SOC Land Development Corporation

[A Wholly Owned Subsidiary of SOCResources, Inc. (formerly South China Resources, Inc.)]

Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

SGV

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SOC Land Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of SOC Land Development Corporation [a wholly owned subsidiary of SOCResources, Inc. (formerly South China Resources, Inc.)], which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

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

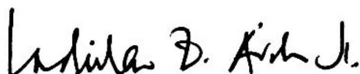
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SOC Land Development Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 20 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SOC Land Development Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



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April 10, 2015

SOC LAND DEVELOPMENT CORPORATION

[A Wholly Owned Subsidiary of SOCResources, Inc. (formerly South China Resources, Inc.)]

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱27,832,258**	₱51,716,096
Receivables (Note 5)	**156,101,715**	71,847,209
Real estate for sale (Note 6)	**1,365,439,533**	1,042,159,389
Other current assets (Note 7)	**43,420,088**	66,966,996
Total Current Assets	**1,592,793,594**	1,232,689,690
Noncurrent Assets		
Property and equipment (Note 8)	**34,524,896**	17,173,526
Other noncurrent assets (Note 9)	**31,695,342**	60,668,880
Total Noncurrent Assets	**66,220,238**	77,842,406
TOTAL ASSETS	**₱1,659,013,832**	₱1,310,532,096
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 10)	**₱321,380,757**	₱128,202,216
Due to Parent Company (Note 16)	**1,210,752,029**	1,002,752,029
Total Current Liabilities	**1,532,132,786**	1,130,954,245
Noncurrent Liability		
Retirement benefit obligation (Note 13)	**174,442**	89,695
Total Liabilities	**1,532,307,228**	1,131,043,940
Equity (Note 17)		
Capital stock - ₱100 par value		
Authorized - 1,600,000 shares		
Issued and subscribed - 712,298 (net of subscription receivables of ₱30,000,000)	**41,229,800**	41,229,800
Additional paid-in capital	**281,068,200**	281,068,200
Deficit	**(195,820,250)**	(142,949,439)
Other comprehensive income	**228,854**	139,595
Equity	**126,706,604**	179,488,156
TOTAL LIABILITIES AND EQUITY	**₱1,659,013,832**	₱1,310,532,096

See accompanying Notes to Financial Statements.

SOC LAND DEVELOPMENT CORPORATION

[A Wholly Owned Subsidiary of SOCResources, Inc. (formerly South China Resources, Inc.)]

STATEMENTS OF COMPREHENSIVE LOSS

	Years Ended December 31	
	2014	2013
SALE OF REAL ESTATE	**₱125,308,012**	₱82,701,994
COST OF REAL ESTATE SOLD (Note 6)	**100,712,652**	66,460,200
GROSS PROFIT	**24,595,360**	16,241,794
Sales and marketing expenses (Note 11)	**46,074,196**	42,642,037
General and administrative expenses (Note 12)	**37,625,927**	33,073,514
Other income (Note 14)	**(6,606,093)**	(4,342,568)
	77,094,030	71,372,983
LOSS BEFORE INCOME TAX	**52,498,670**	55,131,189
PROVISION FOR INCOME TAX (Note 15)	**372,141**	–
NET LOSS	**52,870,811**	55,131,189
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains on defined benefit plan (Note 13)	**89,259**	166,726
TOTAL COMPREHENSIVE LOSS	**₱52,781,552**	₱54,964,463

See accompanying Notes to Financial Statements.

SOC LAND DEVELOPMENT CORPORATION

[A Wholly Owned Subsidiary of SOCResources, Inc. (formerly South China Resources, Inc.)]

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Other Comprehensive Income (Note 13)	Deficit	Total
Balances at January 1, 2013	₱41,229,800	₱281,068,200	(₱27,131)	(₱87,818,250)	₱234,452,619
Net loss	–	–	–	(55,131,189)	(55,131,189)
Other comprehensive income	–	–	166,726	–	166,726
Balances at December 31, 2013	41,229,800	281,068,200	139,595	(142,949,439)	179,488,156
Net loss	–	–	–	(52,870,811)	(52,870,811)
Other comprehensive income	–	–	89,259	–	89,259
Balances at December 31, 2014	**₱41,229,800**	**₱281,068,200**	**₱228,854**	**(₱195,820,250)**	**₱126,706,604**

See accompanying Notes to Financial Statements.

SOC LAND DEVELOPMENT CORPORATION

[A Wholly Owned Subsidiary of SOCResources, Inc. (formerly South China Resources, Inc.)]

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before income tax	**(₱52,498,670)**	(₱55,131,189)
Adjustments for:		
Depreciation expense (Note 8)	**2,648,540**	2,611,150
Interest income (Note 4)	**(206,695)**	(83,956)
Operating loss before working capital changes	**(50,056,825)**	(52,603,995)
Decrease (increase) in:		
Receivables	**(84,254,506)**	(62,051,619)
Real estate for sale	**(339,616,361)**	(382,103,373)
Other current assets	**23,344,746**	(52,813,978)
Increase in:		
Accounts payable and other current liabilities	**193,008,562**	51,096,905
Retirement benefit obligation (Note 13)	**174,006**	101,391
Net cash used in operations	**(257,400,378)**	(498,374,669)
Interest received	**206,695**	83,956
Net cash flows used in operating activities	**(257,193,683)**	(498,290,713)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 8)	**(3,663,693)**	(713,664)
Decrease (increase) in other noncurrent assets	**28,973,538**	(25,785,501)
Net cash flows from (used in) investing activities	**25,309,845**	(26,499,165)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to Parent Company (Note 16)	**208,000,000**	512,762,209
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(23,883,838)**	(12,027,669)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**51,716,096**	63,743,765
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**27,832,258**	₱51,716,096

See accompanying Notes to Financial Statements.

