

## **SOCResources, Inc. and Subsidiary**

Consolidated Financial Statements  
December 31, 2015 and 2014  
and for Each of the Three Years in the  
Period Ended December 31, 2015

and

Independent Auditors' Report



## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
SOCResources, Inc.

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of SOCResources, Inc. and Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SOCResources, Inc. and Subsidiary as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Martin C. Guantes

Partner

CPA Certificate No. 88494

SEC Accreditation No. 0325-AR-3 (Group A),

August 25, 2015, valid until August 24, 2018

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321643, January 4, 2016, Makati City

April 6, 2016



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱298,808,553	₱283,564,615
Receivables (Note 5)	177,266,750	109,843,353
Real estate for sale (Note 6)	1,111,283,626	1,365,439,533
Due from related parties (Note 17)	166,452	150,400
Prepayments and other current assets (Note 7)	54,477,053	47,204,403
<b>Total Current Assets</b>	<b>1,642,002,434</b>	<b>1,806,202,304</b>
<b>Noncurrent Assets</b>		
Receivables - net of current portion (Note 5)	25,203,983	50,725,208
Available-for-sale (AFS) financial assets (Note 8)	32,745,902	36,313,568
Property and equipment (Note 9)	37,086,763	34,545,195
Input value-added tax (VAT) (Note 10)	31,695,342	31,695,342
<b>Total Noncurrent Assets</b>	<b>126,731,990</b>	<b>153,279,313</b>
<b>TOTAL ASSETS</b>	<b>₱1,768,734,424</b>	<b>₱1,959,481,617</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other liabilities (Note 11)	₱152,415,502	₱326,679,810
<b>Noncurrent Liabilities</b>		
Retirement benefit obligation (Note 15)	3,757,551	3,428,292
Deferred tax liabilities (Note 16)	99,239	-
<b>Total Noncurrent Liabilities</b>	<b>3,856,790</b>	<b>3,428,292</b>
<b>Total Liabilities</b>	<b>156,272,292</b>	<b>330,108,102</b>
<b>Equity</b>		
Common stock - ₱1 par value (Note 18)		
Authorized - 1,000,000,000 shares		
Issued - 600,559,569 shares in 2015 and 600,489,569 in 2014	600,559,569	600,489,569
Subscribed - 306,000,000 shares in 2015 and 306,070,000 in 2014 (net of subscription receivables of ₱229,500,000 in 2015 and ₱229,552,500 in 2014)	76,500,000	76,517,500
Additional paid-in capital	72,272,140	72,272,140
Retained earnings:		
Appropriated (Note 18)	500,000,000	500,000,000
Unappropriated	362,306,250	383,616,782
Actuarial gains on defined benefit plan (Note 15)	188,093	109,527
Unrealized valuation gains on AFS financial assets (Note 8)	5,597,730	1,329,647
Treasury stock (Note 18)	(4,961,650)	(4,961,650)
<b>Equity</b>	<b>1,612,462,132</b>	<b>1,629,373,515</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,768,734,424</b>	<b>₱1,959,481,617</b>

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2015	2014	2013
<b>REVENUES</b>			
Sale of real estate	₱250,260,691	₱125,308,012	₱82,701,994
Interest income (Notes 4, 8 and 17)	2,079,453	2,892,358	12,395,134
Foreign exchange gains	287,439	3,398,108	22,428,404
Dividend income (Note 8)	273,350	1,299,658	5,775,742
Gain on sale of AFS financial assets (Note 8)	–	24,525,927	18,944,678
Other income (Note 14)	18,886,483	6,399,384	4,258,612
	<b>271,787,416</b>	<b>163,823,447</b>	<b>146,504,564</b>
<b>COSTS AND EXPENSES</b>			
Cost of real estate sold (Note 6)	195,967,763	100,712,652	66,460,200
General and administrative expenses (Note 12)	66,942,563	52,367,413	49,157,777
Sales and marketing expenses (Note 13)	28,973,782	46,074,196	42,642,037
	<b>291,884,108</b>	<b>199,154,261</b>	<b>158,260,014</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(20,096,692)</b>	<b>(35,330,814)</b>	<b>(11,755,450)</b>
<b>PROVISION FOR INCOME TAX</b> (Note 16)	<b>1,213,840</b>	<b>2,856,043</b>	<b>303,928</b>
<b>NET LOSS</b>	<b>(21,310,532)</b>	<b>(38,186,857)</b>	<b>(12,059,378)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Net gains (losses) on AFS financial assets (Note 8)	4,268,083	(22,915,268)	5,745,198
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains on defined benefit plan (Note 15)	78,566	12,939	191,920
	<b>4,346,649</b>	<b>(22,902,329)</b>	<b>5,937,118</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱16,963,883)</b>	<b>(₱61,089,186)</b>	<b>(₱6,122,260)</b>
<b>Basic/Diluted Loss Per Share</b> (Note 19)	<b>(₱0.0235)</b>	<b>(₱0.0422)</b>	<b>(₱0.0133)</b>

