113
Others	**787,061**	838,063
	37,784,674	32,522,714
Less allowance for doubtful accounts	**322,904**	188,176
	37,461,770	32,334,538
Less noncurrent portion of receivables from sale of real estate (see Note 17)	**10,277,336**	15,188,843
	₱27,184,434	₱17,145,695

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

- Trade receivables from tenants are noninterest-bearing and are normally collectible on a 30 to 90 days' term. Trade receivables from sale of real estate mainly consist of receivables subject to in-house financing with interest at market rates ranging from 13% to 18% per annum and normally collectible on a 3 to 5-year term.

  The Company assigned receivables from sale of real estate on a without recourse basis to local banks amounting to ₱4,136 million and ₱1,975 million for the years ended December 31, 2013 and 2012, respectively.
- The terms and conditions relating to related party receivables are further discussed in Note 22.
- Receivables from a co-investor represents the consideration receivable by Tennant Range Corporation (TRC), a BVI subsidiary holding company of SM Land China, in connection with the agreement with a third party (see Note 17).
- Advances to suppliers, accrued interest and other receivables are normally collected throughout the financial year.

Interest income earned from receivables from sale of real estate and related parties totaled ₱67 million, ₱106 million and ₱103 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Note 24).

The movements in the allowance for doubtful accounts related to receivables from sale of real estate are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
At beginning of the year	**₱188,176**	₱83,431
Provision for doubtful accounts	**134,728**	104,745
At end of the year	**₱322,904**	₱188,176

The aging analyses of receivables as at December 31 are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Neither past due nor impaired	**₱32,689,037**	₱28,929,063
Past due but not impaired:		
Less than 30 days	**928,277**	204,710
31–90 days	**1,443,720**	348,202
91–120 days	**480,859**	698,495
Over 120 days	**1,919,877**	2,154,068
Impaired	**322,904**	188,176
	₱37,784,674	₱32,522,714

Receivables, except for those that are impaired, are assessed by the Company's management as not impaired, good and collectible.

11. CONDOMINIUM AND RESIDENTIAL UNITS FOR SALE

This account consists of the following:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Condominium units for sale	**₱5,788,429**	₱2,589,917
Residential units and subdivision lots	**314,224**	379,840
	₱6,102,653	₱2,969,757

The movements in "Condominium units for sale" account are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
At beginning of year	**₱2,589,917**	₱724,043
Transfer from land and development (see Note 12)	**7,329,622**	2,668,888
Cost of real estate sold (see Note 23)	**(4,131,110)**	(803,014)
At end of year	**₱5,788,429**	₱2,589,917

Condominium units for sale pertain to the completed projects of SMDC, HPI and Costa. Condominium units for sale are stated at cost as at December 31, 2013 and 2012.

The movements in "Residential units and subdivision lots" account are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
At beginning of year	**₱379,840**	₱221,321
Cost of real estate sold (see Note 23)	**(65,616)**	(88,732)
Transfer from land and development (see Note 12)	–	247,251
At end of year	**₱314,224**	₱379,840

Residential units and subdivision lots for sale are stated at cost as at December 31, 2013 and 2012.

12. LAND AND DEVELOPMENT

This account consists of the following:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Land and development	**₱33,302,111**	₱30,560,111
Land held for future development	**1,519,073**	1,595,893
Project development cost	**–**	123,819
	34,821,184	32,279,823
Less current portion	**13,281,246**	11,673,553
	₱21,539,938	₱20,606,270

The movements in "Land and development" account are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
At beginning of year	**₱30,560,111**	₱21,791,018
Development cost incurred	**15,099,301**	17,389,891
Land acquisitions	**1,760,724**	7,541,781
Capitalized borrowing cost (see Note 20)	**866,061**	692,851
Land cost transferred from land held for future development	**80,131**	215,276
Cost of real estate sold (see Note 23)	**(7,724,013)**	(13,084,020)
Transfer to condominium and residential units for sale (see Note 11)	**(7,329,622)**	(2,916,139)
Disposal of land (see Note 22)	**–**	(335,992)
Reimbursement of costs	**–**	(494,879)
Reclassification to property and equipment (see Note 15)	**(10,582)**	(171,676)
Reclassification to investment property (see Note 16)	**–**	(68,000)
At end of year	**₱33,302,111**	₱30,560,111

Borrowing costs capitalized to land and development account amounted to ₱866 million and ₱693 million in 2013 and 2012, respectively. The average rates used to determine the amount of borrowing costs eligible for capitalization range from 3.8% to 5.1% in 2013 and 4.8% to 6.9% in 2012.

SMDC
Land and development costs include those attributable to SMDC which pertain to the on-going residential condominium projects. Estimated cost to complete the projects amounted to ₱32,645 million and ₱29,013 million as at December 31, 2013 and 2012, respectively.

SMDC acquired Lacsona Land Company, Inc., Guadix Land Corporation and Metro South Davao Property Corporation for ₱600 million, ₱1,500 million and ₱498 million, respectively, in 2012. The purchases of these subsidiaries were accounted for as asset acquisition. At acquisition date, these subsidiaries own parcels of land which are to be developed into commercial/residential condominium projects.

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 ₱400 million and ₱364 million as at December 31, 2013 and 2012, respectively.

In 2012, Costa completed the construction of Miranda and Carola condominium buildings. The completed condominium buildings were accordingly classified as part of "Condominium units for sale" in 2012. As at December 31, 2013 and 2012, the development of macro-infrastructure is still ongoing.

HPI
Estimated cost to complete HPI's ongoing projects amounted to ₱1,364 million and ₱1,600 million as at December 31, 2013 and 2012, respectively.

Land Held for Future Development
This represents the payment received by HPI from Belle Corporation (Belle) for its subscription to HPI's capital stock before the tender offer by SM Land. This account also includes parcels of land subsequently acquired by HPI from Belle after its subscription. The movements in "Land held for future development" are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
At beginning of year	**₱1,595,893**	₱1,730,098
Transfer to land and development costs and others	**(76,820)**	(134,205)
At end of year	**₱1,519,073**	₱1,595,893

In 2011, HPI sold a parcel of land for future development with cost amounting to ₱2 million. Gain on sale of land amounting to ₱8 million and is included in "Others - net" account in the consolidated statements of income.

Land and development are stated at cost as at December 31, 2013 and 2012. There is no allowance for inventory write down as at December 31, 2013 and 2012.

13. AVAILABLE-FOR-SALE INVESTMENTS

This account consists of investments in:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Shares of stock:		
Listed (see Note 22)	**₱23,360,756**	₱23,295,298
Unlisted	**8,318**	7,830
Corporate notes (see Note 22)	**–**	1,000,000
	23,369,074	24,303,128
Less current portion of AFS investments	**–**	1,000,000
	₱23,369,074	₱23,303,128

- Listed shares of stock pertain to investments in publicly-listed companies. A portion of investments amounting to ₱10,365 million and ₱3,587 million as at December 31, 2013 and 2012, respectively, were pledged as collateral for a portion of the Company's long-term loans (see Note 20).
- Unlisted shares of stock 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 Company intends to hold them for the long term.
- Investment in corporate notes pertain to instruments issued by BDO with fixed interest rate of 6.80%. This investment is intended to meet short-term liquidity requirements. These were early redeemed in 2013 (see Note 22).

Dividend income from investments in listed and unlisted shares of stock amounted to ₱401 million, ₱145 million and ₱269 million in 2013, 2012 and 2011, respectively.

Interest income earned from investment in corporate notes amounted to ₱34 million in 2013 and ₱68 million each in 2012 and 2011.

In 2013, 2012 and 2011, a total of 389,612 shares, 385,000 shares and 50.1 million shares with acquisition cost of ₱101 million, ₱124 million and ₱107 million were sold resulting to a realized gain, included in "Others - net" account in the consolidated statements of income, amounting to ₱285 million, ₱158 million and ₱103 million, respectively.

The movements in the "Net unrealized gain on AFS investments" are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
At beginning of the year	**₱19,781,021**	₱13,323,397
Unrealized gain due to changes in fair value	**462,438**	6,616,068
Transferred to profit or loss -		
Realized gain from sale of AFS investments	**(285,129)**	(158,444)
At end of the year	**₱19,958,330**	₱19,781,021

14. PREPAID EXPENSES AND OTHER CURRENT ASSETS

This account consists of:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Advances and deposits	**₱4,034,093**	₱6,329,505
Input and creditable withholding taxes	**3,235,635**	3,300,619
Prepaid taxes and other prepayments	**1,845,150**	831,899
Cash in escrow (see Note 22)	**439,119**	98,996
Supplies and inventories	**271,045**	32,016
Advances for project development (see Note 22)	**88,615**	1,145,334
Others	**22,463**	275,816
	₱9,936,120	₱12,014,185

- Advances pertain to downpayments made to suppliers or contractors to cover preliminary expenses of the contractors in construction projects. The amounts are noninterest-bearing and are recouped upon every progress billing payment depending on the percentage of accomplishment. Deposits include advance payments for land acquisition amounting to ₱809 million and ₱1,916 million as at December 31, 2013 and 2012, respectively. This account also includes construction bonds, rental deposits and deposits for utilities and advertisements.
- Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription. Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against the income tax payable.
- Prepaid taxes and other prepayments mainly consist of advance payments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial year.
- 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 the Company'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 ₱5 million, ₱84 million and ₱108 million in 2013, 2012 and 2011, respectively (see Note 24).
- Advances for project development mostly pertain to advances made to related parties for the acquisition of land for future development.

15. PROPERTY AND EQUIPMENT

The movements in this account are as follows:

	Land and Improvements	Buildings and Leasehold Improvements	Data Processing Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
				(In Thounsands)			
Cost							
Balance at December 31, 2011 (As restated - see Note 6)	₱400,895	₱680,701	₱64,090	₱67,056	₱542,904	₱–	₱1,755,646
Additions	73,941	20,266	30,334	30,751	394,889	31,333	581,514
Disposals	(8,280)	–	(326)	–	(9,799)	–	(18,405)
Reclassifications (see Notes 12 and 16)	(197,338)	353,763	101	–	4,342	–	160,868
Balance at December 31, 2012 (As restated - see Note 6)	269,218	1,054,730	94,199	97,807	932,336	31,333	2,479,623
Additions	2,156	240,919	48,928	3,978	144,909	–	440,890
Disposals/retirements	–	(70,491)	(3)	(2,621)	(9,028)	–	(82,143)
Reclassifications (see Notes 12 and 16)	(503)	20,571	116	(165)	(3,007)	(31,333)	(14,321)
Balance at December 31, 2013	₱270,871	₱1,245,729	₱143,240	₱98,999	₱1,065,210	₱–	₱2,824,049
Accumulated Depreciation and Amortization							

	Land and Improvements	Buildings and Leasehold Improvements	Data Processing Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Construction in Progress	Total
				(In Thousands)			
Balance at December 31, 2011 (As restated - see Note 6)	₱59,195	₱293,761	₱22,407	₱33,370	₱166,260	₱–	₱574,993
Depreciation and amortization (see Note 23)	35,236	101,228	15,599	15,257	146,441	–	313,761
Disposals/retirements	–	–	(260)	–	(5,937)	–	(6,197)
Balance at December 31, 2012 (As restated - see Note 6)	94,431	394,989	37,746	48,627	306,764	–	882,557
Depreciation and amortization (see Note 23)	11,530	162,761	42,429	6,168	159,206	–	382,094
Disposals/retirements	–	(13,061)	(1)	(950)	(2,639)	–	(16,651)
Reclassifications	(29)	(1,999)	(97)	(13)	(706)	–	(2,844)
Balance at December 31, 2013	₱105,932	₱542,690	₱80,077	₱53,832	₱462,625	₱–	₱1,245,156
Net Book Value							
As at December 31, 2012 (As restated - see Note 6)	₱174,787	₱659,741	₱56,453	₱49,180	₱625,572	₱31,333	₱1,597,066
As at December 31, 2013	**164,939**	**703,039**	**63,163**	**45,167**	**602,585**	**–**	**1,578,893**

As at December 31, 2013 and 2012, the Company has no idle property and equipment and the carrying amount of fully depreciated property and equipment still in use amounted to ₱82 million and ₱63 million, respectively.