1. Organization and Business

Corporate Information
SOC Land Development Corporation (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 25, 2010. The primary purpose of the Company is to deal and engage in the real estate business.

The Company is a wholly owned subsidiary of SOCResources, Inc (formerly South China Resources, Inc.) (SRI; the Parent Company). SRI, a corporation duly organized under the laws of the Philippines, with registered address at 4th Floor, Enzo Building 399 Senator Gil Puyat Avenue, Makati City, is registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as “holding companies”. The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

The registered office address of the Company is 4th Floor, Enzo Building 399 Senator Gil Puyat Avenue, Makati City.

Status of Operations
In 2011, the Company undertook its maiden project called Anuva Residences (the Project). The Project involves the development of a 2.4-hectare community situated near Sucat Interchange and will have four (4) tandem buildings with the first building targeted to be completed by 2013. The total estimated cost of the Project is ₱2.0 billion and is targeted for completion within five (5) years from the start of its construction.

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project’s Tandem Building 1 (Anala) commenced thereafter. As of December 31, 2014 and 2013, structural works has an accomplishment rate of 100.00% and 86.71%, respectively.

On September 2, 2011, the Company’s Phase 1 project was duly registered with the BOI as a New Developer of Low- Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, the Company is entitled to an Income Tax Holiday (ITH) for three (3) years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, the Company shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH.

On December 14, 2011, the Housing and Land Use Regulatory Board (HLURB) released the Company's License to Sell (LTS) for the Project.

On August 14, 2013, the company has opted to surrender the original copy of the Certificate of Registration no. 2011-193 issued to the company as New Developer of Low-Cost Mass Housing Project which will cancel the company's entitlement to an Income Tax Holiday (ITH) for three (3) years.

The Company had ventured into the horizontal development arena. The company acquired a property in Binan, Laguna and will be the first house and lot/lots only project of the Company that will be known as Althea Residences (Althea). Althea was formally launched in November 2014 and initially offer 214 choice lots, commercial and residential combined.

With 214 choice lots - 63 commercial and 151 residential lots, A total of 64 house and lot packages are also available as part of the allocated residential lots which are as follows:

Aralia - 10 Bungalow Units
Ayanna - 27 Single Attached Units
Aurea - 27 Single Detached Units

The second tandem building of Anuva (Azalea) was formally launched and is expecting to sell 476 units combined of studio, 1BR and 2BR units.

Approval of the Financial Statements
The financial statements of the Company as at and for the years ended December 31, 2014 and 2013 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2015.

2. Summary of Significant Changes in Accounting Policies and Disclosures

Basis of Preparation
The accompanying financial statements have been prepared under the historical cost basis. The financial statements are presented in Philippine peso, which is the Company's functional currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council.

Significant Accounting and Financial Reporting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS and new Philippine Interpretation which the Company has adopted starting January 1, 2014.

The nature and the impact of each new standard and amendment are described below:

- Investment Entities (PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*), provide an exception to the consolidation requirement for entities that meet the definition of an investment entity

under PFRS 10. The application of these exceptions requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant since the Company does not qualify as an investment entity.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments), clarifies the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments affect presentation only and have no impact on Company's financial position or performance.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments), removes the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on Company's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments), provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. It is not expected that this amendment would be relevant since the Company has no derivatives during the period.

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

Improvements to PFRSs
The Annual Improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2010-2012 Cycle
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables* is effective immediately and clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has no significant impact on Company's financial position or performance.

2011-2013 Cycle
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"* is effective immediately and clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to Company as it is not a first-time adopter of PFRS.

Future Changes in Accounting Policies
The following are the new and revised accounting standards and interpretations that will become effective subsequent to December 31, 2014. Except as otherwise indicated, Company does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have any significant impact on its Company's financial statements.

The following new standards and amendments issued by the International Accounting Standards Board (IASB) were already adopted by the Financial Reporting Standards Council (FRSC) but are still for approval by the Board of Accountancy (BOA).

Effective January 1, 2015

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

Improvements to PFRSs (2010-2012 Cycle)
The following annual improvements to PFRSs are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Company:

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

  This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendment has no impact on Company's financial position or performance.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. 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*, clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The amendments are to be applied retrospectively. The amendments affect disclosures only and have no impact on Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method Proportionate Restatement of Accumulated Depreciation and Amortization*, clarifies that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is to be applied retrospectively. The amendment has no impact on Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments are to be applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

Improvements to PFRSs (2011-2013 Cycle)
The following annual improvements to PFRSs are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Company:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Ventures*, clarifies that joint arrangements, not just joint ventures, are outside the scope of PFRS 3. It further clarifies that this scope exception applies only to the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has no impact on Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (*or PFRS 9, as applicable*). The amendment is applied prospectively.

- PAS 40, *Investment Property*, clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively. The amendment has no impact on Company's financial position or performance.

Effective January 1, 2016

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

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment has no impact on Company's financial position or performance.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendment has no impact on Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - *Clarification of Acceptable Methods of* Depreciation *and Amortization* (Amendments), clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments have no impact on Company's financial position or performance.

- PAS 16 and PAS 41, *Agriculture* - *Bearer Plants* (Amendments), change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer

plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments have no impact on Company's financial position or performance.

- PAS 27, Separate *Financial Statements - Equity Method in Separate Financial Statements* (Amendments), will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments have no impact on Company's financial position or performance.

Improvements to PFRSs (2012-2014 Cycle)
The Annual Improvements to PFRSs are effective for annual periods beginning on or after January 1, 2016 contain non-urgent but necessary amendments to the following standards:

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

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts* requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendment has no impact on Company's financial position or performance.

- PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7, Disclosure - Offsetting Financial Assets and Financial Liabilities to Condensed Interim Financial Statements*, clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. The amendments are to be applied retrospectively.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there

is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendments are to be applied prospectively.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*, clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendments are to be applied retrospectively. The amendment has no impact on Company's financial position or performance.

Effective January 1, 2018

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

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

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting. Company is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 9, *Financial Instruments (2014 or final version),* already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

Standards issued but not yet effective

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

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

- 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 SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Company is currently assessing the impact of IFRIC 15 and plans to adopt the new standard on the required effective date once adopted locally.

New standard issued by the IASB has not yet been adopted by the FRSC

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

Summary of Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and with banks.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of changes in value.

Financial Instruments
Date of Recognition
Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. 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 marketplace.

Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

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

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

Financial assets are further classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial liabilities are classified as financial liabilities at FVPL or 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.

The Company has no financial assets or liabilities at FVPL, HTM investments and AFS financial assets as of December 31, 2014 and 2013.

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

The Company's loans and receivables consist of "Cash and cash equivalents", "Receivables", and "Refundable deposits" under "Other current assets" in the statement of financial position.

Other Financial Liabilities
Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle 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. 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.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process. The Company's other financial liabilities consist of "Accounts payable and other current liabilities", "Due to Parent Company" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as "Income tax payable") which are presented in the statement of financial position.

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

The 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.

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the 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's valuation committee determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring measurement. The valuation committee comprises of the head of the risk management department and chief finance officers.

External valuers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Involvement of external valuers is decided upon annually by the valuation committee after discussion with and approval by the Company's BOD. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The valuation committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

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

The valuation committee, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation committee and the Company's external valuers present the valuation results to the BOD. This includes a discussion of the major assumptions used in the valuations.

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 as explained above.

The Company has financial assets under Levels 1 and 2 of the fair value hierarchy as of December 31, 2014 and 2013 (see Note 18).

Impairment of Financial Assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in profit or loss. 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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 assessment of impairment.

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 EIR (the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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 nor transferred control 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 the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, 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.

<u>Offsetting Financial Instruments</u>
Financial assets and liabilities are offset with the net amount reported in the parent company statement of financial position, if and only if:

- there is a currently enforceable legal right to offset the recognized amounts; and
- there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Real Estate for Sale</u>
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Land cost
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

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

<u>Advances to Suppliers and Contractors</u>
Advances to contractors represent advance payments on services to be incurred in connection with the Company’s operations. These are charged to expense in profit or loss, or capitalized to real

estate for sale in the statement of financial position, as appropriate, when the services are rendered, which is normally within 12 months.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment losses.

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

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter, as follows:

Category	Number of Years
Building	20
Office and computer equipment	1-3
Transportation equipment	5
Leasehold improvements	2

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Input VAT will be used to offset against the Company's current output VAT liabilities. Any excess, which will be claimed as tax credits within twelve (12) months or within the normal operating cycle, is presented as part of "Other current assets" in the statement of financial position. Otherwise, these are classified as "Other noncurrent assets" in the statement of financial position. Input VAT is stated at its estimated NRV.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows

that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If such indication exists, the Company makes an estimate of recoverable amount. 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 profit or loss. This accounting policy applies primarily to the Company's property and equipment.

Retirement Benefit Obligation
The Company has an unfunded, non-contributory, defined benefit retirement obligation.

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive loss in the period in which they occur. Re-measurements are not reclassified to the statement in comprehensive loss in subsequent periods.

Capital Stock
The Company has issued common stock that is classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Subscription receivables pertain to the uncollected portion of the subscribed shares.

Retained Earnings (Deficit)
The amount included in retained earnings (deficit) includes profit (loss) attributable to the Company's equity holders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings (deficit) may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Real Estate
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. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of actual costs incurred to date over the estimated total costs to complete the project. Any excess of collections over the recognized revenue are included under the "Accounts payable and other current liabilities" account in the statement of financial position.

If any of the criteria under the 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 as "Customers' deposits" included under the "Accounts payable and other current liabilities" account in the statement of financial position.

Interest Income
For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of real estate sold
Cost of real estate sold 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, as determined by the Company's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal 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.

Sales and marketing expense
Expenses incurred in the direct selling and marketing activities are generally recognized when the service is incurred or the expense arises.

General and administrative expenses
Expenses incurred in the general administration of day-to-day operation of the Company are generally recognized when the service is used or the expense arises.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Borrowing costs also include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are expensed in the period they occur.

Commission Expense
Commissions paid to sales or marketing agents are treated as outright expense upon payment. Commission expense is included in the "Sales and marketing expenses" account in the statement of comprehensive loss. Commission expense incurred but not yet paid as of reporting date is presented as part of "Accounts payable and other current liabilities" whereas commissions paid in advance are included as part of "Other current assets" in the statement of financial position.

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

A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

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

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Company's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Income Taxes

Current Income Tax

Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date 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. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date 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 when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive loss or directly in equity.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when inflows of economic benefits are probable.

Foreign Currency-denominated Transactions
Transactions in foreign currencies are initially recorded in the foreign exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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

Determination of Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The determination of functional currency was based on the currency that mainly influences its revenues and costs of operations.

Classification of Financial Instruments
The Company exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

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

Operating Leases - The Company as Lessee
The Company has entered into a lease for its administrative office location. The Company has determined that all the significant risks and benefits of ownership of these properties remain with the lessor. Accordingly, these leases are accounted for as operating leases.

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

Valuation of Financial Instruments
PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair values of the Company's financial assets and liabilities are disclosed in Note 18.