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(₱20,096,692)	(₱35,330,814)	(₱11,755,450)
Adjustments for:			
Depreciation and amortization (Note 9)	2,344,875	2,681,692	2,672,631
Provision for impairment loss on AFS financial assets (Note 8)	7,835,749	4,129,214	–
Gain on sale of AFS financial assets (Note 8)	–	(24,525,927)	(18,944,678)
Unrealized foreign exchange losses (gains)	(287,439)	5,839,137	(22,428,404)
Dividend income (Note 8)	(273,350)	(1,299,658)	(5,775,742)
Interest income (Notes 4, 8 and 17)	(2,079,453)	(2,892,358)	(12,395,134)
Retirement benefit expense (Note 15)	507,064	479,895	386,313
Operating loss before working capital changes	(12,049,246)	(50,918,819)	(68,240,464)
Decrease (increase) in:			
Receivables	(41,902,172)	(85,357,220)	(30,575,074)
Due from related parties	(16,052)	28,973,538	(25,785,502)
Real estate for sale	157,307,606	(339,616,361)	(382,103,373)
Prepayments and other current assets	(7,272,650)	23,289,820	(52,436,911)
Increase (decrease) in accounts payable and other liabilities	(77,416,007)	191,732,710	46,671,460
Cash flows generated from (used in) operations	18,651,479	(231,896,332)	(512,469,864)
Interest received	2,079,453	674,065	6,105,207
Income tax paid	(1,213,840)	(6,019,125)	(7,950,303)
Net cash flows from (used in) operating activities	19,517,092	(237,241,392)	(514,314,960)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received (Note 8)	273,350	1,589,677	5,745,455
Acquisitions of:			
Property and equipment (Note 9)	(4,886,443)	(3,663,693)	(725,113)
AFS financial assets (Note 8)	–	(6,247,447)	(95,532,169)
Proceeds from sale of AFS financial assets	–	326,181,603	58,705,982
Payments received from related parties (Note 17)	–	22,686,107	54,012,589
Interest received (Note 8)	–	3,020,632	4,733,892
Net cash flows from (used in) investing activities	(4,613,093)	343,566,879	26,940,636
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of capital stock	52,500	–	–
Advances to related parties (Note 17)	–	(11,611)	(515,626)
Acquisition of treasury stock (Note 18)	–	–	(3,920,900)
Net cash flows from (used in) financing activities	52,500	(11,611)	(4,436,526)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	287,439	(5,839,137)	15,463,381
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>15,243,938</b>	<b>100,474,739</b>	<b>(476,347,469)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>283,564,615</b>	<b>183,089,876</b>	<b>659,437,345</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱298,808,553</b>	<b>₱283,564,615</b>	<b>₱183,089,876</b>

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	Common Stock (Note 18)		Additional	Retained Earnings (Note 18)		Unrealized	Actuarial	Treasury	Total
	Issued	Subscribed	Paid-in Capital	Appropriated	Unappropriated	Valuation Gains on AFS Financial Assets – net (Note 8)	(Losses) on Defined Benefit Plan (Note 15)	Stock (Note 18)	
<b>Balances at December 31, 2012</b>	<b>₱600,489,569</b>	<b>₱76,517,500</b>	<b>₱72,272,140</b>	<b>₱500,000,000</b>	<b>₱433,863,017</b>	<b>₱18,499,717</b>	<b>(₱95,332)</b>	<b>(₱1,040,750)</b>	<b>₱1,700,505,861</b>
Net income	–	–	–	–	(12,059,378)	–	–	–	(12,059,378)
Other comprehensive income	–	–	–	–	–	5,745,198	191,920	–	5,937,118
Total comprehensive income (loss)	–	–	–	–	(12,059,378)	5,745,198	191,920	–	(6,122,260)
Treasury stock acquisition (Note 18)	–	–	–	–	–	–	–	(3,920,900)	(3,920,900)
<b>Balances at December 31, 2013</b>	<b>600,489,569</b>	<b>76,517,500</b>	<b>72,272,140</b>	<b>500,000,000</b>	<b>421,803,639</b>	<b>24,244,915</b>	<b>96,588</b>	<b>(4,961,650)</b>	<b>1,690,462,701</b>
Net loss	–	–	–	–	(38,186,857)	–	–	–	(38,186,857)
Other comprehensive income	–	–	–	–	–	(22,915,268)	12,939	–	(22,902,329)
Total comprehensive income (loss)	–	–	–	–	(38,186,857)	(22,915,268)	12,939	–	(61,089,186)
<b>Balances at December 31, 2014</b>	<b>600,489,569</b>	<b>76,517,500</b>	<b>72,272,140</b>	<b>500,000,000</b>	<b>383,616,782</b>	<b>1,329,647</b>	<b>109,527</b>	<b>(4,961,650)</b>	<b>1,629,373,515</b>
Net loss	–	–	–	–	(21,310,532)	–	–	–	(21,310,532)
Other comprehensive income	–	–	–	–	–	4,268,083	78,566	–	4,346,649
Total comprehensive income (loss)	–	–	–	–	(21,310,532)	4,268,083	78,566	–	(16,963,883)
Common stock issuance	70,000	(70,000)	–	–	–	–	–	–	–
Collection of subscription receivable	–	52,500	–	–	–	–	–	–	52,500
<b>Balances at December 31, 2015</b>	<b>₱600,559,569</b>	<b>₱76,500,000</b>	<b>₱72,272,140</b>	<b>₱500,000,000</b>	<b>₱362,306,250</b>	<b>₱5,597,730</b>	<b>₱188,093</b>	<b>(₱4,961,650)</b>	<b>₱1,612,462,132</b>