16. 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, 2011 (as restated - see Note 6)	₱29,662,918	₱95,351,926	₱17,501,583	₱19,777,363	₱162,293,790
Additions	4,739,234	5,610,240	2,682,747	11,650,679	24,682,900
Reclassifications	454,006	12,664,964	1,490,622	(14,532,570)	77,022
Translation adjustment	(176,783)	(611,091)	(72,353)	(220,612)	(1,080,839)
Disposals	–	(2,646,458)	(1,756)	–	(2,648,214)
Balance as at December 31, 2012 (as restated - see Note 6)	₱34,679,375	₱110,369,581	₱21,600,843	₱16,674,860	₱183,324,659
Additions	5,390,076	7,107,692	1,497,287	12,828,715	26,823,770
Reclassifications	69,532	6,732,386	519,121	(6,731,378)	589,661
Translation adjustment	406,331	1,706,129	206,854	587,069	2,906,383
Disposals	–	–	–	–	–
Balance as at December 31, 2013	₱40,545,314	₱125,915,788	₱23,824,105	₱23,359,266	₱213,644,473
Accumulated Depreciation, Amortization and Impairment Loss					
Balance as at December 31, 2011 (as restated - see Note 6)	₱906,888	₱22,100,735	₱9,313,866	₱–	₱32,321,489
Depreciation and amortization (see Note 23)	102,137	3,306,734	1,404,169	–	4,813,040
Reclassifications	(10,233)	(76,254)	(31,139)	–	(117,626)
Impairment loss	–	(1,536,342)	(1,756)	–	(1,538,098)
Translation adjustment	(7,971)	–	(464)	–	(8,435)
Balance as at December 31, 2012 (as restated - see Note 6)	990,821	23,794,873	10,684,676	–	35,470,370
Depreciation and amortization (see Note 23)	157,742	3,744,099	1,697,005	–	5,598,846
Reclassifications	29	521	380	–	930
Translation adjustment	47,656	783,816	76,446	–	907,918
Balance as at December 31, 2013	₱1,196,248	₱28,323,309	₱12,458,507	₱–	₱41,978,064
Net Book Value					
Balance as at December 31, 2012 (as restated - see Note 6)	₱33,688,554	₱86,574,708	₱10,916,167	₱16,674,860	₱147,854,289
As at December 31, 2013	**39,349,066**	**97,592,479**	**11,365,598**	**23,359,266**	**171,666,409**

Included under "Land" account are the 212,119 square meters of real estate properties with a carrying value of ₱494 million and ₱447 million as at December 31, 2013 and 2012, respectively, and a fair value of ₱13,531 million as at August 2007, planned for residential development in accordance with the cooperative contracts entered into by SMPH 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 million paid by the SMPH to Grand China and Oriental Land. Accordingly, the assets were recorded at their carrying values under "Investment properties" account and a corresponding liability equivalent to the same amount, which is shown as part of "Other noncurrent liabilities" account in the consolidated balance sheets.

Portions of investment properties located in China with carrying value of ₱5,001 million and ₱4,852 million as at December 31, 2013 and 2012, respectively, and with estimated fair value of ₱20,109 million and ₱10,874 million as at December 31, 2013 and 2012, respectively, were mortgaged as collaterals to secure the domestic borrowings in China (see Note 20).

Consolidated rent income from investment properties amounted to ₱32,195 million, ₱28,952 million and ₱25,208 million for the years ended December 31, 2013, 2012 and 2011, respectively. Consolidated direct costs and expenses from investment properties which generate income amounted to ₱17,075 million, ₱15,088 million and ₱13,329 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Construction in progress includes shopping mall complex under construction amounting to ₱18,279 million and ₱15,245 million, and landbanking and commercial building constructions amounting to ₱5,080 million and ₱1,430 million as at December 31, 2013 and 2012, respectively.

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. In 2012, shopping mall complex under construction mainly pertains to costs incurred for the development of SM Aura Premier, SM City BF-Paranaque, SM Seaside City Cebu, SM Tianjin and SM Zibo and the ongoing expansions and renovations of SM Megamall, SM City Bacolod, SM City Clark, SM City Dasmariñas, and SM City Sta. Rosa.

Shopping mall complex under construction includes cost of land amounting to ₱2,149 million and ₱1,615 million as at December 31, 2013 and 2012, respectively.

Construction contracts with various contractors related to the construction of the above-mentioned projects amounted to ₱82,058 million and ₱53,965 million as at December 31, 2013 and 2012, 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 ₱28,857 million and ₱14,393 million as at December 31, 2013 and 2012, respectively.

Interest capitalized to the construction of investment properties amounting to ₱77 million and ₱130 million in 2013 and 2012, respectively. Capitalization rates used range from 5.83% to 7.20% and 5.75% to 6.13% for the years ended December 31, 2013 and 2012, respectively.

The fair value of investment properties amounted to ₱540,040 million as at February 28, 2013 as determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

Below are the significant assumptions used in the valuation:

Discount rate	10.00%
Capitalization rate	7.40%
Average growth rate	5.00%

Investment properties are categorized under Level 3 fair value measurement.

While fair value of the investment properties was not determined as at December 31, 2013, the Company's management believes that there were no conditions present in 2013 that would significantly reduce the fair value of the investment properties from that determined on February 28, 2013.

The Company 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.

17. OTHER NONCURRENT ASSETS

This account consists of:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Receivables from sale of real estate (see Note 10)	**₱10,277,336**	₱15,188,843
Investments in associates and joint ventures	**5,756,294**	252,059
Bonds and deposits	**4,964,606**	2,573,793
Advances for project development	**3,607,169**	1,974,433
Others (Notes 22 and 25)	**4,669,305**	2,443,609
	₱29,274,710	₱22,432,737

Investment in Associates and Joint Ventures

On January 7, 2013, SMPH entered into Shareholders Agreement and Share Purchase Agreement for the acquisition of 51% ownership interest in the following companies (collectively, Waltermart):

- Winsome Development Corporation
- Willin Sales, Inc.
- Willimson, Inc.
- Waltermart Ventures, Inc.
- WM Development, Inc.

On July 12, 2013, the Deeds of Absolute Sale were executed between SMPH and shareholders of Waltermart. Waltermart is involved in shopping mall operations and currently owns 19 malls across Metro Manila and Luzon. The investments in Waltermart were accounted as joint ventures using equity method of accounting because the contractual arrangement between the parties establishes joint control.

On April 10, 2012, SMPH, through TRC, entered into Memorandum of Agreement with Trendlink Holdings Limited (THL), a third party, wherein Fei Hua Real Estate Company (FHREC), a 100% subsidiary of TRC, issued new shares to THL equivalent to 50% equity interest. In addition, THL undertakes to pay TRC amounting to ₱22 million (¥3 million) for the difference between cash invested and 50% equity of FHREC and ₱224 million (¥34 million) representing the difference between the current market value and cost of the investment properties of FHREC (see Note 10). FHREC was incorporated in China. TRC is a wholly owned subsidiary of SM Land China.

As at December 31, 2012, TRC owns 50% equity interest in FHREC. Management assessed that the SMPH lost control over FHREC by virtue of agreement with the shareholders of THL. Consequently, FHREC became an associate of SMPH. Gain on dilution of equity interest over FHREC as a result of issuance of new shares to THL, included under "Others - net" account in the consolidated statements of income, amounted to ₱224 million in 2012.

Below are the financial information of the Company's interests in all individually immaterial associates and joint ventures that are accounted for using the equity method:

Associate

The carrying value of investment in associate amounted to ₱576 million and ₱252 million as at December 31, 2013 and 2012, respectively. This consists of the acquisition cost amounting to ₱281 million and ₱P252 million as at December 31, 2013 and 2012, respectively, and cumulative equity in net earnings amounting to ₱295 and nil as at December 31, 2013 and 2012, respectively. The share in profit and total comprehensive income amounted to ₱295 million and nil for the years ended December 31, 2013 and 2012, respectively.

Joint Ventures

The aggregate carrying values of investments in joint ventures amounted to ₱5,180 as at December 31, 2013. These consist of the acquisition costs totaling ₱5,115 million and cumulative equity in net earnings totaling ₱65 million as at and for the year ended December 31, 2013. The aggregate share in profit and total comprehensive income amounted to ₱65 million for the year ended December 31, 2013.

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at December 31, 2013 and 2012.

Bonds and Deposits

Bonds and deposits mainly consist of deposits to contractors and suppliers to be applied throughout construction and advances and deposits paid for leased properties to be applied at the last term of the lease.

18. LOANS PAYABLE

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱3,250 million and ₱8,974 million as at December 31, 2013 and 2012, respectively. These loans bear interest rates ranging from 2.25% to 4.00% in 2013 and 3.25% to 5.75% in 2012.

Interest expense incurred from loans payable amounted to ₱275 million, ₱105 million and ₱308 million in 2013, 2012 and 2011, respectively (see Note 24).

19. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

This account consists of:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Trade:		
Third parties	**₱16,533,994**	₱13,343,206
Related parties (see Note 22)	**55,550**	26,242
Due to related parties (see Note 22)	**9,552,978**	7,481,070
Accrued operating expenses:		
Third parties	**4,583,840**	3,724,110
Related parties (see Note 22)	**1,222,079**	1,007,528
Others	**403,374**	76,957
Liability for purchased land (see Note 22)	**5,262,432**	7,639,827
Customers' deposits	**3,575,836**	1,857,665
Deferred output VAT	**834,520**	753,741
Accrued interest (see Note 22)	**535,949**	525,252
Payable to government agencies	**528,374**	514,896
Nontrade	**429,171**	135,727
Others (see Note 22)	**2,897,928**	1,514,976
	46,416,025	38,601,197
Less noncurrent portion of liability for purchased land	**1,117,809**	4,202,128
	₱45,298,216	₱34,399,069

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 within a 30-day term.
- The terms and conditions relating to due to related parties are further discussed in Note 22.
- Accrued operating expenses mainly pertain to accrued selling, general and administrative expenses which are normally settled throughout the financial year.
- Customers' deposits mainly represent excess of collections from buyers over the related revenue recognized based on the percentage of completion method. This also includes nonrefundable reservation fees by prospective buyers which are to be applied against the receivable upon recognition of revenue.
- Deferred output VAT represents output VAT on unpaid portion of recognized receivable from sale of real estate. This amount is reported as output VAT upon collection of the receivables.
- Liability for purchased land, payable to government agencies, accrued interest and other payables are normally settled throughout the financial year.

20. LONG-TERM DEBT

This account consists of:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Parent Company		
U.S. dollar-denominated loans:		
Five-year term loans	**₱33,569,269**	₱10,896,962
Five-year, three-year and two-year bilateral loans	**4,383,631**	3,459,354
Other U.S. dollar loans	**1,103,881**	–
Philippine peso-denominated loans:		
Five-year and ten-year floating and fixed rate notes	**7,327,808**	7,442,919
Five-year, seven-year and ten-year corporate notes	**6,570,932**	6,823,839
Five-year floating rate notes	**4,879,610**	4,920,828
Five-year, seven-year and ten-year fixed and floating rate notes	**4,290,523**	4,966,460
Five-year and ten-year corporate notes	**1,093,094**	1,092,151
Five-year, seven-year and ten-year fixed rate notes	**–**	795,342
Other bank loans	**8,581,727**	7,159,491
Subsidiaries		
China yuan renminbi-denominated loans:		
Five-year loan	**2,235,771**	2,272,374
Three-year loan	**961,827**	1,111,112
Philippine peso-denominated loans:		
Fixed rate term loans	**18,985,308**	1,834,750
Fixed rate corporate notes	**8,148,556**	18,213,777
Five-year bilateral loans	**931,053**	616,791
	103,062,990	71,606,150
Less current portion	**7,387,260**	3,856,767
	₱95,675,730	₱67,749,383

Parent Company

U.S. Dollar-denominated Five-Year Term Syndicated Loans
This represents a US$300 million unsecured loan obtained on various dates in 2013. The loan bears an interest rate based on London Inter-Bank Offered Rate (LIBOR) plus spread, with a bullet maturity on March 23, 2018. Portion of the loan amounting to US$150 million is hedged against interest rate and foreign exchange risks using cross currency swap contracts (see Notes 28 and 29).

U.S. Dollar-denominated Five-Year Term Loans
This represents a US$270 million unsecured loan obtained on various dates in 2012 and 2011 from a US$270 million facility. The loans bear interest rates based on LIBOR plus spread, with a bullet maturity on March 21, 2016 (see Notes 28 and 29).

U.S. Dollar-denominated Five-Year Term Syndicated Loans
This represents a US$200 million unsecured 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 (see Notes 28 and 29).