Impairment Losses on Receivables
The Company reviews the balance of receivables at each reporting date to assess whether an allowance for impairment losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Company's assessment of the accounts since their inception.

There are no allowance for impairment losses on receivables as of December 31, 2014 and 2013. Receivables amounted to ₱156.1 million and ₱71.8 million as of December 31, 2014 and 2013, respectively (see Note 5).

Revenue Recognition on Sale of Real Estate
Selecting an appropriate revenue recognition method for a particular real estate sales transaction requires certain judgments and estimates based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and stage completion of the project. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the engineer's judgment and estimates on the physical portion of contract work done if the development is beyond the preliminary stage. Sale of real estate amounted to ₱125.3 million and ₱82.7 million in 2014 and 2013, respectively. In determining whether the sales prices are collectible, the Company considers that the initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay. The total development cost of a project is estimated by the Company's engineers. At each

reporting date, these estimates are reviewed and revised when necessary to reflect the current conditions.

Evaluation of NRV of Real Estate for Sale
The Company adjusts the cost of its real estate for sale to NRV based on its assessment of the recoverability of the inventories. NRV in respect of real estate for sale under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Real estate for sale at cost amounted to ₱1,365.4 million and ₱1,042.2 million as of December 31, 2014 and 2013, respectively. In 2014 and 2013, the Company assessed that the NRV of real estate for sale is higher than cost, hence the Company did not recognize any losses on write down of real estate for sale (see Note 6).

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

The carrying values of property and equipment amounted ₱34.5 million and ₱17.2 million as of December 31, 2014 and 2013, respectively (see Note 8).

Impairment of Nonfinancial Assets
The Company assesses impairment on other current assets and property and equipment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is computed using the asset's 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 less the costs of disposal while value in uses is the present value of estimated future net cash inflows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

No provision for impairment loss was recognized in 2014 and 2013. The carrying values of other current assets, excluding refundable deposits, amounted to ₱ 40.5 million and ₱65.7 million as of December 31, 2014 and 2013, respectively (see Note 7). The carrying values of property and equipment and other noncurrent assets amounted to ₱66.2 million and ₱77.9 million as of December 31, 2014 and 2013, respectively (See Notes 8 and 9).

Assessing realizability of deferred tax assets
The Company reviews the carrying amounts of deferred tax assets at each balance sheet date and reduces the amounts to the extent that they are no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of its deferred taxable assets to be utilized.

As of December 31, 2014 and 2013, the Company has deductible temporary differences of certain assets and liability items, carryforward benefits of unused NOLCO and excess MCIT amounting to ₱137.0 million and ₱139.3 million, respectively, for which no deferred income tax assets were recognized (see Note 15).

4. Cash and Cash Equivalents

	2014	2013
Cash on hand	**₱1,050,938**	₱669,906
Cash with banks	**11,781,320**	51,046,190
Short-term deposit	**15,000,000**	–
	₱27,832,258	₱51,716,096

Cash with banks earn interest at the respective bank deposits rates. Short-term deposit is made for varying period of up to three months and earns interest at rate of 1.375% for the year ended December 31, 2014. Interest income earned from cash and cash equivalents amounted to ₱206,695 and ₱83,956 in 2014 and 2013, respectively (see Note 14).

5. Receivables

	2014	2013
Installment contract receivables	**₱137,662,522**	₱60,584,552
Advances to:		
Contractors and suppliers	**5,142,267**	6,465,626
Employees	**521,355**	2,351,546
Agents	**985,653**	2,445,485
Other receivables	**11,789,918**	–
	₱156,101,715	₱71,847,209

Installment Contract Receivables (ICR)
Upon turnover of the inventory in 2015, the full balance of ICR becomes due and demandable. Customers may avail of in-house financing to settle the ICR which will be collectible in monthly

installments over a period ranging from one to ten years. Titles to real estate properties are not transferred to the buyers until full payment has been made.

Advances to Employees
Advances to employees are noninterest-bearing and will generally be settled through salary deduction within the next financial year.

Advances to Contractors and Suppliers
Advances to contractors and suppliers are payments made to suppliers as contracts with them generally require advance payment. The amount will be applied as part of the full payment of the contracted price.

Others Receivables
Other receivables in 2014, consists mostly of receivables from unit owners.

No impairment loss on receivables was recognized in 2014 and 2013.

6. **Real Estate for Sale**

	2014	2013
Land	**₱337,704,389**	₱304,381,388
Completed Units - Anala	**768,957,220**	–
Construction in Progress	**258,777,924**	618,036,421
Real estate for development	–	119,741,580
	₱1,365,439,533	₱1,042,159,389

A summary of the movement in inventory is set out below:

	2014	2013
Balances at beginning of year	**₱1,042,159,389**	₱660,056,016
Construction/development costs	**440,329,013**	448,563,573
Land reclassified to property and equipment (see Note 8)	**(16,336,217)**	–
Sale of inventory (recognized as cost of real estate sold)	**(100,712,652)**	(66,460,200)
	₱1,365,439,533	₱1,042,159,389

Real estate for sale consists of:

	2014	2013
Construction in progress	**₱596,482,313**	₱1,042,159,389
Completed units - Anala	**768,957,220**	–
	₱1,365,439,533	₱1,042,159,389

Real estate for development pertains to land purchased for the development of the Althea Residences. This account was reclassified to Construction in Progress in 2014.

7. Other Current Assets

	2014	2013
Input VAT	**₱39,780,651**	₱49,784,868
Refundable deposits (see Note 18)	**2,879,121**	1,273,210
Deferred charges	**504,740**	15,278,901
Prepaid insurance	**245,418**	–
Creditable tax	**10,158**	–
Prepaid tax	–	400,070
Others	–	229,947
	₱43,420,088	₱66,966,996

Input VAT – current portion
Input VAT can be applied against output VAT. Management believes that the full amount is recoverable within the next financial year.