See accompanying Notes to Consolidated Financial Statements.



# **SOCRESOURCES, INC. AND SUBSIDIARY**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Organization and Business**

#### Corporate Information

SOCResources, Inc., (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now 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.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (the Subsidiary) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 25, 2010.

The registered office address of the Parent Company is 4th floor ENZO Bldg., 399 Senator Gil Puyat Avenue, Makati City.

#### Status of Operations

##### *Real Estate Development*

In 2011, SOC Land 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, structural works had an accomplishment rate of 100.00%.





On September 2, 2011, SOC Land'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, SOC Land 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, SOC Land 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 SOC Land's License to Sell (LTS) for the Project.

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

SOC Land had ventured into the horizontal development arena. SOC Land acquired a property in Binan, Laguna and will be the first house and lot/lots only project of SOC Land that will be known as Althea Residences. The Althea Residences 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 of Althea Residences 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) and is expecting to sell 476 units combined of studio, 1BR and 2BR.

#### Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were approved and authorized for issue by the Board of Directors (BOD) on April 6, 2016.

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## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for AFS financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company and Subsidiary's functional currency. All values are rounded off to the nearest peso, except when otherwise indicated.

### Statement of Compliance

The accompanying consolidated 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.

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiary, SOC Land. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Subsidiaries are entities over which the Parent Company has control or generally has an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Control is achieved where the Parent Company has all of the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect the amount of investor's returns.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized are eliminated in full.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the first time amendments, which are effective for annual periods beginning on or after January 1, 2015. Except as otherwise indicated, the adoption of these amendments did not have any significant impact on the financial statements.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
- *Annual Improvements to PFRSs (2010-2012 cycle)*
  - PFRS 2, *Share-based Payment: Definition of Vesting Condition*
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  - PAS 24, *Related Party Disclosures - Key Management Personnel*
- *Annual Improvements to PFRSs (2011-2013 cycle)*
  - PFRS 3, *Business Combination - Scope Exceptions for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property*

#### New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2015

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Company intends to adopt these standards when they



become effective. Except as otherwise indicated, the adoption of these standards and interpretations are not expected to have significant impact on the financial statements.

*No definite adoption date prescribed by the SEC and Financial Reporting Standard Council (FRSC)*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

*Effective January 1, 2016*

- Amendments to PFRS 10, *Consolidated Financial Statements* and Amendments to PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 16, *Property, Plant and Equipment*, and Amendments to PAS 41, *Agriculture - Bearer Plants*
- Amendments to PAS 16, *Property, Plant and Equipment*, and Amendments to PAS 38, *Intangible Assets Clarification of Acceptable Methods of Depreciation and Amortization*
- *Annual Improvements to PFRSs (2012-2014 Cycle)*
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  - PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  - PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

*Effective January 1, 2018*

- PFRS 9, *Financial Instruments*

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Company is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers (effective January 1, 2018)*
- IFRS 16, *Leases (effective January 1, 2019)*

### 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 date of placements and that are subject to an insignificant risk of change in value.



## Financial Instruments

### *Date of Recognition*

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group 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 Group 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 Group 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 Group has no financial assets or liabilities at FVPL and HTM as of December 31, 2015 and 2014.

### *Loans and Receivables*

Loans and receivables are non-derivative 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, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest and transaction costs.



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 Group's loans and receivables consist of cash and cash equivalents, receivables, due from related parties and refundable deposits.