U.S. Dollar-denominated Five-Year, Three-Year and Two-Year Bilateral Loans
This consists of the following:

- The US$75 million unsecured loans were obtained in November 2008. The loans bear interest rates based on LIBOR plus spread, with bullet maturities ranging from two to five years. The Company prepaid the US$20 million and the US$30 million unsecured loans on June 1, 2009 and November 30, 2010, with original maturity dates of November 19, 2010 and November 28, 2011, respectively (see Notes 28 and 29). The remaining balance of US$25 million matured on November 20, 2013.

- US$10 million and US$40 million, out of US$50 million five-year bilateral unsecured loan, obtained in 2012 and 2013, respectively. The loan bears interest rate based on LIBOR plus spread, with a bullet maturity on August 30, 2017 (see Note 28).

- US$30 million and US$20 million five-year bilateral unsecured loan drawn on November 30, 2010 and April 15, 2011, respectively. The loans bear interest rate based on LIBOR plus spread, with a bullet maturity on November 30, 2015 (see Notes 28 and 29).

Other U.S. Dollar Loans
This account consists of the following:

- US$25 million five-year bilateral unsecured loan drawn on November 20, 2013. The loans bear interest rate based on LIBOR plus spread, with a bullet maturity on November 20, 2018 (see Note 28).

- US$20 million three-year bilateral unsecured loan drawn on July 13, 2010. The loan bears interest rate based on LIBOR plus spread, with a bullet maturity on January 14, 2013. The loan was prepaid on January 13, 2012. The related unamortized debt issuance costs charged to expense amounted to ₱25 million in 2012 (see Notes 28 and 29).

Philippine Peso-denominated Five-Year and Ten-Year Floating and Fixed Rate Notes
This represents five-year and ten-year floating and fixed rate notes obtained on June 19, 2012 amounting to ₱3,450 million and ₱1,000 million for the floating and ₱680 million and ₱2,370 million for the fixed, respectively. The loans bear an interest rate based on Philippine Dealing System Treasury Fixing (PDST-F) plus margin for the floating and 6.22% and 6.81% for the five-year and ten-year fixed, respectively. The loans have bullet maturities in 2017 and 2022, respectively. The Company prepaid a portion of fixed rate notes amounting to ₱50 million on March 19, 2013. The related unamortized debt issuance costs charged to expense amounted to ₱0.4 million in 2013 (see Note 28).

Philippine Peso-denominated Five-Year, Seven-Year and Ten-Year Corporate Notes
This represents a five-year floating and five-year, seven-year and ten-year fixed rate notes amounting to ₱3,000 million, ₱1,134 million, ₱52 million and ₱814 million, respectively, out of ₱7,000 million facility obtained on December 20, 2010. The remaining ₱2,000 million floating rate note was obtained on June 13, 2011. The loans bear an interest

rate based on PDST-F plus margin for the five-year floating and 5.79%, 5.89% and 6.65% for the five-year, seven-year and ten-year fixed, respectively. The loans have bullet maturities in 2015, 2017 and 2020, respectively. The Company prepaid a portion of fixed rate notes amounting to ₱196 million on March 20, 2013. The related unamortized debt issuance costs charged to expense amounted to ₱2 million in 2013 (see Note 28).

Philippine Peso-denominated Five-Year Floating Rate Notes
This represents five-year floating rate notes obtained on March 18, 2011 and June 17, 2011 amounting to ₱4,000 million and ₱1,000 million, respectively. The loans bear an interest rate based on PDST-F plus margin and will mature on March 19, 2016 and June 18, 2016, respectively (see Note 28).

Philippine Peso-denominated Five-Year, Seven-Year and Ten-Year Fixed and Floating Rate Notes
This represents a five-year floating, five-year, seven-year and ten-year fixed rate notes obtained on January 12, 2012 amounting to ₱200 million, ₱1,012 million, ₱133 million, and ₱3,655 million, respectively. The loans bear an interest rate based on PDST-F plus margin for the five-year floating and 5.86%, 5.97% and 6.10% for the five-year, seven-year and ten-year fixed, respectively. The loans have bullet maturities in 2017, 2019 and 2022, respectively. The Company prepaid a portion of fixed rate notes amounting to ₱634 million on April 12, 2013. The related unamortized debt issuance costs charged to expense amounted to ₱5 million in 2013 (see Note 28).

Philippine Peso-denominated Five-Year and Ten-Year Corporate Notes
This represents a five-year floating and fixed rate and ten-year fixed rate notes obtained on April 14, 2009 amounting to ₱200 million, ₱3,700 million and ₱1,100 million, respectively. The loans bear an interest rate based on PDST-F plus margin for the five-year floating and 8.4% and 10.11% for the five-year and ten-year fixed, respectively. The loans have bullet maturities in 2014 and 2019, respectively. The Company prepaid the ₱200 million and ₱3,700 million loans on April 15, 2012, with original maturity date of April 15, 2014. The related unamortized debt issuance costs charged to expense amounted to ₱17 million in 2012 (see Note 28).

Philippine Peso-denominated Five-Year, Seven-Year and Ten-Year Fixed Rate Notes
This represents a five-year, seven-year and ten-year fixed rate notes obtained on June 17, 2008 amounting to ₱1,000 million, ₱1,200 million and ₱800 million, respectively. The loans bear fixed interest rates of 9.31%, 9.60% and 9.85%, respectively, and will mature on June 17, 2013, 2015 and 2018, respectively. The loans amounting to ₱1,000 million, 1,200 and 800 were prepaid on June 17, 2011, 2012 and 2013, respectively. The related unamortized debt issuance costs charged to expense amounted to ₱4 million in 2011, ₱5 million in 2012 and ₱4 million in 2013 (see Notes 28 and 29).

Other Bank Loans
This consists of the following:

- Five-year term loans amounting to ₱1,625 million obtained in 2009 and 2010. The loans bear fixed interest rates ranging from 5.00% to 6.75%. Portion of the loans is collateralized by AFS investments (see Note 13). Portion of the principal amount was paid amounting to ₱9 million each in 2012 and 2013 (see Note 28).
- Five-year loan obtained on June 29, 2010 amounting to ₱1,000 million and will mature on June 29, 2015. The loan carries an interest rate based on PDST-F plus an agreed margin (see Note 28).
- Five-year inverse floating rate notes obtained on June 23, 2010 amounting to ₱1,000 million. The loans bear an interest rate based on agreed fixed rate less PDST-F and will mature on June 23, 2015. The Company prepaid ₱175 million of the loan as at September 30, 2013. The related balance of unamortized debt issuance costs charged to expense amounted to ₱2 million in 2013 (see Notes 28 and 29).
- Five-year bullet loan obtained on January 13, 2010 amounting to ₱1,000 million and will mature on January 13, 2015. The loan carries an interest rate based on PDST-F plus an agreed margin (see Note 28).
- Five-year bullet loan obtained on November 3, 2009 amounting to ₱1,000 million and will mature on November 3, 2014. The loan carries interest based on PDST-F plus on agreed margin (see Note 28).
- Five-year bullet loan obtained on October 16, 2009 amounting to ₱2,000 million. The loan bears an interest rate based on PDST-F plus an agreed margin and will mature on October 16 2014 (see Note 28).
- Ten-year bullet fixed rate loan obtained on August 16, 2006 amounting to ₱1,200 million. The loan carries a fixed interest rate of 9.75% and will mature on August 16, 2016 (see Note 28). All the above Philippine peso-denominated loans of the Parent Company are unsecured.

The re-pricing frequencies of floating rate loans range from three to nine months.

Subsidiaries

China Yuan Renminbi-denominated Five-Year Loan
This consists of the following:

- A five-year loan obtained on August 26, 2009 amounting to ¥350 million 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 rate dictated by Central Bank of China less 10%. The loan carries an interest rate of 5.76% in 2013 and 2012 (see Note 28).
- A five-year loan obtained on August 27, 2010 amounting to ¥150 million to finance the construction of shopping malls. Partial drawdown totaling ¥61 million was made as at December 31, 2013. The loan is payable in 2015. The loan has a floating rate with an annual re-pricing at prevailing rate dictated by Central Bank of China less 10%. The loan carries an interest rate of 5.76% in 2013 and 2012 (see Note 28).

China Yuan Renminbi-denominated Three-Year Loan
This represents a three-year loan obtained on March 28, 2011 amounting to ¥187 million out of ¥250 million loan facility to finance the construction of shopping malls. The Company prepaid portion of this loan amounting to ¥37 million in 2013 and ¥18 million each in 2012. The loan has a floating rate with an annual re-pricing at prevailing rate dictated by Central Bank of China less 5% and will mature on March 27, 2014. The loan bears interest rate of 6.20% in 2013 and 2012 (see Note 28).

China Yuan Renminbi-denominated Eight-Year Loan
This represents an eight-year loan obtained on December 28, 2005 amounting to ¥155 million to finance the construction of shopping malls. The loan is payable in annual installments with two years grace period. The remaining unpaid installments were all paid in 2012. The loan has a floating rate with an annual re-pricing at prevailing rate dictated by Central Bank of China less 10%. The loan bears interest rate of 6.35% in 2012 and 2011 (see Note 28).

The China yuan renminbi-denominated loans are secured by investment properties in China (see Note 16).

Philippine Peso-denominated Fixed Rate Term Loans
This consists of the following:

- Long-term loans amounting to ₱12,075 million obtained on various dates in 2013. The loans bear fixed interest rates ranging from 4.00% to 5.88% with maturities ranging from three to ten years (see Note 28).
- Long-term loan amounting to ₱5,000 million obtained on September 27, 2013. The loan bears fixed interest rate of 4.90% and will mature on September 27, 2018 (see Note 28).
- Long-term loan amounting to ₱2,000 million obtained on December 27, 2012. The loan bears fixed rate of 4.72% and will mature on December 23, 2015 (see Note 28).
- Three-year loan obtained on October 4, 2013 amounting to ₱315 million. The loan carries an interest rate of 4.50% and will mature on October 4, 2016 (see Note 28).
- Five-year term loans amounting to ₱40 million and ₱80 million obtained in 2010 with fixed interest rates of 8.27% and 8.00%, respectively. Both loans will mature in 2015. Portion of the principal amount was paid amounting to ₱1 million in 2012 and ₱1 million in 2013 (see Note 28).

Philippine Peso-denominated Fixed Rate Corporate Notes
This consists of the following:

- Series "A" and Series "B" peso-denominated fixed rate corporate notes amounting to ₱3,740 million and ₱2,460 million, respectively, issued on June 3, 2013. The Series "A" and Series "B" notes have fixed interest rates of 5.57% and 5.88%, which are payable semi-annually, and with maturity dates of June 3, 2020 and June 3, 2023, respectively (see Note 28).
- Peso-denominated fixed rate corporate notes amounting to 2,000 million issued on June 28, 2013. The loan bears fixed interest rate at 5.71% payable semi-annually with maturity date of June 28, 2020 (see Note 28).
- Series "A" and Series "B" peso-denominated fixed rate corporate notes amounting to ₱2,000 million and ₱8,000 million, respectively, on June 1, 2010. The Series "A" and Series "B" notes have fixed interest rates of 6.76% and 7.73%, which are payable semi-annually, with maturity dates of June 1, 2013 and June 2, 2015, respectively. The notes were pre-terminated in June 2013 (see Note 28).
- Peso-denominated fixed rate corporate notes amounting to ₱6,313 million, issued on April 27, 2012. The notes have fixed interest rate of 6.01% payable semi-annually with maturity date of July 27, 2017. The notes were pre-terminated in June 2013 (see Note 28).

Philippine Peso-denominated Five-Year Bilateral Loans
This consists of the following:

- Five-year term loan obtained on September 28, 2007 and November 6, 2007 amounting to ₱250 million to finance the construction of a project called "SM by the Bay." The loan is payable in equal quarterly installments of 16 million starting December 2008 up to September 2012 and carries an interest rate based on PDST-F plus an agreed margin (see Note 28).
- Five-year term loan obtained on October 24, 2011 amounting to ₱500 million and will mature on October 24, 2016. The loan carries an interest rate based on PDST-F plus an agreed margin (see Note 28).

The above loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., current ratio of not less than 1.00:1.00, debt to equity ratio of not more than 0.70:0.30 and debt service coverage ratio of not less than 1.10:1.00) and material change in ownership or control. As at December 31, 2013 and 2012, the Company is in compliance with the terms of its loan covenants.

The re-pricing frequencies of floating rate loans of the Company range from three to six months.