Refundable Deposits
Refundable deposits are composed of security deposits related to the Company's lease agreement and utilities deposits.

8. Property and Equipment

December 31, 2014

	Land	**Building**	**Office and Computer Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Total**
Cost:						
Balances at beginning of year	**₱–**	**₱16,365,656**	**₱5,975,987**	**₱741,071**	**₱261,596**	**₱23,344,310**
Reclassification (Note 6)	**16,336,217**	**–**	**–**	**–**	**–**	**16,336,217**
Additions	**–**	**2,368,403**	**1,295,290**	**–**	**–**	**3,663,693**
Balances at end of year	**16,336,217**	**18,734,059**	**7,271,277**	**741,071**	**261,596**	**43,344,220**
Accumulated depreciation:						
Balances at beginning of year	**–**	**1,619,408**	**3,931,597**	**358,183**	**261,596**	**6,170,784**
Depreciation (see Notes 11 and 12)	**–**	**978,331**	**1,521,993**	**148,216**	**–**	**2,648,540**
Balances at end of year	**–**	**2,597,739**	**5,453,590**	**506,399**	**261,596**	**8,819,324**
Net book values	**₱16,336,217**	**₱16,136,320**	**₱1,817,687**	**₱234,672**	**₱–**	**₱34,524,896**

December 31, 2013

	Land	Building	Office and Computer Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost:						
Balances at beginning of year	₱–	₱16,365,656	₱5,262,323	₱741,071	₱261,596	₱22,630,646
Reclassification	–	–	–	–	–	–
Additions	–	–	713,664	–	–	713,664
Balances at end of year	–	16,365,656	5,975,987	741,071	261,596	23,344,310
Accumulated depreciation:						
Balances at beginning of year	–	801,125	2,286,943	209,970	261,596	3,559,634
Depreciation (see Notes 11 and 12)	–	818,283	1,644,654	148,213	–	2,611,150
Balances at end of year	–	1,619,408	3,931,597	358,183	261,596	6,170,784
Net book values	₱–	₱14,746,248	₱2,044,390	₱382,888	₱–	₱17,173,526

In 2014, the Company reclassified portion of land that are not intended for sale presented under "Real Estate for Sale" to property and equipment amounting to ₱16.3 million (see Note 6).

9. Other Noncurrent Assets

Other noncurrent assets as at December 31, 2014 and 2013 consists of input VAT that is expected to be offset against output VAT in more than one year and deferred input VAT amounting to ₱31.7 million and ₱60.7 million, respectively.

10. Accounts Payable and Other Current Liabilities

	2014	2013
Customers' deposits	**₱84,686,370**	₱50,862,091
Accrued contractors' payables (see Note 19)	**183,876,578**	–
Retention payable (see Note 19)	**32,029,892**	29,159,504
Accounts payable - trade	**15,347,597**	37,784,967
Accrued expenses	**3,679,780**	6,727,122
Government payables	**1,760,540**	3,060,231
Others (see Note 18)	–	608,301
	₱321,380,757	₱128,202,216

Customers' Deposits
Customers' deposits include collections received from buyers which:
i. have not met the revenue recognition criteria and/or
ii. have met the revenue recognition criteria but the collections received are greater than the recognized installment contracts receivable based on the percentage of completion method.

Accrued Contractors' Payables
Accrued contractors' payables represent accruals for billings of various contractors in relation to the Anuva and Althea Project. These accruals are reclassified to accounts payable once billings are actually received.

Retention Payable
Retention payable represents the amount retained by the Company as security for any defects and damages on the construction of Anala arising from or due to faulty workmanship and/or defective contractor-supplied materials before the final acceptance of the Anala and the payment of the last billing. Retention payable is expected to be settled within the next financial year.

Accounts Payable
Accounts payable includes billings of various suppliers and contractors for liabilities incurred in relation to the Project and office administrative functions. Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days.

Government Payables
Government payables consist of mandatory contributions and payments to the Social Security System (SSS), Philippine Health Insurance Corporation (PHIC), and the Home Development Mutual Fund (HDMF), withholding tax payables and have an average term of 15 to 30 days.

11. **Sales and Marketing Expenses**

	2014	2013
Commissions and incentives	**₱21,086,201**	₱13,904,791
Product presentation	**10,900,380**	6,263,599
Consultancy fees	**8,781,578**	9,200,325
Utilities	**1,319,150**	1,277,528
Personnel costs	**1,023,309**	3,446,174
Rentals	**903,280**	1,109,514
Depreciation (see Note 8)	**660,313**	719,206
Advertising (see Note 19)	**497,595**	4,711,322
Communications	**394,930**	209,725
Transportation and travel	**224,532**	519,629
Supplies	**149,325**	454,089
Repairs and maintenance	**69,454**	114,895
Training	**8,069**	646,948
Others	**56,080**	64,292
	₱46,074,196	₱42,642,037

Personnel costs consist of:

	2014	2013
Salaries and wages	**₱856,322**	₱2,851,802
Other employee benefits	**166,987**	594,372
	₱1,023,309	₱3,446,174

12. **General and Administrative Expenses**

	2014	2013
Security services	**₱10,319,352**	₱9,043,196
Personnel costs	**10,323,399**	6,528,047
Professional fees	**3,023,807**	5,345,700
Depreciation (see Note 8)	**1,988,227**	1,891,944
Taxes and licenses	**1,876,637**	5,038,155
Rentals	**1,738,846**	769,637
Transportation and travel	**1,312,854**	530,679
Interest, penalties and charges	**1,281,906**	–
Communications	**841,304**	717,039
Utilities	**750,032**	163,410
Supplies	**594,337**	587,985
Dues and subscriptions	**503,713**	142,049
Insurance	**314,428**	101,733
Research and development	**215,109**	–
Entertainment, amusement and recreation	**197,843**	693,498
Repairs and maintenance	**145,826**	199,919
Training	**142,036**	264,916
Donations	**18,200**	141,933
Others	**2,038,071**	913,674
	₱37,625,927	₱33,073,514

Others include recruitment fees, business expenses, bank charges and other miscellaneous expenses.