#### *AFS Financial Assets*

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at FVPL. Debt securities under this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in "Unrealized valuation gains (losses) on AFS financial assets" until the investment is derecognized, at which time the cumulative gain or loss is transferred to other income (expenses), or determined to be impaired, at which time the cumulative loss is recognized in profit or loss as other expenses. Interest earned while holding AFS financial assets is reported as interest income using the effective interest method.

The Group evaluates its AFS financial assets whether the ability and intention to sell them in the near term is appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity.

For a financial asset reclassified out of the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using effective interest method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

The Group's AFS financial assets consist of equity shares and golf club shares (see Note 8).

#### *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 effective interest method. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's other financial liabilities consist of accounts payable and other liabilities.

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 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.

The Group has financial assets under the fair value hierarchy as of December 31, 2015 and 2014 (see Note 20).

*Financial Assets Carried at Amortized Cost*

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

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.

*AFS Financial Assets Carried at Fair Value*

In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.



In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at fair value. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

#### Derecognition of Financial Assets and Liabilities

##### *Financial Assets*

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

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

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or 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 the consolidated statement of comprehensive income.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.





### Real Estate for Sale

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 to sell.

### Prepayments and Other Current Assets

#### *Prepayments*

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

#### *Advances to Suppliers and Contractors*

Advances to suppliers and contractors represent advance payments on services to be incurred in connection with the Subsidiary's operations. Advances to contractors are recognized under "Prepayments and other current assets" account in the consolidated statement of financial position. These are charged to expense in profit or loss, or capitalized to real estate for sale in the consolidated statement of financial position, as appropriate, when the services are rendered, which is normally within 12 months.

#### *Input Value-Added Tax (VAT)*

Input VAT represents VAT imposed on the Group 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 Group'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 "Prepayments and other current assets" in the consolidated statement of financial position. Otherwise, these are classified as other noncurrent assets. Input VAT is stated at its estimated NRV.

### Property and Equipment

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

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which 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 property and equipment.



Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset Type</u>	<u>Number of years</u>
Building	20
Office furniture and equipment	1-3
Transportation equipment	5

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements except for, whichever is shorter.

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.

#### Impairment of Nonfinancial Assets

The Group 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 Group estimates the asset's 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 Group 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 Group's property and equipment.



### Retirement Benefit 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 consolidated 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 consolidated statement in comprehensive loss in subsequent periods.

### Common Stock

The Parent Company has issued common stocks that are 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

The amount included in retained earnings includes profit attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's stockholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.



#### Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Group and no dividends are allocated to them respectively. When the stocks are retired, the common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

#### Revenue Recognition

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

#### *Sale of Real Estates*

The percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. 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 consolidated 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 consolidated 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 effective interest rate (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.

#### *Dividend Income*

Dividend income is recognized when the Group's right to receive the payment is established, usually upon declaration of the dividends.

#### *Gain on Sale of AFS Financial Assets and HTM investments*

Realized gain or loss on sale of AFS financial assets and HTM investments is recognized in profit or loss when the Group disposes its AFS financial assets and HTM investments.

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

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

*General and Administrative Expenses*

Expenses incurred in the general administration of day-to-day operation of the Group are generally recognized when the service is used or the expense arises.

Commission Expense

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage-of-completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Sales and marketing" account in the consolidated statement of comprehensive income. Commission expense incurred but not yet paid as of reporting date is presented as part of "Accounts payable and other liabilities" in the consolidated statement of financial position.

Income Taxes

*Current Tax*

Current 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, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) 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 tax credits from excess MCIT and 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 income 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.

#### Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling 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.

#### 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 Group'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.

#### Basic Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year.

#### Diluted Earnings (Loss) Per Share

Diluted earnings (loss) per share is calculated by dividing the net income (loss) attributable to common equity holders of the Parent Company (after adjusting for interest on convertible preferred shares) by the weighted average number of common shares outstanding during the year



plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares, excluding treasury shares.

#### Segment Reporting

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments. Financial information on business segments is presented in Note 21.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment 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 consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

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

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

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

#### Judgment

##### *Determining Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Parent Company and its subsidiary, the functional currency of the Parent Company and its subsidiary has been determined to be the Philippine peso. It is the currency that mainly influences its revenues and costs of operation.

##### *Classification of Financial Instruments*

The Group exercises judgment 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 consolidated statement of financial position.

In addition, the Group 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 (Note 20).

#### *Determination of Control in SOC Land*

The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all the following:

- a. power over the entity
- b. exposure, or rights, to variable returns from its involvement with the entity; and
- c. the ability to use its power over the entity to affect the amount of the Parent's Company's returns.

#### *Operating Leases - The Group as Lessee*

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

#### Estimates and Assumptions

##### *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 Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity. The fair value of the Group's financial assets and liabilities are disclosed in Note 20.