Debt Issue Cost
The movements in unamortized debt issue cost of the Company as at December follow:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Balance at beginning of year	**₱506,636**	₱513,618
Additions	**775,938**	178,431
Amortization	**(325,481)**	(185,413)
Balance at end of year	**₱957,093**	₱506,636

Amortization of debt issuance costs is recognized in the consolidated statements of income under "Others - net" account.

Repayment Schedule
The repayments of long-term debt are scheduled as follows:

Year	Amount
	(In Thousands)
2014	₱7,387,260
2015	13,753,748
2016	23,950,950
2017	7,667,050
2018	32,893,475
2019 to 2023	18,367,600
	₱104,020,083

21. EQUITY

Capital Stock

On May 31, 2013, the BOD approved the increase in the authorized capital stock of the Company by ₱20,000 million, from ₱20,000 million consisting of 20,000 million common shares with a par value of ₱1 per share to ₱40,000 million consisting of 40,000 million common shares with a par value of ₱1 per share, and the consequent amendment of Article VII of the Articles of Incorporation. On October 10, 2013, the SEC approved the Company's application for increase in its authorized capital stock.

As at December 31, 2013 and 2012, the Company has an authorized capital stock of 40,000 million and 20,000 million shares, respectively, with a par value of ₱1 a share.

The movements of the capital stock of the Company are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Number of shares at beginning of year, as previously reported	**₱17,392,535**	₱13,917,800
Effect of common control business combinations (see Note 6)	**15,773,765**	15,773,765
Number of shares at beginning of year, as restated	**33,166,300**	29,691,565
Issuance during the period through stock dividends	**–**	3,474,735
Number of shares at end of year	**₱33,166,300**	₱33,166,300

On April 24, 2012, the BOD and stockholders approved the declaration of stock dividends equivalent to 25% based on the par value per share in favor of stockholders of record as at May 24, 2012, payable on or before June 20, 2012. Accordingly, retained earnings amounting to ₱3,474 million were transferred to capital stock.

The following summarizes the information on SMPH's registration of securities under the Securities Regulation Code:

Date of SEC Approval/ Notification to SEC	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 15, 1994	10,000,000,000	–	₱–
April 22, 1994	–	6,369,378,049	5.35
May 29, 2007	10,000,000,000	–	–
May 20, 2008	–	912,897,212	11.86
October 14, 2010	–	569,608,700	11.50

SMPH declared stock dividends in 2012, 2007, 1996 and 1995. The total number of shareholders is 2,544 and 2,493 as at December 31, 2013 and 2012, respectively.

Additional Paid-in Capital - Net
Following represents the nature of the consolidated "Additional paid-in capital - net":

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Paid-in subscriptions in excess of par value	**₱16,155,292**	₱16,155,292
Net equity adjustments from common control business combinations	**9,068,132**	6,587,654
Arising from acquisition of non-controlling interests	**(2,919,988)**	(3,073,952)
As presented in the consolidated balance sheets	**₱22,303,436**	₱19,668,994

Net equity adjustments from common control business combinations also include equity adjustments from the acquisitions of SM China subsidiaries in 2007 and 2009 amounting to ₱4,862 million, which were also charged against "Additional paid-in capital" account.

Retained Earnings
In 2013, the BOD approved the declaration of cash dividend of ₱0.27 per share or ₱4,691 million to stockholders of record as of May 16, 2013. This was paid on June 11, 2013. In 2012, the BOD approved the declaration of cash dividends of ₱0.29 per share or ₱4,031 million. In 2011, the BOD approved the declaration of cash dividends of ₱0.27 per share or ₱3,753 million.

On April 24, 2012 and March 22, 2002, the BOD of SMPH approved the appropriation of retained earnings amounting to ₱20,000 million and ₱7,000 million, respectively, for future corporate expansion programs. As at December 31, 2013 and 2012, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱27,000 million and ₱7,000 million, respectively.

Appropriated retained earnings also include appropriations for landbanking and commercial buildings construction scheduled from 2014 to 2017 amounting to ₱15,200 million transferred from SM Land upon merger (see Note 6).

In 2014, the Company expects to incur around ₱71,000 million for its capital expenditures in Philippines and in China.

As at December 31, 2013, included in shopping mall complex under construction are 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 Sta. Rosa.

The retained earnings account is restricted for the payment of dividends to the extent of ₱32,308 million and ₱26,439 million as at December 31, 2013 and 2012, respectively, representing the cost of shares held in treasury (₱3,980 million and ₱3,985 million as at December 31, 2013 and 2012, respectively) and accumulated equity in net earnings of SMPH subsidiaries totaling ₱28,328 million and ₱22,454 million as at December 31, 2013 and 2012, respectively. The accumulated equity in net earnings of subsidiaries is not available for dividend distribution until such time that the company receives the dividends from its subsidiaries.

Treasury Stock
As at December 31, 2013, this includes reacquired capital stock and shares held by a subsidiary totaling 5,394 million shares, stated at acquisition cost of ₱3,980 million.

As at December 31, 2012, this includes reacquired capital stock and shares held by a subsidiary totaling 5,403 million shares, stated at acquisition cost of ₱3,985 million.

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. Related parties maybe individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties
Transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year-end are unsecured, noninterest-bearing and settlement occurs in cash. There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the years ended December 31, 2013 and 2012, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The significant related party transactions entered into by the Company with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

	Amount of Transactions			Outstanding Amount [Asset (Liability)]			
	2013	2012 (As restated - see Note 6)	2011 (As restated - see Note 6)	**2013**	2012 (As restated - see Note 6)	Terms	Conditions
			(In Thousands)				
Ultimate Parent							
Rent income	**₱115,048**	₱113,641	₱77,249			30 days; noninterest-bearing	Unsecured; not impaired
Rent receivable				**₱4,424**	₱14,694		
Sponsorship income	**3,898**	14,494	–			Noninterest-bearing	Unsecured; not impaired
Sponsorship receivable				**–**	14,494		
Service income	**53,040**	62,028	45,296			Noninterest-bearing	Unsecured; not impaired
Trade receivable - others				**14,868**	253		
Interest income	**3,339**	18,493	16,594			Interest-bearing at 6.17%	Unsecured; not impaired
Accrued interest receivable				**–**	7,294		
Due from related parties	**295**	632,210	78,063	**295**	607,851	On demand; noninterest-bearing	Unsecured; not impaired
Rent expense	**189,214**	294,664	232,243			Noninterest-bearing	Unsecured
Accrued rent payable				**(7,417)**	(146,623)	Noninterest-bearing	Unsecured
Administrative expenses	**9,578**	3,922	–			Noninterest-bearing	Unsecured
Accounts payable - others				**(3,561)**	–	Noninterest-bearing	Unsecured
Due to related parties	**2,199,471**	262,835	3,814,175	**(9,538,271)**	(7,338,800)	Noninterest-bearing	Unsecured
Trade payable				**(55,550)**	–	Noninterest-bearing	Unsecured
Investment held for trading	**–**	–	300,000		299,957	Interest bearing at 6.17%	Unsecured; not impaired
AFS investments	**–**	–	–	**69,205**	343,054	Noninterest-bearing	Unsecured; not impaired
Dividend income	**4,597**	8,000	7,000	**–**	–	Noninterest-bearing	Unsecured
Interest expense	**–**	16,944	58,678			8.40% interest rate	Unsecured
Gain on disposal of land	**–**	199,500	–	**–**	–	–	–
Banking and Retail Group							
Cash and cash equivalents	**5,289,545**	4,588,985	2,257,826	**21,912,510**	16,622,965	Interest bearing based on prevailing rates	Unsecured; not impaired
Short-term investments	**–**	–	–	**–**	821,000	Interest bearing at fixed rate of 3.24%	Unsecured; not impaired
Rent income	**10,393,358**	9,276,991	8,061,603			30 days; noninterest-bearing	Unsecured; not impaired
Rent receivable				**2,670,556**	2,700,934		
Deferred rent income				**(103,567)**	(123,567)	Noninterest bearing	Unsecured
Sponsorship income	**3,508**	19,919	–			Noninterest bearing	Unsecured; not impaired
Sponsorship receivable				**–**	14,804	Noninterest bearing	
Interest income	**559,419**	726,847	794,455			Interest at 5.6% per annum	Unsecured; not impaired
Accrued interest receivable				**114,832**	28,287	Noninterest-bearing	Unsecured; not impaired
Marketing fee income	**28,463**	11,842	2,478			Noninterest-bearing	Unsecured; not impaired
Trade receivables - others				**28,463**	10,586	12% -15% of selling price of lots sold	Unsecured; not impaired
Receivable financed	**3,735,340**	1,975,400	2,428,300	**48,307**	–	Without recourse	Unsecured
Interest expense on receivable financing	**147,094**	107,400	–	**–**	–		
Loans payable and long-term debt	**15,006,500**	446,833	685,167	**(2,130,000)**	(2,505,000)	Interest-bearing	Combination of secured and unsecured
Interest expense	**216,644**	138,475	157,752			Interest-bearing; fixed and floating interest rates	Combination of secured and unsecured
Accrued interest payable				**(1,868)**	(5,700)	Noninterest-bearing	Unsecured
Other operating expenses	**–**	3,991	794,923			Noninterest-bearing	Unsecured
Accrued operating expenses				**–**	(3,991)	Noninterest-bearing	Unsecured
Trade payable	**₱–**	₱2,459	₱2,972	**₱–**	(₱312)	Noninterest-bearing	Unsecured
AFS investments	**–**	3,323,683	40,279	**8,904,881**	9,623,518	Fixed interest at 6.80%	Unsecured; not impaired
Investment in held for trading	**112,234**	195,473	3,334	**691,711**	579,477	Noninterest-bearing	Unsecured; not impaired

	Amount of Transactions			Outstanding Amount [Asset (Liability)]			
	2013	2012 (As restated - see Note 6)	2011 (As restated - see Note 6)	**2013**	2012 (As restated - see Note 6)	Terms	Conditions
			(In Thousands)				
Escrow fund	**763,869**	–	164,806	**862,865**	98,996	Interest bearing based on prevailing rates	Unsecured; not impaired
Tenants' deposits		660	–		(660)	Noninterest-bearing	Unsecured
Acquisition of land	**–**	165,988	–	**(6,184)**	(99,430)	Noninterest-bearing	Unsecured
Dividend income	**240,037**	74,500	122,600	**–**	–	Noninterest-bearing	Unsecured
Other Related Parties							
Service income	**25,315**	4,866	–	**25,200**	5,352	30 days; noninterest-bearing	Unsecured; not impaired
Due from related parties	**367,510**	102,589	610,962	**2,143,211**	1,775,700	Noninterest-bearing	Unsecured; not impaired
Management fee receivable	**4,723**	–	–	**4,723**	–	Noninterest-bearing	Unsecured; not impaired
Trade receivable – others	**11,716**	–	–	**11,716**	–	Noninterest-bearing	Unsecured
Due to related parties	**(104,500)**	119,304	7,333	**(14,707)**	(142,270)	Noninterest-bearing	Unsecured
Accrued expenses	**352,434**	286,153		**(1,109,453)**	(757,019)	Noninterest-bearing	Unsecured
Management fee expense	**963,126**	860,535	647,343			Noninterest-bearing	Unsecured
Accrued management fee				**(105,209)**	(99,895)	Noninterest-bearing	Unsecured
Administrative expenses	**971**	–	–			Noninterest-bearing	Unsecured
Accounts payable - others				**(638)**	–	Noninterest-bearing	Unsecured
Advances for project development	**518,122**	1,971,200	900	**3,607,122**	3,089,000	Noninterest-bearing	Unsecured; not impaired
Trade payable	**–**	–	–	**–**	(25,930)	Noninterest-bearing	Unsecured
AFS investments	**–**	–	–	**3,615,246**	3,574,790	Noninterest-bearing	Unsecured; not impaired
Sponsorship income	**7,406**	–	–			Noninterest-bearing	Unsecured
Interest income	**21,972**	282	–			Noninterest-bearing	Unsecured
Gain on disposal of land	**33,314**	–	–			–	–

Affiliate refers to an entity that is neither a parent, subsidiary, nor an associate, with stockholders common to the SM Group or under common control.

Below are the nature of the Company's transactions with the related parties:

Rent
The Company have existing lease agreements for office and commercial spaces with related companies (SM Retail and Banking Groups and other affiliates).