Personnel costs consist of:

	2014	2013
Salaries and wages	**₱7,898,109**	₱5,324,265
Other employee benefits	**2,251,284**	1,102,391
Pension expense	**174,006**	101,391
	₱10,323,399	₱6,528,047

13. Retirement Benefit Obligation

The Company has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. The benefits are based on years of service and compensation on the last year of employment. Normal retirement date is the attainment of age 60 and completion of at least five years of service.

Retirement benefit expense in 2014 and 2013 recognized in the statements of comprehensive loss are as follows:

	2014	2013
Current service cost	**₱170,056**	₱93,577
Interest cost	**3,950**	7,814
Expense recognized during the year	**₱174,006**	₱101,391

As at December 31, 2014 and 2013, the amounts recognized in the statement of financial position as retirement benefit obligation are as follows:

	2014	2013
Opening present value of obligation	**₱89,695**	₱155,030
Current service cost	**170,056**	93,577
Interest cost	**3,950**	7,814
Change in assumptions	**(8,782)**	5,970
Experience adjustments	**(80,477)**	(172,696)
Closing present value of obligation	**₱174,442**	₱89,695

Actuarial gain on the retirement benefit obligation recognized in other comprehensive income amounted to ₱89,259 and ₱166,726 in 2014 and 2013, respectively.

The principal actuarial assumptions on December 31, 2014 and 2013 used to determine retirement obligations for the Company's retirement plan is as follows:

	2014	2013
Discount rate	**4.78%**	4.42%
Salary increase rate	**10.00%**	10.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2014, assuming all other assumptions were held constant:

	Increase/(Decrease) (In percentage point)	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	(₱21,914)
	-1%	25,836
Future salary increase rate	+1%	22,912
	-1%	(20,063)

The estimated weighted average duration of benefit payment is 16.0 years as of December 31, 2014.

Following are the information about the maturity profile of the defined benefit obligations as of December 31, 2014:

	2014
Within the next 12 months	₱–
Between 2 and 5 years	119,738
Between 5 and 10 years	–
Between 10 and 15 years	1,762,439
Beyond 15 years and 20 years	2,522,943
More than 20 years	172,369

14. **Other Income**

	2014	2013
Forfeited buyer deposits	**₱4,875,962**	₱3,828,230
Sales penalty	**1,389,585**	430,011
Interest income (see Note 4)	**206,695**	83,956
Others	**133,851**	371
	₱6,606,093	₱4,342,568

Forfeited buyer deposits pertain to reservation fees which have been forfeited due to customers' inability to comply with the terms and conditions indicated in the reservation agreement or who have decided to withdraw their reservation.

Sales penalty are additional fees imposed on customers due to their failure to make payments on time.

15. **Income Taxes**

The components of the deferred income tax asset (liabilities) as of December 31, 2014 are as follows:

Deferred income tax liabilities on:	
Difference between tax and book basis of accounting for real estate transactions	(₱133,401)
	(133,401)
Deferred income tax asset on NOLCO	133,401
	₱–

The deductible temporary differences of certain assets and liability items and the carryforward benefits of unused NOLCO and excess MCIT for which no deferred income tax assets were recognized consist of the following:

	2014	2013
NOLCO	**₱131,581,061**	₱102,165,642
Difference between tax and book basis of accounting for real estate transactions	–	34,035,898
Accrued expenses	**4,543,786**	2,563,811
Provision for legal obligation	**520,999**	520,999
Excess MCIT	**372,141**	–
	₱137,017,987	₱139,286,350

The balances of NOLCO and MCIT, with their respective years of expiration, are as follows:

Year Incurred	Year of Expiry	NOLCO	MCIT
2014	2017	₱59,267,361	₱372,141
2013	2016	38,184,929	–
2012	2015	34,573,441	–
		₱132,025,731	₱372,141

Movements of the Company's NOLCO are as follows:

	2014	2013
Balances at beginning of year	**₱102,165,642**	₱66,273,973
Additions	**59,267,361**	38,184,929
Expirations	**(29,407,272)**	(2,293,260)
Balances at end of year	**₱132,025,731**	₱102,165,642

A reconciliation of provision for income tax computed at statutory income tax rate to provision for income tax at effective income tax rate is as follows:

	2014	2013
Income tax at statutory tax rate of 30%	**₱(15,749,601)**	(₱16,539,357)
Additions to (reductions in) income tax resulting from:		
Change in unrecognized deferred tax assets	**15,395,227**	16,521,964
MCIT	**372,141**	–
Nondeductible expenses	**384,572**	42,580
Interest income subjected to final tax	**(30,198)**	(25,187)
	₱372,141	₱–

Based on the National Internal Revenue Code (NIRC) Section 27, Minimum Corporate Income Tax (MCIT) of two percent (2%) of the gross income as of the end of the taxable year is imposed on a corporation beginning on the fourth taxable year immediately following the year in which such corporations commenced its business operations, when the MCIT is greater than the regular income tax computed for the taxable year. Pursuant to this, the Company will be subject to MCIT in 2014.

Registration with the Board of Investments (BOI)
The Project has been divided into two (2) development phases with Phase 1 comprising of Tandem Buildings 1 and 2 and Phase 2 comprising of the other 2 buildings.