##### *Impairment Losses on Loans and Receivables*

The Group reviews the balance of receivables and due from related parties at each reporting date to assess whether 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 receivables and due from related parties, the Group 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 Group's assessment of the accounts since their inception.

These assessments take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.





There is no allowance for impairment losses on receivables and due to related parties as of December 31, 2015 and 2014. Receivables amounted to ₱202.5 million and ₱160.6 million as of December 31, 2015 and 2014, respectively (see Note 5). Due from related parties amounted to ₱0.2 million as of December 31, 2015 and 2014 (see Note 17).

*Revenue Recognition on Real Estate Sales*

Selecting an appropriate revenue recognition method for a particular real estate sales transaction requires certain judgments based on the buyer's and seller's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing of the buyer and execution of contract to sell. 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. In determining whether the sales prices are collectible, the Group considers that the initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

*Impairment of AFS Financial Assets*

The Group treats AFS financial assets as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the cost of AFS and 'prolonged' if greater than 6 months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Parent Company also considers the ability of the investee to provide dividends.

As of December 31, 2015 and 2014, the Group's provision for impairment loss on AFS financial assets amounted to ₱7.8 million and ₱4.1 million, respectively (see Note 8).

The carrying amounts of AFS financial assets amounted to ₱32.7 million and ₱36.3 million as of December 31, 2015 and 2014, respectively (see Note 8). The change in the fair value of the AFS financial assets is recorded as "Unrealized valuation gains on AFS financial assets" account in the equity section of the consolidated statement of financial position. As of December 31, 2015 and 2014, the unrealized valuation gain on AFS financial assets amounted to ₱5.6 million and ₱1.3 million, respectively (see Note 8).

*Evaluation of NRV of Real Estate for Sale*

The Group 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 ₱1,111.3 million and ₱1,365.4 million as of December 31, 2015 and 2014, respectively. In 2015 and 2014, the Group assessed that the NRV of real estate for sale is higher than cost, hence, the Group did not recognize any losses on write-down of real estate for sale (see Note 6).

*Useful Lives of Property and Equipment*

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



limits on the use of the assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The net book values of property and equipment amounted to ₱37.1 million and ₱34.5 million as of December 31, 2015 and 2014, respectively (see Note 9).

#### *Impairment of Nonfinancial Assets*

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

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is the present value of estimated future cash flows 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. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

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

No provision for impairment losses was recognized in 2015, 2014 and 2013. The carrying values of nonfinancial assets amount to ₱1,209.3 million and ₱1,478.6 million as of December 31, 2015 and 2014, respectively.

#### *Recognition of Deferred Tax Assets*

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and excess MCIT to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Conversely, the Group recognizes deferred tax liabilities from taxable temporary differences.

The Group has deductible temporary differences, carryforward of unused tax credits from excess MCIT and unused NOLCO for which no deferred tax assets were recognized as it is not probable that sufficient taxable profit will be available against which the benefit of these deductible temporary differences, carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized. As of December 31, 2015 and 2014, deductible temporary differences, carryforward of unused tax credits from excess MCIT and unused NOLCO for which no deferred tax assets were recognized amounted to ₱120.1 million and ₱146.3 million, respectively (see Note 16).



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#### 4. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	₱75,352,158	₱268,564,615
Cash equivalents	223,456,395	15,000,000
	<b>₱298,808,553</b>	<b>₱283,564,615</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Interest income earned amounted to ₱2.1 million, ₱0.6 million and ₱5.3 million in 2015, 2014 and 2013, respectively.

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#### 5. Receivables

	2015	2014
Installment contract receivable	₱178,078,526	₱137,662,522
Receivable from officers and employees	6,514,238	4,907,955
Others	17,877,969	17,998,084
	<b>202,470,733</b>	160,568,561
Less current portion of receivables	177,266,750	109,843,353
	<b>₱25,203,983</b>	<b>₱50,725,208</b>

##### SOC Land's Installment Contract Receivable (ICR)

Upon turnover of the inventory, 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 10 years. Titles to real estate properties are not transferred to the buyers until full payment has been made.

##### Receivable from Officers and Employees

Receivables from officers and employees pertain to noninterest-bearing advances which will be settled through salary deduction or through liquidation within the next financial year.

##### Others

Other receivables consist mostly of receivables from unit owners.

No impairment loss on receivables was recognized in 2015 and 2014.