Management Fees
The Company pays management fees to Shopping Center Management Corporation, SM Lifestyle Entertainment, Inc. and Family Entertainment Center, Inc. (affiliates) for the management of the office and mall premises.

Service Fees
The Company provides manpower and other services to affiliates.

Dividend Income
The Company's investment in AFS equity instruments of certain affiliates earn income upon the declaration of dividends by the investees.

Cash Placements and Loans
The Company has certain bank accounts and cash placements that are maintained with BDO and China Bank (Bank Associates). Such accounts earn interest based on prevailing market interest rates (see Notes 7, 8, 9 and 13).

The Company also availed of bank loans and long-term debt from BDO and China Bank and pays interest based on prevailing market interest rates (see Notes 18 and 20).

Others
The Company, in the normal course of business, has outstanding receivables from and payables to related companies as at reporting period which are unsecured and normally settled in cash.

Compensation of Key Management Personnel
The aggregate compensation and benefits related to key management personnel for the years ended December 31, 2013, 2012 and 2011 consist of short-term employee benefits amounting to ₱260 million, ₱247 million and ₱261 million, respectively, and post-employment benefits (pension benefits) amounting to ₱27 million, ₱10 million and ₱14 million, respectively.

23. COSTS AND EXPENSES

This account consists of:

	2013	2012 (As restated - see Note 6)	2011 (As restated - see Note 6)
		(In Thousands)	
Cost of real estate sold	**₱11,920,739**	₱13,975,766	₱10,303,447
Administrative (see Notes 22 and 25)	**7,037,950**	6,962,745	5,575,528
Depreciation and amortization (see Notes 15 and 16)	**5,980,940**	5,126,801	4,823,506
Business taxes and licenses	**2,748,088**	2,367,654	2,099,659
Film rentals	**2,041,830**	1,877,919	1,650,122
Marketing and selling expenses	**2,053,312**	1,764,535	1,308,579
Rent (see Note 27)	**1,294,925**	926,119	800,390
Management fees (see Note 22)	**1,050,548**	892,458	913,203
Insurance	**353,019**	332,603	260,909
Others	**1,177,514**	918,677	3,036,639
	₱35,658,865	₱35,145,277	₱30,771,982

24. INTEREST INCOME AND INTEREST EXPENSE

The details of the sources of interest income and interest expense follow:

	2013	2012 (As restated - see Note 6)	2011 (As restated - see Note 6)
		(In Thousands)	
Interest income on:			
Cash and cash equivalents (see Note 7)	**₱528,780**	₱589,364	₱563,106
Short-term investments (see Note 8)	**29,274**	27,203	27,877
Investments held for trading (see Note 9)	**28,310**	43,068	41,844
Available-for-sale investments (see Note 13)	**34,038**	67,700	67,700
Others (see Notes 10 and 14)	**71,911**	190,054	211,141
	₱692,313	₱917,389	₱911,668
Interest expense on:			
Long-term debt (see Note 20)	**₱2,555,238**	₱2,933,757	₱2,619,006
Loans payable (see Note 18)	**274,534**	105,469	307,788
Others	**856,831**	25,599	6,543
	₱3,686,603	₱3,064,825	₱2,933,337

25. PENSION BENEFITS

The Company has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The latest appraisal valuation report is as at December 31, 2013.

The following tables summarize the components of the pension plan as at December 31:

Net Pension Cost (included under "Costs and expenses" account under "Administrative")

	2013	2012 (As restated - see Notes 2 and 6)	2011 (As restated - see Notes 2 and 6)
		(In Thousands)	
Current service cost	**₱51,692**	₱53,078	₱34,527
Net interest cost (income)	**(2,010)**	(589)	211
Net transitional liability and others	–	2,409	2,409
	₱49,682	₱54,898	₱37,147

Net Pension Asset (included under "Other noncurrent assets" account)

	2013	2012 (As restated - see Notes 2 and 6)
	(In Thousands)	
Defined benefit obligation	**₱347,082**	₱142,566
Fair value of plan assets	**(421,502)**	(169,984)
Effect of asset ceiling limit	**7,773**	1,577
Net pension asset	**(₱66,647)**	(₱25,841)

Net Pension Liability (included under "Other noncurrent liabilities" account)

	2013	2012 (As restated - see Notes 2 and 6)

	(In Thousands)	
Defined benefit obligation	**₱14,665**	₱203,486
Fair value of plan assets	**(3,320)**	(146,415)
Net pension liability	**₱11,345**	₱57,071

The changes in the present value of the defined benefit obligation are as follows:

	2013	2012 (As restated - see Notes 2 and 6)
	(In Thousands)	
Balance at beginning of year	**₱346,052**	₱210,012
Actuarial loss (gain) - changes in actuarial assumptions	**(51,815)**	55,433
Current service cost	**51,692**	53,078
Interest cost	**21,479**	15,418
Benefits paid from assets	**(11,103)**	(1,863)
Actuarial loss (gain) – experience	**5,976**	(8,901)
Transfer to (from) the plan	**(80)**	4,274
Curtailment gain and others	**(454)**	18,601
Balance at end of year	**₱361,747**	₱346,052

The above present value of defined benefit obligation are broken down as follows:

	2013	2012 (As restated - see Notes 2 and 6)
	(In Thousands)	
Related to pension asset	**₱347,082**	₱142,566
Related to pension liability	**14,665**	203,486
	₱361,747	₱346,052

The changes in the fair value of plan assets are as follows:

	2013	2012 (As restated - see Notes 2 and 6)
	(In Thousands)	
Balance at beginning of year	**₱316,399**	₱201,416
Contributions	**82,015**	74,657
Interest income	**23,530**	16,126
Benefits paid	**(11,103)**	(1,863)
Remeasurement gains	**21,508**	14,342
Transfer to the plan and others	**(7,527)**	11,721
Balance at end of year	**₱424,822**	₱316,399

The changes in the fair value of plan assets are broken down as follows:

	2013	2012 (As restated - see Notes 2 and 6)
	(In Thousands)	
Related to pension asset	**₱421,502**	₱169,984
Related to pension liability	**3,320**	146,415
	₱424,822	₱316,399

The changes in the effect of asset ceiling limit are as follows:

	2013	2012 (As restated - see Notes 2 and 6)
	(In Thousands)	
Asset ceiling limit at beginning of year	**₱1,577**	₱560
Remeasurement loss	**6,155**	898
Interest cost	**41**	119
	₱7,773	₱1,577

The carrying amounts and fair values of the plan assets as at December 31, 2013 and December 31, 2012 are as follows:

	2013		2012 (As restated - see Note 6)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Thousands)		
Cash and cash equivalents	**₱13,927**	**₱13,927**	₱19,251	₱19,251
Investments in:				
Debt and other securities	**77,035**	**77,035**	34,799	34,799
Common trust funds	**157,415**	**157,415**	125,008	125,008
Equity securities	**6,824**	**6,824**	10,413	10,413
Government securities	**162,799**	**162,799**	124,517	124,517
Other financial assets	**6,822**	**6,822**	2,411	2,411
	₱424,822	**₱424,822**	₱316,399	₱316,399

The plan assets consist of the following:

- Cash and cash equivalents includes regular savings and time deposits;
- Investments in debt and other securities consist of short-term and long-term corporate loans, notes and bonds which bear interest ranging from 4.38% to 8.46% and have maturities ranging from 2014 to 2022;
- Investments in common trust funds pertain to unit investment trust fund;
- Investments in equity securities consist of listed and unlisted equity securities;
- Investments in government securities consist of retail treasury bonds which bear interest ranging from 5.00% to 11.14% and have maturities ranging from 2014 to 2037; and
- Other financial assets include accrued interest income on cash deposits and debt securities held by the Retirement Plan.

Debt and other securities, equity securities and government securities have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

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

The following table summarizes the outstanding balances and transactions of the pension plan with BDO, an affiliate, as at and for the year ended December 31:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Cash and cash equivalents	**₱13,927**	₱19,251
Interest income from cash and cash equivalents	**534**	272
Investments in common trust funds	**157,415**	125,008
Income from investments in common trust funds	**1,040**	27,900

The principal assumptions used in determining pension obligations for the Company's plan are shown below:

	2013	2012 (As restated - see Notes 2 and 6)	2011 (As restated - see Notes 2 and 6)
Discount rate	**4.7%–6.4%**	6.0%–6.4%	6.0%–7.1%
Future salary increases	**3.0%–10.0%**	10.0%–11.0%	8.1%–11.0%

Remeasurement effects recognized in other comprehensive income at December 31 follow:

	2013	2012 (As restated - see Notes 2 and 6)	2011 (As restated - see Notes 2 and 6)
		(In Thousands)	
Actuarial loss (gain)	**(₱67,347)**	₱32,190	₱27,868
Remeasurement loss (excluding amounts recognized in net interest cost)	**6,155**	898	132
	(₱61,192)	₱33,088	₱28,000

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, 2013 assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
		(In Thousands)
Discount rates	50	(₱21,709)
	(50)	23,820
Future salary increases	100	44,342
	(100)	(37,944)

The Company and the pension plan has no specific matching strategies between the pension plan assets and the defined benefit obligation under the pension plan.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2013:

Year	Amount
	(In Thousands)
2014	₱12,977
2015	10,822
2016-2017	34,313
2018-2022	502,359

The Company expects to contribute about ₱80 million to its defined benefit pension plan in 2014.

26. INCOME TAX

The details of the Company's deferred tax assets and liabilities are as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Deferred tax assets:		
Unrealized foreign exchange loss and others	**₱499,975**	₱190,923
MCIT	**106,243**	88,169
NOLCO	**122,119**	93,830
Accrued marketing and rent expenses	**248,574**	67,439
Provision for doubtful accounts	**134,177**	56,334
Deferred rent income	**44,071**	37,070
Unamortized past service cost	**4,823**	4,385
	1,159,982	538,150
Deferred tax liabilities:		
Undepreciated capitalized interest ,unrealized foreign exchange gains and others	**(1,965,537)**	(1,530,952)
Unrealized gross profit on sale of real estate	**(310,878)**	(467,545)
Cumulative excess of rent income per straight-line over contractual terms		(58,370)
Pension asset	**(16,483)**	(8,781)
Others	**(199,098)**	(418)
	(2,491,996)	(2,066,066)
Net deferred tax liabilities	**(₱1,332,014)**	(₱1,527,916)

The net deferred tax assets and liabilities presented in the consolidated balance sheets as follows:

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Deferred tax assets	**₱690,525**	₱486,314
Deferred tax liabilities	**(2,022,539)**	(2,014,230)
	(₱1,332,014)	(₱1,527,916)

As at December 31, 2013 and 2012, unrecognized deferred tax assets amounted to ₱93 million and ₱121 million, respectively, bulk of which pertains to NOLCO of the hotels and convention centers segment.

The reconciliation between the statutory tax rates and the effective tax rates on income before income tax as shown in the consolidated statements of income follows:

	2013	2012 (As restated - see Note 6)	2011 (As restated - see Note 6)
Statutory tax rate	**30.0%**	30.0%	30.0%
Income tax effects of:			
Equity in net earnings of associate	**(0.1)**	(6.2)	(5.3)
Availment of income tax holiday	**(4.0)**	(5.9)	(5.6)
Interest income subjected to final tax and dividend income exempt from income tax	**(1.5)**	(1.4)	(1.1)
Change in enacted tax rates and others	**(5.2)**	2.0	(0.2)
Effective tax rates	**19.2%**	18.5%	17.8%

27. LEASE AGREEMENTS

Company as Lessor

The Company's lease agreements with its mall tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of five years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

Also, the Company's lease agreements with its commercial property tenants are generally granted for a term of one year, with the exception of some tenants, which are granted initial lease terms of 2 to 20 years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants pay either a fixed monthly rent or a percentage of sales, depending on the terms of the lease agreements, whichever is higher.

The Company's future minimum rent receivables for the noncancellable portions of the operating commercial property leases follow:

	2013	2012 (As restated - see Note 6)
	(In Millions)	
Within one year	**₱1,277**	₱1,244
After one year but not more than five years	**4,427**	5,071
After more than five years	**1,367**	1,626
	₱7,071	₱7,941

Consolidated rent income amounted to ₱32,195 million, ₱28,952 million and ₱25,208 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Company as Lessee
The Company also leases certain parcels of land where some of their malls are situated or constructed. The terms of the lease are for periods ranging from 15 to 50 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.