On September 2, 2011, the Company's Phase 1 project was duly registered with the BOI as a New Developer of Low- Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, the Company is entitled to an Income Tax Holiday (ITH) for three (3) years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, the Company shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH. The compliance with the socialized housing requirement shall be completed within the ITH entitlement period of the Company.

On August 14, 2014, the company has opted to surrender the original coy of the Certificate of Registration no. 2011-193 issued to the company as New Developer of Low-Cost Mass Housing Project which will cancel the company's entitlement to an ITH for three (3) years.

16. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

	Nature	Transaction Amount	Outstanding Balance	Terms	Conditions
Parent:					
SRI					
2014	Payable	**₱208,000,000**	**₱1,210,752,029**	Due and demandable	Unsecured; No impairment
2013		₱512,762,209	₱1,002,752,029		

Due to Parent Company represent amounts received by the Company to finance the construction of Anala (see Note 1).

Key Management Personnel Compensation
Short-term employee benefits of key management personnel amounted to ₱2.1 million in 2014 and 2013.

17. Equity

The Company's authorized, issued and outstanding common shares are as follows:

	December 31, 2014		December 31, 2013	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized - ₱100 par value	**1,600,000**	**₱160,000,000**	1,600,000	₱160,000,000
Issued and subscribed	**712,298**	**41,229,800**	712,298	41,229,800

On March 4, 2011, SRI transferred land with a fair value of ₱312.3 million to the Company in exchange for 312,298 additional shares in the Company.

As a result of the exchange, additional paid-in capital increased by ₱281.1 million, representing the excess of fair value of the land acquired over the par value of capital stock issued as consideration.

18. **Financial Instruments**

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, receivables, refundable deposits, accounts payable and other current liabilities and due to Parent Company. The main purpose of these financial instruments is to fund the Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to credit risk and liquidity risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Credit Risk

Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Company to incur a financial loss.

The Company trades only with recognized, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. In the real estate industry, title to the property is transferred only upon full payment of the purchase price. There is also a provision in the sales contract which allows forfeiture of installments/deposits made by the customer in favor of the Company. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments.

The maximum exposure to credit risk for financial assets, which is composed of cash and cash equivalents, receivables, and refundable deposits, is equivalent to the carrying amount of these financial assets in the statement of financial position.

Given the Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

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.

A high grade financial asset pertains to a counterparty that 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 grade financial assets pertain to other financial assets not belonging to high quality financial assets.

The tables below show the credit quality by class of financial assets based on the Company's rating system as of December 31, 2014 and 2013:

	2014				
	Neither Past Due Nor Impaired		Past Due		
		Standard	But Not		
	High Grade	Grade	Impaired	Impaired	Total
Loans and receivables					
Cash and cash equivalents*	**₱26,781,320**	**₱–**	**₱–**	**₱–**	**₱26,781,320**
Receivables	**138,183,877**	**–**	**–**	**–**	**138,183,877**
Refundable deposits	**–**	**2,879,121**	**–**	**–**	**2,879,121**
	₱164,965,197	**₱2,879,121**	**₱–**	**₱–**	**₱167,844,318**

Excluding cash on hand.

	2013				
	Neither Past Due Nor Impaired		Past Due		
		Standard	But Not		
	High Grade	Grade	Impaired	Impaired	Total
Loans and receivables					
Cash and cash equivalents*	₱51,046,190	₱–	₱–	₱–	₱51,046,190
Receivables	62,936,098	–	–	–	62,936,098
Refundable deposits	–	1,273,210	–	–	1,273,210
	₱113,982,288	₱1,273,210	₱–	₱–	₱115,255,498

Excluding cash on hand.

Cash and cash equivalents. Cash is considered as high grade financial assets as the Company trades only with top banks in the Philippines.

Receivables. High grade pertains to receivables with no default in payments and settlements are obtained from counterparty in advance or ahead of the due date. Standard grade pertains to accounts paid on time or are slightly delayed due to counterparty concerns.

Refundable Deposits. These are considered as standard grade financial assets as these require follow up to be settled.

The tables below show the aging analysis of the Company's financial assets per class as of December 31, 2014 and 2013. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2014						
	Neither Past	Past Due but Not Impaired					
	Due nor	Less than	31 to 60	61 to 90	More than		
	Impaired	30 Days	Days	Days	91 Days	Impaired	Total
Loans and receivables							
Cash and cash equivalent	**₱26,781,320**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱26,781,320**
Receivables	**138,183,877**	–	–	–	–	–	**138,183,877**
Refundable deposits	**2,879,121**	–	–	–	–	–	**2,879,121**
	₱167,844,318	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱167,844,318**

Excluding cash on hand.

	2013						
	Neither Past Due nor Impaired	Past Due but Not Impaired					
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days	Impaired	Total
Loans and receivables							
Cash and cash equivalents	₱51,046,190	₱–	₱–	₱–	₱–	₱–	₱51,046,190
Receivables	62,936,098	–	–	–	–	–	62,936,098
Refundable deposits	1,273,210	–	–	–	–	–	1,273,210
	₱115,255,498	₱–	₱–	₱–	₱–	₱–	₱115,255,498

**Excluding cash on hand.*

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below summarize the maturity profile of the Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and the Company's financial liabilities based on contractual undiscounted payments.