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#### 6. Real Estate for Sale

	2015	2014
Condominium units	₱614,141,232	₱768,957,220
Real estate for development	332,914,287	258,777,924
Lot inventory	164,228,107	337,704,389
	<b>₱1,111,283,626</b>	<b>₱1,365,439,533</b>



A summary of the movement in real estate for sale is set out below:

	2015	2014
Balances at beginning of year	<b>₱1,365,439,533</b>	₱1,042,159,389
Construction/development costs incurred (see Note 23)	<b>38,660,157</b>	440,329,013
Sale of inventory (recognized as cost of real estate sold)	<b>(195,967,763)</b>	(100,712,652)
Change in development plan	<b>(96,848,301)</b>	-
Land reclassified to property and equipment	-	(16,336,217)
	<b>₱1,111,283,626</b>	₱1,365,439,533

Change in development plan pertains to accrued costs related to the amenities of Anuva Project. As of December 31, 2015, construction of the portion of the amenities has not yet started.

#### 7. Prepayments and Other Current Assets

	2015	2014
Input VAT - current portion (see Note 10)	<b>₱40,246,584</b>	₱39,957,333
Prepaid taxes	<b>10,401,945</b>	3,432,835
Refundable deposits (see Note 23)	<b>3,430,359</b>	2,946,657
Others	<b>398,165</b>	867,578
	<b>₱54,477,053</b>	₱47,204,403

##### Input VAT - Current Portion

Input VAT is stated at its estimated net realizable value. Input VAT can be applied against output VAT and the Group believes that the amount can be applied next year.

##### Refundable Deposits

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

#### 8. AFS Financial Assets

	2015	2014
Shares of stock	<b>₱15,645,902</b>	₱21,013,568
Golf club shares	<b>17,100,000</b>	15,300,000
	<b>₱32,745,902</b>	₱36,313,568

##### Shares of Stock

Listed shares consist of equity securities that are traded in the Philippine Stock Exchange. Listed shares have no fixed maturity dates or coupon rates and are measured at fair value. The fair values of listed shares are determined at their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs as of reporting date. The unrealized fair value changes of the investments are presented as "Unrealized valuation gains on AFS financial assets" in the equity section of the consolidated statement of financial position.



Dividend income earned from equity securities classified as “AFS financial assets” amounted to ₱0.3 million, ₱1.3 million and ₱5.8 million in 2015, 2014 and 2013, respectively.

*Sale of Equity Shares*

In 2015, 2014 and 2013, the Company sold some of its AFS investments in listed equity shares. Gain on sale of AFS financial assets recognized in profit or loss amount to nil and ₱21.4 million and ₱18.9 million, respectively.

*Sale of Quoted Bonds*

In 2014, the Parent Company sold its quoted bonds. Gain on sale of AFS financial assets recognized in profit or loss amount to ₱3.1 million.

Interest income earned from bonds classified as “AFS financial assets” in 2015, 2014 and 2013 amounted to nil, ₱1.2 million and ₱4.7 million, respectively.

Movements in the unrealized valuation gains on AFS financial assets are as follows:

	2015	2014
Balances at beginning of year	₱1,329,647	₱24,244,915
Fair value adjustments (net of impairment loss amounting to ₱7.8 million and ₱4.1 million in 2015 and 2014, respectively)	4,268,083	(14,213,713)
Disposals	–	(8,701,555)
Balances at end of year	₱5,597,730	₱1,329,647

## 9. Property and Equipment

### December 31, 2015

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost:</b>						
Balances at beginning of year	₱16,336,217	₱18,734,059	₱9,065,447	₱13,762,035	₱720,482	₱58,618,240
Additions	–	–	223,016	–	4,663,427	4,886,443
Balances at end of year	16,336,217	18,734,059	9,288,463	13,762,035	5,383,909	63,504,683
<b>Accumulated depreciation and amortization:</b>						
Balances at beginning of year	–	2,597,739	7,227,461	13,527,363	720,482	24,073,045
Depreciation and amortization	–	936,703	1,026,787	148,214	233,171	2,344,875
Balances at end of year	–	3,534,442	8,254,248	13,675,577	953,653	26,417,920
Net book values	₱16,336,217	₱15,199,617	₱1,034,215	₱86,458	₱4,430,256	₱37,086,763



December 31, 2014

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost:						
Balances at beginning of year	₱-	₱16,365,656	₱7,770,157	₱13,762,035	₱720,482	₱38,618,330
Additions	-	2,368,403	1,295,290	-	-	3,663,693
Reclassification	16,336,217	-	-	-	-	16,336,217
Balances at end of year	16,336,217	18,734,059	9,065,447	13,762,035	720,482	58,618,240
Accumulated depreciation and amortization:						
Balances at beginning of year	-	1,619,408	5,672,316	13,379,147	720,482	21,391,353
Depreciation and amortization	-	978,331	1,555,145	148,216	-	2,681,692
Balances at end of year	-	2,597,739	7,227,461	13,527,363	720,482	24,073,045
Net book values	₱16,336,217	₱16,136,320	₱1,837,986	₱234,672	₱-	₱34,545,195

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).