Also, the Company has various operating lease commitments with third party and related parties. The noncancellable periods of the lease range from 2 to 30 years, mostly containing renewal options. Several lease contracts provide for the payment of additional rental based on certain percentage of sales of the tenants.

The Company's future minimum lease payables under the noncancellable operating leases as at December 31 are as follows:

	2013	2012 (As restated - see Note 6)
	(In Millions)	
Within one year	**₱735**	₱654
After one year but not more than five years	**3,261**	2,889
After five years	**27,330**	22,240
Balance at end of year	**₱31,326**	₱25,783

Consolidated rent expense included under "Costs and expenses" account in the consolidated statements of income amounted to ₱1,295 million, ₱926 million and ₱800 million for the years ended December 31, 2013, 2012 and 2011, respectively.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, short-term investments, investments held for trading, accrued interest and other receivables, AFS investments and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, principally, cross currency swaps, interest rate swaps, foreign currency call options, nondeliverable forwards and foreign currency range options. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 29).

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The Company's BOD and management review and agree policies for managing each of these risks and they are summarized in the following tables.

Interest Rate Risk
The Company's exposure to interest rate risk relates primarily to its financial instruments with floating interest and/or fixed interest rates. 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. Re-pricing of floating rate financial instruments is done every three to six months. Interest on fixed rate financial instruments is fixed until maturity of the instrument. The details of financial instruments that are exposed to cash flow interest rate risk are disclosed in Notes 7, 9, 13 and 20.

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at December 31, 2013 and 2012, after taking into account the effect of interest rate swaps, approximately 64% and 61%, respectively, of its long-term borrowings excluding China yuan renminbi-denominated loans, are at a fixed rate of interest (see Note 29).

Interest Rate Risk
The following tables set out the carrying amount, by maturity, of the Company's long-term financial liabilities that are exposed to interest rate risk as at December 31, 2013 and 2012:

	2013								
	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	5-<6 Years	>6 Years	Total	Unamortized Debt Issuance Costs	Carrying Value
					(In Thousands)				
Fixed Rate									
Philippine peso-denominated corporate notes	₱18,000	₱968,000	₱8,000	₱8,000	₱8,000	₱10,036,000	₱11,046,000	(₱65,512)	₱10,980,488
Interest rate	5.79%-6.65%	5.79%-6.65%	6.65%	6.65%	6.65%	5.57%-10.11%			
Philippine peso-denominated fixed rate notes	₱81,800	₱2,219,400	₱5,409,800	₱1,925,300	₱9,568,100	₱7,391,600	26,596,000	(133,928)	26,462,072
Interest rate	5.86%-8.27%	4.72%-8.27%	4.32%-6.81%	4.00%-6.81%	4.77%-6.81%	5.88%-6.81%			
Other bank loans	₱1,381,750	₱218,250	₱1,200,000	₱–	₱–	₱–	2,800,000	(3,932)	2,796,068
Interest rate	5.00%-5.69%	5.00%	9.75%						
Floating Rate									
U.S. dollar-denominated five-year term loans	$–	$–	$270,000	$–	$500,000	$–	34,184,150	(614,882)	33,569,268
Interest rate			LIBOR + spread		LIBOR + spread				

	2013								
	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	5-<6 Years	>6 Years	Total	Unamortized Debt Issuance Costs	Carrying Value
				(In Thousands)					
U.S. dollar-denominated bilateral loans	$–	$–	$–	$–	$25,000	$–	1,109,875	(5,994)	1,103,881
Interest rate					LIBOR + spread				
Other U.S. dollar loans	$–	$50,000	$–	$50,000	$–	$–	4,439,500	(55,869)	4,383,631
Interest rate		LIBOR + spread		LIBOR + spread					
Philippine peso-denominated corporate notes	₱50,000	₱4,800,000	₱–	₱–	₱–	₱–	4,850,000	(17,906)	4,832,094
Interest rate	PDSTF+margin%	PDST-F+margin%							
Philippine peso-denominated floating rate notes	₱96,500	₱96,500	₱4,846,500	₱3,514,000	₱10,000	₱940,000	9,503,500	(49,722)	9,453,778
Interest rate	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%			
Philippine peso-denominated five-year bilateral loans	₱–	₱–	₱500,000	₱–	₱–	₱–	500,000	(1,547)	498,453
Interest rate			PDST-F+margin%						
Other bank loans	₱3,008,180	₱2,785,280	₱–	₱–	₱–	₱–	5,793,460	(7,801)	5,785,659
Interest rate	PDST-F+margin%	PDST-F+margin%							
China yuan renminbi-denominated loans	¥375,168	¥60,900	¥–	¥–	¥–	¥–	3,197,598	–	3,197,598
Interest rate	5.76%-6.20%	5.76%							
							₱104,020,083	(₱957,093)	₱103,062,990

	2012 (As restated - see Note 6)								
	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	5-<6 Years	>6 Years	Total	Unamortized Debt Issuance Costs	Carrying Value
				(In Thousands)					
Fixed Rate									
Philippine peso-denominated corporate notes	₱20,000	₱20,000	₱1,097,300	₱8,660	₱57,485	₱1,856,555	₱3,060,000	(₱18,181)	₱3,041,819
Interest rate	5.79%–6.65%	5.79%–6.65%	5.79%–6.65%	5.79%–6.65%	5.89%–6.65%	5.89%–10.11%			
Philippine peso-denominated fixed rate notes	₱2,078,500	₱78,500	₱10,078,500	₱78,500	₱7,998,900	₱6,650,100	26,963,000	(159,292)	26,803,708
Interest rate	5.86%-6.81%	5.86%-6.81%	5.86%-6.81%	5.86%-6.81%	5.86%-6.81%	5.86%-9.85%			
Other bank loans	₱8,750	₱1,530,500	₱189,300	₱1,200,000	₱–	₱–	2,928,550	(5,187)	2,923,363
Interest rate	5.69%-6.75%	5.69%-6.75%	5.69%-8.27%	9.75%					
Floating Rate									
U.S. dollar-denominated five-year term loans	$–	$–	$–	$270,000	$–	$–	11,083,500	(186,538)	10,896,962
Interest rate				LIBOR+spread					
U.S. dollar-denominated bilateral loans	$25,000	$–	$–	$–	$–	$–	1,026,250	(5,008)	1,021,242
Interest rate	LIBOR+spread								
Other U.S. dollar loans	$–	$–	$50,000	$–	$10,000	$–	2,463,000	(24,888)	2,438,112
Interest rate			LIBOR+spread		LIBOR+spread				
Philippine peso-denominated corporate notes	₱50,000	₱50,000	₱4,800,000	₱–	₱–	₱–	4,900,000	(25,829)	4,874,171
Interest rate	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%						
Philippine peso-denominated floating rate notes	₱96,500	₱96,500	₱96,500	₱4,846,500	₱3,514,000	₱950,000	9,600,000	(64,382)	9,535,618
Interest rate	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%			
Philippine peso-denominated five-year bilateral loans	₱–	₱–	₱–	₱500,000	₱–	₱–	500,000	(2,009)	497,991
Interest rate				PDST-F+margin%					
Other bank loans	₱10,000	₱3,010,000	₱3,185,000	₱–	₱–	₱–	6,205,000	(15,322)	6,189,678
Interest rate	PDST-F+margin%	PDST-F+margin%	PDST-F+margin%						
China yuan renminbi-denominated loans	¥77,476	¥375,168	¥60,900	¥–	¥–	¥–	3,383,486	–	3,383,486
Interest rate	5.76%–6.20%	5.76%–6.20%	5.76%						
							₱72,112,786	(₱506,636)	₱71,606,150

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 Company's income before income tax. The impact on the Company's equity, due to changes in fair value of AFS investments, is immaterial.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
		(In Thousands)
2013	**100**	**(₱108,914)**
	50	**(54,457)**
	(100)	**108,914**
	(50)	**54,457**
2012 (As restated - see Note 6)	100	(₱71,453)
	50	(35,727)
	(100)	71,453
	(50)	35,727

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
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's exposure to foreign currency risk arises mainly from its significant investments and debt issuances which are denominated in U.S. dollars. To manage its foreign exchange risk, stabilize cash flows and improve investment and cash flow planning, the Company enters into foreign currency swap contracts, cross-currency swaps, foreign currency call options, nondeliverable forwards and foreign currency range options aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary assets and liabilities amounted to ₱24,463 million (US$551 million) and ₱24,586 million (US$554 million), respectively, as at December 31, 2013, and ₱14,581 million (US$355 million) and ₱14,909 million (US$363 million), respectively, as at December 31, 2012.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱44.40 to US$1.00 and ₱41.05 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2013 and 2012, respectively.

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 Company's income before income tax (due to changes in the fair value of monetary assets and liabilities, including the impact of derivative instruments). There is no impact on the Company's equity.

	Appreciation (Depreciation) of ₱	Effect on Income Before Tax
		(In Thousands)
2013	**1.50**	**₱1,043**
	1.00	**696**
	(1.50)	**(1,043)**
	(1.00)	**(696)**
2012 (As restated - see Note 6)	1.50	₱2,988
	1.00	1,992
	(1.50)	(2,988)
	(1.00)	(1,992)

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues and sales of certain assets.

As part of its liquidity risk management program, the Company 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 Company's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include cash and cash equivalents, short-term investments and investments held for trading and current AFS investments amounting to ₱27,142 million, ₱888 million, ₱1,151 million and nil, respectively, as at December 31, 2013, and ₱21,299 million, ₱821 million, ₱1,339 million and ₱1,000 million, respectively, as at December 31, 2012 (see Notes 7, 8, 9 and 13). The Company also has readily available credit facility with banks and affiliates to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

			2013		
	On Demand	**Less than 1 Year**	**2 to 5 Years**	**More than 5 Years**	**Total**
			(In Thousands)		
Loans payable	**₱–**	**₱3,250,000**	**₱–**	**₱–**	**₱3,250,000**
Accounts payable and other current liabilities*	**6,818,290**	**37,117,032**	**–**	**–**	**43,935,322**
Long-term debt (including current portion)	**–**	**9,321,766**	**94,038,282**	**9,552,723**	**112,912,771**
Derivative liabilities	**–**	**–**	**159,974**	**–**	**159,974**
Liability for purchased land - net of current portion	**–**	**–**	**1,117,809**	**–**	**1,117,809**
Tenants' deposits	**–**	**–**	**10,082,397**	**166,395**	**10,248,792**
Other noncurrent liabilities**	**–**	**–**	**2,786,666**	**–**	**2,786,666**
	₱6,818,290	**₱49,688,798**	**₱108,185,128**	**₱9,719,118**	**₱174,411,334**

					2012 (As restated – see Note 6)
	On Demand	Less than 1 Year	2 to 5 Years	More than 5 Years	Total
			(In Thousands)		

Loans payable	₱–	₱8,973,500	₱–	₱–	₱8,973,500
Accounts payable and other current liabilities*	–	33,130,431	–	–	33,130,431
Long-term debt (including current portion)	–	6,970,937	67,318,701	11,485,044	85,774,682
Derivative liabilities	–	17,428	212,855	14,047	244,330
Liability for purchased land - net of current portion	–	–	4,202,128	–	4,202,128
Tenants' deposits	–	–	8,857,977	110,646	8,968,623
Other noncurrent liabilities**	–	–	2,672,136	–	2,672,136
	₱–	₱49,092,296	₱83,263,797	11,609,737	₱143,965,830

** Excluding nonfinancial liabilities amounting to ₱1,363 million and ₱1,269 million as at December 31, 2013 and 2012, respectively.*
*** Excluding nonfinancial liabilities amounting to ₱469 million and ₱447 million as at December 31, 2013 and 2012, respectively.*

Credit Risk
The Company trades only with recognized, creditworthy related and third parties. It is the Company'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 Company's exposure to bad debts at a minimum level. Given the Company'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 Company, which comprise of cash and cash equivalents, short-term investments, investments held for trading, AFS investments and certain derivative instruments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The fair values of these instruments are disclosed in Note 29.

Since the Company trades only with recognized related and third parties, generally there is no requirement for collateral except for "Receivable from sale of real estate" which has minimal credit risk and is effectively collateralized by respective unit sold since title to the real estate properties are not transferred to the buyers until full payment is made. The Company has no other significant terms and conditions associated with the use of collateral.

As at December 31, 2013 and 2012, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties (see Note 10). Past due or impaired financial assets are very minimal in relation to the Company's consolidated total financial assets.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

High Quality. Pertains to counterparty who is not expected by the Company 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.