December 31, 2014

	Total	**On Demand**	**Less than 3 Months**
Financial Assets:			
Cash and cash equivalents	**₱26,781,320**	**₱26,781,320**	**₱–**
Receivables	**138,183,877**	**–**	**138,183,877**
Refundable deposits	**2,879,121**	**2,879,121**	**–**
	167,844,318	**29,660,441**	**138,183,877**
Financial Liabilities:			
Accounts payable and other current liabilities*	**234,933,847**	**–**	**234,933,847**
Due to Parent Company	**1,210,752,029**	**1,210,752,029**	**–**
	1,445,685,876	**1,210,752,029**	**234,933,847**
Net Exposure	**(₱1,277,841,558)**	**(₱1,181,091,588)**	**(₱96,749,970)**

**Excluding payable to government agencies*

December 31, 2013

	Total	On Demand	Less than 3 Months
Financial Assets:			
Cash and cash equivalents	₱51,716,096	₱51,716,096	₱–
Receivables	62,936,098	60,584,552	2,351,546
Refundable deposits	1,273,210	1,273,210	–
	115,925,404	113,573,858	2,351,546
Financial Liabilities:			
Accounts payable and other current liabilities*	74,279,894	–	74,279,894
Due to Parent Company	1,002,752,029	1,002,752,029	–
	1,077,031,923	1,002,752,029	74,279,894
Net exposure	(₱961,106,519)	(₱889,178,171)	(₱71,928,348)

**Excluding payable to government agencies*

Cash and cash equivalents, Receivables, Refundable Deposits, Accounts Payable and Other Current Liabilities and Due to Parent Company
Due to the short-term nature of transactions, the carrying amounts of these instruments approximate the fair values as of reporting date.

Fair value of financial instruments
The Company has no financial instruments measured at fair value in a recurring basis. As of December 31, 2014 and 2013, the carrying values of financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

Capital Management
The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Company may obtain additional advances from the Parent Company and stockholders or issue new shares.

The following table pertains to the account balances which the Company considers as its core economic capital.

	2014	2013
Due to Parent Company	**₱1,210,752,029**	₱1,002,752,029
Capital stock	**41,229,800**	41,229,800
Additional paid-in capital	**281,068,200**	281,068,200
Deficit	**(195,448,109)**	(142,949,439)
	₱1,337,601,920	₱1,182,100,590

19. Contracts and Commitments

Construction Agreements and Purchase Commitments
On various dates in 2014, 2013 and 2012, the Company entered into various construction-related contracts for the Anala. These contracts pertain to construction management, general construction works, exterior wall construction works, land development works, mechanical works and electrical and auxiliary works. The contracts commenced on various dates in 2011 and 2012, with terms ranging from 3 weeks to 2 years. These contracts expired on various dates in 2012 until May 2015, the anticipated turnover date of Anala.

These agreements require down payment of 15% to 20% of the contract price while the balance will be settled through progress billings. The agreements also include a provision whereby the Company shall deduct 10% retention from every progress payment until full completion of the project work. Retention payable related to these contracts amounted to ₱32.0 million and ₱29.2 million as of December 31, 2014 and 2013, respectively (see Note 10). These are expected to be settled in 2015.

On various dates in 2013, the Company entered into agreements to purchase steel, pipes and other construction materials. There were no outstanding purchase commitments in 2014 and 2013.

Advertising Agreements
The Company entered into various contracts related to marketing and promotions of the Project. These contracts pertain to billboard lease, transit advertising and public relations and communication.

Sales and marketing expenses related to these agreements amounted to ₱0.5 million and ₱4.7 million in 2014 and 2013, respectively (see Note 11).

Lease Agreements
On February 1, 2011, the Company entered into a lease contract with YL Holdings Corporation for the lease of office space at 6/F YL Holdings Building, 115 V.A. Rufino corner Salcedo Streets, Legaspi Village, Makati City. The contract is for a term of one year from March 3, 2011 to February 3, 2012. The lease agreement is renewable on a yearly basis. The Company renewed the lease for another year.

The Company paid security deposit amounting to ₱0.2 million to answer for any and all damages to the leased premises and as security for the return of the leased premises in proper condition. The related rent expense recognized by the Company amounted to ₱1.8 million in 2013, (see Notes 11 and 12).

Contingencies
The Company is contingently liable for amounts arising from lawsuits or claims. On December 3, 2012, the Company received a copy of the decision that ruled against the Company. The Company recognized provision arising from the legal obligation amounting to ₱0.5 million.

On December 13, 2012, the Company filed its Notice of Appeal and Appeal Memorandum with the National Labor Relation Commission. The Company is still awaiting resolution of the Notice of Appeal.

20. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes and license fees paid or accrued in 2014:

VAT
Net sales/receipts and output VAT declared in the Company's VAT returns for 2014:

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales	₱14,686,046	₱1,762,326
Exempt Sales	100,144,291	–
	₱114,830,337	1,762,326

Exempt sales consist of real estate sales where contract price of sold units did not meet the threshold for VAT purposes as provided in Section 109 of National Internal Revenue Code of 1997, as amended. Accordingly, there was no output VAT recognized for such transactions.

Details of the Company's input VAT as at December 31, 2014 are as follows:

Input VAT, beginning of the year	₱108,005,938
Current year domestic purchases/payments for:	
Goods other than capital goods	3,243,727
Services	10,867,957
Transfer to cost	(52,971,540)
Application against output VAT	(1,762,326)
Input VAT, end of the year	₱67,383,756

Withholding Taxes
The Company has withholding taxes for the year ended December 31, 2014 as follows:

Tax on compensation and benefits	₱909,853
Expanded withholding taxes	6,901,424
	₱7,811,272

Tax on compensation and benefits and expanded withholding taxes are recorded under the "Cost of real estate sold" and "General and administrative expenses" accounts in the statement of comprehensive loss.

Other Taxes and Licenses
In 2014, the Company has paid taxes and licenses which is lodged under "General and administrative expenses" in the statement of comprehensive loss as follows:

Real property taxes	₱583,756
Business permits	280,521
	₱864,277