*Fully depreciated property and equipment*

As of December 31, 2015 and 2014, the cost of fully depreciated property and equipment amounted to ₱13.5 million. These are retained in the records and still used by the Parent Company until these are disposed or the Parent Company vacate the leased premises.

**10. Input Value-Added Tax**

Other noncurrent assets as at December 31, 2015 and 2014 consist of input VAT that is expected to be offset against output VAT in more than one year and deferred input VAT amounted to ₱31.7 million.

**11. Accounts Payable and Other Liabilities**

	2015	2014
Customers' deposits	<b>₱79,424,535</b>	₱84,686,370
Contractors' payable	<b>41,440,654</b>	183,876,578
Accounts payable	<b>11,594,480</b>	15,418,494
Accrued expenses	<b>10,606,434</b>	8,849,460
Retention payable (see Note 23)	<b>7,865,391</b>	32,029,892
Government payables	<b>1,484,008</b>	1,819,016
	<b>₱152,415,502</b>	₱326,679,810

SOC Land's 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.



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 Subsidiary 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) and withholding tax payables which have an average term of 15 to 30 days.

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**12. General and Administrative Expenses**

	2015	2014	2013
Personnel costs	<b>₱13,216,495</b>	₱13,931,841	₱10,322,140
Provision for impairment loss on AFS financial assets (see Note 8)	<b>7,835,749</b>	4,129,214	-
Travel and transportation	<b>7,152,471</b>	3,076,630	2,248,026
Taxes and licenses	<b>6,176,227</b>	2,565,237	5,622,696
Outside services	<b>6,059,891</b>	10,319,352	9,043,196
Rent and utilities (see Note 23)	<b>5,519,119</b>	2,643,165	1,078,139
Property management expense	<b>4,482,147</b>	1,499,330	-
Research and development expenses	<b>4,033,140</b>	1,572,846	4,381,198
Professional fees	<b>3,816,688</b>	4,491,352	6,580,761
Depreciation and amortization (see Note 9)	<b>2,075,998</b>	2,021,379	1,953,425
Dues and subscription	<b>1,118,053</b>	617,913	276,162
Telecommunications and postage	<b>981,633</b>	1,068,903	915,119
Supplies	<b>770,206</b>	809,692	734,405
Repairs and maintenance	<b>462,000</b>	258,183	236,614
Interest expense	<b>425,284</b>	1,281,906	-
Insurance	<b>352,723</b>	366,180	60,720
Entertainment and representation	<b>252,580</b>	262,376	486,944
Trainings and seminars	<b>211,871</b>	288,128	367,656
Business development costs	-	-	346,960
Others	<b>2,000,288</b>	1,163,786	4,503,616
	<b>₱66,942,563</b>	₱52,367,413	₱49,157,777



Others include bank charges and other miscellaneous costs.

Personnel costs consist of:

	2015	2014	2013
Salaries and wages	<b>₱11,278,801</b>	₱10,077,846	₱7,820,691
Short term employee benefits	<b>1,430,630</b>	3,374,100	2,115,136
Retirement benefit expense (Note 15)	<b>507,064</b>	479,895	386,313
	<b>₱13,216,495</b>	₱13,931,841	₱10,322,140

### 13. Sales and Marketing Expenses

	2015	2014	2013
Commissions and incentives	<b>₱18,073,326</b>	₱21,086,201	₱13,904,791
Consultancy fees	<b>6,599,886</b>	9,804,887	12,646,499
Rent and utilities (see Note 23)	<b>1,615,338</b>	2,098,364	1,277,528
Advertising (see Note 23)	<b>1,077,541</b>	497,595	5,860,606
Product presentation	<b>910,093</b>	11,024,446	6,263,599
Travel and transportation	<b>335,621</b>	224,532	519,629
Depreciation and amortization (see Note 9)	<b>268,877</b>	660,313	719,206
Telecommunications and postage	<b>70,261</b>	394,930	521,816
Repairs and maintenance	<b>10,896</b>	69,454	75,125
Trainings and seminars	<b>8,245</b>	8,069	646,948
Others	<b>3,698</b>	205,405	206,290
	<b>₱28,973,782</b>	₱46,074,196	₱42,642,037

Others include expenses from meetings, janitorial fees and other expenses directly attributable to sales and marketing.

### 14. Other Income

	2015	2014	2013
Forfeited buyer deposits	<b>₱7,911,436</b>	₱4,875,962	₱3,828,230
Gain on sales cancellation	<b>5,428,035</b>	-	-
Sales penalty	<b>2,045,693</b>	1,389,585	430,011
Interest income	<b>2,788,418</b>	-	-
Others	<b>712,901</b>	133,837	371
	<b>₱18,886,483</b>	₱6,399,384	₱4,258,612

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.