As at December 31, 2013 and 2012 the credit quality of the Company's financial assets is as follows:

	2013			
	Neither Past Due nor Impaired		**Past Due**	
	High Quality	**Standard Quality**	**but not Impaired**	**Total**
		(In Thousands)		
Loans and Receivables				
Cash and cash equivalents*	**₱27,076,823**	**₱–**	**₱–**	**₱27,076,823**
Short-term investments	**887,900**	**–**	**–**	**887,900**
Receivables**	**13,612,072**	**8,798,104**	**4,772,733**	**27,182,909**
Cash in escrow (included under "Prepaid expenses and other current assets")	**439,119**	**–**	**–**	**439,119**
Real estate receivable - noncurrent (included under "Other noncurrent assets")	**–**	**10,277,336**	**–**	**10,277,336**
Bonds and deposits (included under "Other noncurrent assets")	**–**	**20,410**	**–**	**20,410**
(Forward)				
Financial Assets at FVPL				
Investments held for trading -				
Bonds and shares	**1,151,464**	**–**	**–**	**1,151,464**
Derivative assets	**1,778,810**	**–**	**–**	**1,778,810**
AFS Investments				
Shares of stocks and corporate notes	**23,303,431**	**65,643**	**–**	**23,369,074**
	₱68,249,619	**₱19,161,493**	**₱4,772,733**	**₱92,183,845**

** Excluding cash on hand amounting to ₱65 million*
*** Excluding nonfinancial assets amounting to ₱2 million*

	2012 (As restated - see Note 6)			
	Neither Past Due nor Impaired		Past Due	
	High Quality	Standard Quality	but not Impaired	Total
		(In Thousands)		

	2012 (As restated - see Note 6)			
	Neither Past Due nor Impaired		Past Due	
	High Quality	Standard Quality	but not Impaired	Total
Loans and Receivables				
Cash and cash equivalents*	₱21,240,517	₱–	₱–	₱21,240,517
Short-term investments	821,000	–	–	821,000
Receivables**	69,113	13,557,214	3,405,475	17,031,802
Cash in escrow (included under “Prepaid expenses and other current assets”)	98,996	–	–	98,996
Real estate receivable - noncurrent (included under “Other noncurrent assets’)	–	15,188,843	–	15,188,843
Bonds and deposits (included under “Other noncurrent assets”)	–	21,210	–	21,210
Financial Assets at FVPL				
Investments held for trading - Bonds and shares	1,338,777	–	–	1,338,777
Derivative assets	109,979	–	–	109,979
AFS Investments				
Shares of stocks and corporate notes	24,303,128	–	–	24,303,128
	₱47,981,510	₱28,767,267	₱3,405,475	₱80,154,252

* *Excluding cash on hand amounting to ₱59 million.*
** *Excluding nonfinancial assets amounting to ₱114 million*

Equity Price Risk
The Company’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.

As a policy, 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.

The effect on equity after income tax (as a result of change in fair value of AFS investments as at December 31, 2013 and 2012) due to a possible change in equity indices, based on historical trend of PSE index, with all other variables held constant is as follows:

	2013	
	Change in Equity Price	**Effect on Equity After Income Tax**
		(In Millions)
AFS investments	**+9%**	**₱1,765**
	-9%	**(1,765)**

	2012 (As restated - see Note 6)	
	Change in Equity Price	Effect on Equity After Income Tax
		(In Millions)
AFS investments	+9%	₱1,432
	-9%	(1,432)

Capital Management
Capital includes equity attributable to the owners of the Parent.

The primary objective of the Company’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 Company 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 Company may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Company monitors capital using gearing ratio, which is interest-bearing debt divided by total capital plus interest-bearing debt and net interest-bearing debt divided by total capital plus net interest-bearing debt. Interest-bearing debt includes all short-term and long-term debt while net interest-bearing debt includes all short-term and long-term debt net of cash and cash equivalents, short-term investments, investments held for trading and current portion of AFS investments.

As at December 31, 2013 and 2012, the Company’s gearing ratios are as follows:

Interest-bearing Debt to Total Capital plus Interest-bearing Debt

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Loans payable	**₱3,250,000**	₱8,973,500
Current portion of long-term debt	**7,387,260**	3,856,767
Long-term debt - net of current portion	**95,675,730**	67,749,383
Total interest-bearing debt (a)	**106,312,990**	80,579,650
Total equity attributable to equity holders of the parent	**163,266,540**	147,627,681
Total interest-bearing debt and equity attributable to equity holders of the parent (b)	**₱269,579,530**	₱228,207,331
Gearing ratio (a/b)	**39%**	35%

Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2013	2012 (As restated - see Note 6)
	(In Thousands)	
Loans payable	**₱3,250,000**	₱8,973,500
Current portion of long-term debt	**7,387,260**	3,856,767
Long-term debt - net of current portion	**95,675,730**	67,749,383
Less cash and cash equivalents, short-term investments, investments held for trading and current portion of AFS investments	**(29,180,870)**	(24,459,143)
Total net interest-bearing debt (a)	**77,132,120**	56,120,507
Total equity attributable to equity holders of the parent	**163,266,540**	147,627,681
Total net interest-bearing debt and equity attributable to equity holders of the parent (b)	**₱240,398,660**	₱203,748,188
Gearing ratio (a/b)	**32%**	28%

29. 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, other than those whose carrying values are reasonable approximations of fair values as at December 31:

	2013		2012 (As restated - see Note 6)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Assets				
Financial assets at FVPL:				
Investments held for trading	**₱1,151,464**	**₱1,151,464**	₱1,338,777	₱1,338,777
Derivative assets	**1,778,810**	**1,778,810**	109,979	109,979
	2,930,274	**2,930,274**	1,448,756	1,448,756
Loans and receivables -				
Noncurrent portion of receivable from sale of real estate	**10,277,336**	**9,393,239**	15,188,843	13,876,880
AFS investments -				
Listed shares of stocks and corporate notes	**23,360,756**	**23,360,756**	24,295,298	24,295,298
	₱36,568,366	**₱35,684,269**	₱40,932,897	₱39,620,934
Financial Liabilities				
Financial liabilities at FVPL -				
Derivative liabilities	**₱159,974**	**₱159,974**	₱244,330	₱244,330
Other financial liabilities:				
Liability for purchased land - net of current portion	**1,117,809**	**1,090,824**	4,202,128	3,953,699
Long-term debt - net of current portion	**95,675,730**	**96,254,926**	67,749,383	70,811,913
Tenants' deposits	**10,248,792**	**9,874,345**	8,968,623	8,528,729
Other noncurrent liabilities*	**2,786,666**	**2,679,120**	2,672,135	2,665,716
	109,828,997	**109,899,215**	83,592,269	85,960,057
	₱109,988,971	**₱110,059,189**	₱83,836,599	₱86,204,387

**Excluding nonfinancial liabilities amounting to ₱469 million and ₱447 million as at December 31, 2013 and 2012, respectively.*

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:

Investments Held for Trading. The fair values are based on the quoted market prices of the instruments.

Derivative Instruments. The fair values are based on quotes obtained from counterparties.

Noncurrent Portion of Receivable from Sale of Real Estate. The estimated fair value of the noncurrent portion of receivables from real estate buyers is based on the discounted value of future cash flows using the prevailing interest rates on sales of the Company's accounts receivable. Average discount rates used is 5.0% and 5.5% to 8.0% as at December 31, 2013 and 2012, respectively.

AFS Investments. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business.

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 1.39% to 4.76% and 2.7% to 7.1% as at December 31, 2013 and 2012, 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 1.7% to 1.96% and 1.7% to 5.9% as at December 31, 2013 and 2012, respectively.

Tenants' Deposits, Liability for Purchased Land and Other Noncurrent Liabilities. The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 1.93% to 3.52% and 2.9% to 6.4% as at December 31, 2013 and 2012, respectively.

The Company assessed that the carrying values of cash and cash equivalents, short-term investments, receivables, cash in escrow, bank loans and accounts payable and other current liabilities approximate their fair values due to the short-term nature and maturities of these financial instruments. For AFS investments related to unlisted equity securities, these are carried at cost less allowance for impairment loss since there are no quoted prices and due to the unpredictable nature of future cash flows and lack of suitable methods for arriving at reliable fair value.

As at December 31, 2013 and 2012, the Company has no financial instruments measured at fair values using inputs that are not based on observable market data (Level 3).

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated balance sheets.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities, except for related embedded derivatives which are either classified as Level 2 or 3;

Level 2: Those measured using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and,

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables show the fair value hierarchy of Company's financial instruments as at December 31:

		2013	
	Level 1	**Level 2**	**Level 3**
		(In Thousands)	
Financial Assets			
Financial assets at FVPL:			
Investments held-for-trading:			
Bonds	**₱459,754**	**₱–**	**₱–**
Shares	**691,710**	**–**	**–**
Derivative assets	**–**	**1,778,810**	**–**
	1,151,464	**1,778,810**	**–**
Loans and receivables -			
Noncurrent portion of receivable from sale of real estate	**–**	**–**	**10,277,336**
AFS investments -			
Shares of stocks	**23,360,756**	**–**	**–**
	₱24,512,220	**₱1,778,810**	**₱10,277,336**
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	**₱–**	**₱159,974**	**₱–**
Other financial liabilities:			
Liability for purchased land - net of current portion	**–**	**–**	**5,235,448**
Long-term debt - net of current portion	**–**	**–**	**103,642,186**
Tenants' deposits	**–**	**–**	**9,874,345**
Other noncurrent liabilities*	**–**	**–**	**2,679,120**
	–	**–**	**121,431,099**
	₱–	**₱159,974**	**₱121,431,099**

**Excluding nonfinancial liabilities amounting to ₱469 million as at December 31, 2013.*

		2012 (As restated - see Note 6)	
	Level 1	Level 2	Level 3
		(In Thousands)	
Financial Assets			

	2012 (As restated - see Note 6)		
	Level 1	Level 2	Level 3
		(In Thousands)	
Financial assets at FVPL:			
Investments held-for-trading			
Bonds	₱759,300	₱–	₱–
Shares	579,477	–	–
Derivative assets	–	109,979	–
	1,338,777	109,979	–
Loans and receivables -			
Noncurrent portion of receivable from sale of real estate	–	–	15,188,843
AFS investments:			
Shares of stocks	23,295,298	–	–
Corporate notes	–	1,000,000	–
	23,295,298	1,000,000	–
	₱24,634,075	₱1,109,979	₱15,188,843
Financial Liabilities			
Financial liabilities at FVPL -			
Derivative liabilities	₱–	₱244,330	₱–
Other Financial Liabilities:			
Liability for purchased land - net of current portion	–	–	7,391,398
Long-term debt - net of current portion	–	–	74,668,680
Tenants' deposits	–	–	8,968,183
Other noncurrent liabilities*	–	–	2,665,716
	–	–	93,693,977
	₱–	₱244,330	₱93,693,977

**Excluding nonfinancial liabilities amounting to ₱447 million as at December 31, 2012.*

During the years ended December 31, 2013 and 2012, 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.

Derivative Financial Instruments

To address the Company'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 currency risk, the Company entered into various derivative transactions such as interest rate swaps, cross-currency swaps, non-deliverable forwards and non-deliverable currency swaps.

Derivative Financial Instruments Accounted for as Cash Flow Hedges

Cross Currency Swaps. In 2013, SMPH 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 syndicated loans (the hedged loans) obtained on January 29, 2013 and April 16, 2013 (see Note 20). Details of the hedged loans are as follows:

	Outstanding Principal Balance		Interest Rate	Maturity Date
	(In Thousands)			
Unsecured loan	US$200,000	₱8,879,000	6-month US LIBOR + 1.70%	January 29, 2018
Unsecured loan	150,000	6,659,250	6-month US LIBOR + 1.70%	March 23, 2018

The table below provides the details of SMPH's outstanding cross-currency swaps as at December 31, 2013:

	Notional Amounts		Receive	Pay	US$: Rate	Maturity
	(In Thousands)					
Floating-to-Fixed	US$150,000	₱6,100,500	6M U.S. LIBOR + 170 bps	3.70%	40.67	January 29, 2018
Floating-to-Fixed	50,000	2,033,500	6M U.S. LIBOR + 170 bps	3.70%	40.67	January 29, 2018
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018
Floating-to-Fixed	50,000	2,055,000	6M U.S. LIBOR + 170 bps	3.90%	41.10	March 23, 2018

Under the floating-to-fixed cross-currency swaps, SMPH effectively converted its US dollar-denominated loan into a Philippine peso-denominated loan when, at inception, it agreed to swap US dollar principal equal to the face amount of the loan for its agreed Philippine peso equivalent (₱8,134 million and ₱6,165 million) with the counterparty banks and to exchange, at maturity date, the principal amount originally swapped. The agreement also requires SMPH to 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 the interest payments on the term loan facility.

Hedge Effectiveness Results

As the terms of the swaps have been negotiated to match the terms of the hedged loan, the hedges were assessed to be highly effective. The fair value of the outstanding cross-currency swaps amounting to ₱1,668 million gain as at December 31, 2013 was taken to equity under other comprehensive income. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2013. Foreign currency translation loss arising from the hedged loan amounting to ₱1,239 million was recognized in the consolidated statement of income for the year ended December 31, 2013. A foreign exchange gain equivalent to the same amount was recycled from equity to the consolidated statement of income during the same year.

Derivative Financial Instruments not Accounted for as Hedges

The table below shows information on the Company's interest rate swaps presented by maturity profile.

	December 31, 2013		
	<1 Year	**>1-<2 Years**	**>2-<5 Years**
Floating-Fixed		**Floating-Fixed**	
Outstanding notional amount	**$145,000,000**	**$145,000,000**	**$–**
Receive-floating rate	**6 months LIBOR+margin%**	**6 months LIBOR+margin%**	
Pay-fixed rate	**2.91%–3.28%**	**2.91%–3.28%**	
Outstanding notional amount	**$30,000,000**	**$30,000,000**	**$–**
Receive-floating rate	**6 months LIBOR+margin%**	**6 months LIBOR+margin%**	
Pay-fixed rate	**3.53%**	**3.53%**	
Outstanding notional amount	**$20,000,000**	**$–**	**$–**
Receive-floating rate	**6 months LIBOR+margin%**		
Pay-fixed rate	**3.18%**		
Outstanding notional amount	**₱174,720,000**	**₱174,720,000**	**$–**
Receive-floating rate	**3MPDST-F**	**3MPDST-F**	
Pay-fixed rate	**3.65%**	**3.65%**	
Outstanding notional amount	**₱174,720,000**	**₱174,720,000**	**$–**
Receive-floating rate	**3MPDST-F+margin%**	**3MPDST-F+margin%**	
Pay-fixed rate	**4.95%**	**4.95%**	
Fixed-Floating			
Outstanding notional amount	**₱960,000,000**	**₱950,000,000**	**$–**
Receive-fixed rate	**5.44%**	**5.44%**	
Pay-floating rate	**3MPDST-F**	**3MPDST-F**	
Outstanding notional amount	**₱960,000,000**	**₱950,000,000**	**$–**
Receive-fixed rate	**7.36%**	**7.36%**	
Pay-floating rate	**3MPDST-F+margin%**	**3MPDST-F+margin%**	

	2012		
	<1 Year	>1-<2 Years	>2-<5 Years
Floating-Fixed			
Outstanding notional amount	$145,000,000	$145,000,000	$145,000,000
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	6 months LIBOR+margin%
Pay-fixed rate	2.91%–3.28%	2.91%–3.28%	2.91%–3.28%
Outstanding notional amount	$30,000,000	$30,000,000	$30,000,000
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	6 months LIBOR+margin%
Pay-fixed rate	3.53%	3.53%	3.53%
Outstanding notional amount	$20,000,000	$20,000,000	$–
Receive-floating rate	6 months LIBOR+margin%	6 months LIBOR+margin%	
Pay-fixed rate	3.18%	3.18%	
Outstanding notional amount	$25,000,000	$–	$–
Receive-floating rate	6 months LIBOR+margin%		
Pay-fixed rate	4.10%		
Fixed-Floating			
Outstanding notional amount	₱970,000,000	₱960,000,000	₱950,000,000
Receive-fixed rate	5.44%	5.44%	5.44%
Pay-floating rate	3MPDST-F	3MPDST-F	3MPDST-F
Outstanding notional amount	₱970,000,000	₱960,000,000	₱950,000,000
Receive-fixed rate	7.36%	7.36%	7.36%
Pay-floating rate	3MPDST-F+margin%	3MPDST-F+margin%	3MPDST-F+margin%

Interest Rate Swaps. In 2013, SMPH entered into two floating to fixed Philippine peso interest rate swap agreements with a notional amount of ₱175 million each to offset the cash flows of the two fixed to floating Philippine peso interest rate swaps entered in 2010 to reflect SMPH's partial prepayment of the underlying Philippine peso loan (see Note 20). As at December 31, 2013, these swaps have negative fair values of ₱9 million.

In 2011, the SMPH entered into floating to fixed US$ interest rate swap agreements with aggregate notional amount of US$145 million. Under the agreements, SMPH effectively converts the floating rate U.S. dollar-denominated term loan into fixed rate loan with semi-annual payment intervals up to March 21, 2015 (see Note 20). As at December 31, 2013 and 2012, the floating to fixed interest rate swaps have aggregate negative fair value of ₱114 million and ₱158 million, respectively.

SMPH also entered into US$ interest rate swap agreement with notional amount of US$20 million in 2011. Under the agreement, SMPH effectively converts the floating rate U.S. dollar-denominated five-year bilateral unsecured loan into fixed rate loan with semi-annual payment intervals up to November 30, 2014 (see Note 20). As at December 31, 2013 and 2012, the floating to fixed interest rate swaps has negative fair value of 10 million and 17 million, respectively.

In 2010, the SMPH entered into the following interest rate swap agreements:

- A US$ interest rate swap agreement with nominal amount of US$30 million. Under the agreement, SMPH effectively converts the floating rate U.S. dollar-denominated five-year bilateral unsecured loan into fixed rate loan with semi-annual payment intervals up to November 30, 2015 (see Note 20). As at December 31, 2013 and 2012, the floating to fixed interest rate swap has a negative fair value of ₱36 million and ₱48 million, respectively.

- Two Philippine peso interest rate swap agreements with notional amount of ₱1,000 million each, with amortization of 10 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).

- A US$ interest rate swap agreement with notional amount of US$20 million. Under the agreement, SMPH effectively converts the floating rate U.S. dollar-denominated three-year bilateral unsecured loan into fixed rate loan with semi-annual payment intervals up to January 14, 2013 (see Note 20). As at December 31, 2011, the floating to fixed interest rate swap has a negative fair value of ₱3 million. In January 2012, the interest rate swap agreement was preterminated as a result of the prepayment of the underlying loan. Fair value changes from the preterminated swap recognized in the consolidated statements of income amounted to ₱1 million loss in 2012.

In 2009, SMPH entered into US$ interest rate swap agreements with an aggregate notional amount of US$25 million. Under these agreements, SMPH effectively converts the floating rate US dollar-denominated five-year bilateral loan into fixed rate loan 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 10 million gain in 2013. As at December 31, 2012, the floating to fixed interest rate swap has a negative fair value of ₱22 million.

Non-deliverable Currency Forwards and Swaps. In 2013 and 2012, the SMPH entered into sell and buy US$ currency forward contracts. It also entered into sell US$ and buy currency forward and swap contracts with the same aggregate notional amount. Net fair value changes from the settled currency forward and swap contracts recognized in the consolidated statements of income amounted to ₱32 million gain, ₱67 million gain and ₱480 million in 2013, 2012 and 2011, respectively.

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2013	2012
	(In Thousands)	
Balance at beginning of year	**(₱134,351)**	(₱122,361)
Net changes in fair value during the year	**1,670,214**	24,406
Fair value of settled derivatives	**82,973**	(36,396)
Balance at end of year	**₱1,618,836**	(₱134,351)

In 2013, the net changes in fair value amounting to ₱1,670 million include net interest paid on interest rate swap and cross currency swap contracts amounting to ₱115 million, which is charged against "Interest expense" account in the consolidated statements of income, net mark-to-market gain on derivative instruments accounted for as cash flow hedges amounting to ₱1,668 million, which is included under "Net fair value changes on cash flow hedges" account in equity, and net mark-to-market gain on derivative instruments not designated as hedges amounting to ₱117 million, which is included under "Others - net" account in the consolidated statements of income.

In 2012, the net changes in fair value amounting to ₱24 million include net of interest paid on interest rate swap contracts amounting to ₱27 million, which is included under "Interest expense" account in the consolidated statements of income and net mark-to-market gain on derivatives not designated as hedges amounting to ₱51 million, which is included under "Others - net" account in the consolidated statements of income.

The reconciliation of the amounts of derivative assets and liabilities recognized in the consolidated balance sheets follows:

	2013	2012
	(In Thousands)	
Derivative assets	**₱1,778,810**	₱109,979
Derivative liabilities	**(159,974)**	(244,330)
	₱1,618,836	(₱134,351)

30. EPS COMPUTATION

Basic/diluted EPS is computed as follows:

	2013	2012 (As restated - see Note 6)	2011 (As restated - see Note 6)
		(In Thousands)	
Net income attributable to equity holders of the parent (a)	**₱16,274,820**	₱16,202,777	₱13,628,870
Common shares issued at beginning of year*	**33,166,300**	29,691,565	29,691,565
Stock dividends (see Note 21)*	**–**	3,474,735	3,474,735
Common shares issued at end of year	**33,166,300**	33,166,300	33,166,300
Less treasury stock (see Note 21)	**5,394,370**	5,403,008	5,403,008
Weighted average number of common shares outstanding (b)	**27,771,930**	27,763,292	27,763,292
Earnings per share (a/b)	**₱0.586**	₱0.584	₱0.491

**Retroactively adjusted for stock dividends declared and effect of common control business combination (see Note 6).*

31. OTHER MATTERS

Bases Conversion and Development Authority (BCDA) Case

In 2012, the Company filed Petition for Certiorari with prayer for issuance of a Temporary Restraining Order (TRO) against BCDA and Arnel Paciano Casanova, President and CEO of BCDA.

On November 26, 2012, the Company filed with Supreme Court a Very Urgent Manifestation with Motion to Resolve the Company's Application for TRO and Preliminary Injuction related to the termination by the BCDA of the Competitive Challenge on the submitted unsolicited proposal for privatization and development of a 33.13 hectares Bonifacio South Property located in Fort Bonifacio, Taguig City.

On December 20, 2012, the Company filed with the Supreme Court Urgent Manifestation with Reiterative Motion to Resolve Application for TRO and Preliminary Injunction.

On January 9, 2013, the Supreme Court approved the Company's application and issued a TRO wherein BCDA or any of their representatives and or agents are enjoined from proceeding with the bidding process subject of said "Invitation to Bid", enforcing the Supplemental Notice No. 5 and in any way disposing of the subject lot which acts tend to render the Court's resolution of the petition ineffectual, until further orders from Supreme Court.

On January 14, 2013, the Company's counsel received the Motion for Reconsideration filed by the BCDA with the Supreme Court. The Company's counsel filed its Comment/Opposition to the Motion for Reconsideration on February 11, 2013.

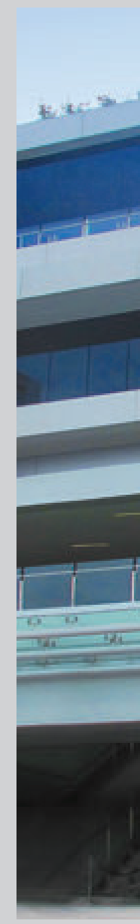
On February 21, 2013, the Company's counsel received copies of the Comment-in-Intervention and Motion for Leave to file Comment-in-Intervention and to admit attached Comment-in-Intervention filed by the Department of National Defense and Armed Forces of the Philippines (DND-AFP).

On March 20, 2013, the Supreme Court issued a resolution denying BCDA's urgent motion to dissolve TRO and noting the Company's Comment/Opposition to the Motion for Reconsideration.

On April 30, 2013, the Company filed its Opposition to the Comment-on-Intervention filed by the DND-AFP.

On May 14, 2013, BCDA and Casanova also filed a Motion for Leave to Refer the Case to the En Banc. The Corporation filed an Opposition to this Motion. The Supreme Court issued a resolution denying the Motion. BCDA filed a Motion for Reconsideration. The Corporation filed its Opposition and this remains pending as at November 13, 2013.

On June 5, 2013, BCDA and Casanova filed a Motion to Inhibit the Honorable Presiding Chairman. The Company filed an Opposition to this Motion and this remains pending as at February 24, 2014.



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