Gain on sales cancellation pertains to the cancellation of prior years' real estate sales.





## 15. Retirement Benefit Obligation

The Group has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. RA No. 7641 (“Retirement Pay Law”), an act amending article 287 of Presidential Decree No. 442 (“Labor Code of the Philippines”), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee’s retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2015.

The following tables summarize the components of net benefit expense recognized in the statement of comprehensive income and the retirement benefit obligation and amounts recognized in the statement of financial position for the respective plans:

Net benefit expense

	2015	2014	2013
Current service cost	<b>₱316,836</b>	₱330,927	₱246,597
Interest cost on benefit obligation	<b>190,228</b>	148,968	139,716
	<b>₱507,064</b>	₱479,895	₱386,313

Amounts recognized in other comprehensive income pertaining to actuarial gain amounted to ₱78,566, ₱12,939 and ₱191,920, in 2015, 2014 and 2013, respectively.

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

	2015	2014
Beginning defined benefit obligation	<b>₱3,428,292</b>	₱2,961,336
Current service cost	<b>316,836</b>	330,927
Interest cost	<b>190,228</b>	148,968
Actuarial gain due to experience adjustments	<b>(60,168)</b>	(156,592)
Actuarial loss (gain) due to changes in assumptions	<b>(117,637)</b>	143,653
Ending defined benefit obligation	<b>₱3,757,551</b>	₱3,428,292

The principal assumptions as of December 31 used in determining pension benefit obligations for the plan are shown below:

	2015	2014
Discount rate	<b>4.18%-5.03%</b>	4.78%-5.59%
Future salary increase	<b>3.00%-10.00%</b>	5.00%-10.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2015, assuming all other assumptions were held constant:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱200,154)
	(100)	232,723
Future salary increases	100	₱204,262
	(100)	(178,109)



The estimated weighted average duration of benefit payment is 17.8 years as of December 31, 2015.

Shown below is the maturity profile of the undiscounted benefit payments as of December 31, 2015

Less than 1 year	₱2,095,238
More than 1 year to 5 years	1,765,447
More than 5 years to 10 years	-
More than 10 years	11,674,182

## 16. Income Taxes

The Parent Company's has no provision for current income tax in 2015. Provision for income tax of Parent Company in 2014 and 2013 represents minimum corporate income tax (MCIT). The Subsidiary's current provision for income tax represents MCIT in 2015, 2014 and 2013.

The Parent Company recognized deferred tax liability amounting to ₱0.3 million pertaining to the actuarial gains on defined benefit plan recognized in other comprehensive income.

The components of the Subsidiary's net deferred tax assets and (liabilities) as of December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred income tax liabilities on:		
Difference between tax and book basis of accounting for real estate transactions	(₱3,772,568)	(₱133,401)
Unrealized foreign exchange gain	(86,232)	
Deferred income tax asset on NOLCO	3,858,800	133,401
	<b>₱-</b>	<b>₱-</b>

The Group has deductible temporary differences, unused NOLCO, and excess MCIT for which no deferred tax assets were recognized since the Group expects that these deferred tax assets will not be realized in the future. These deductible temporary differences, unused NOLCO, and excess MCIT are as follows:

	2015	2014
<i>Deferred tax asset:</i>		
NOLCO	₱107,559,034	₱131,581,061
Accrued expenses	7,220,021	4,543,786
Retirement benefit obligation	3,757,551	3,428,292
MCIT	1,585,981	372,141
Unrealized foreign exchange losses	-	5,839,137
Provision for legal obligation	-	520,999



As of December 31, 2015, the Group has the following NOLCO and MCIT that can be claimed as deduction from future taxable income.

Year Incurred	Year of Expiry	NOLCO	MCIT
2015	2018	₱22,969,411	₱1,213,840
2014	2017	59,267,361	372,141
2013	2016	38,184,929	–
		<b>₱120,421,701</b>	<b>₱1,585,981</b>

Movement of the Group's NOLCO and MCIT are as follows:

NOLCO

	2015	2014
Balances at beginning of year	<b>₱132,025,731</b>	₱117,164,874
Additions	<b>22,969,411</b>	59,267,361
Expirations	<b>(34,573,441)</b>	(29,407,272)
Application	–	(14,999,232)
Balances at end of year	<b>₱120,421,701</b>	₱132,025,731

MCIT

	2015	2014
Balances at beginning of year	<b>₱372,141</b>	₱303,928
Additions	<b>1,213,840</b>	372,141
Application	–	(303,928)
Balances at end of year	<b>₱1,585,981</b>	₱372,141

A reconciliation of income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of comprehensive income follows:

	2015	2014	2013
Income tax computed at statutory tax rate	<b>(₱6,029,008)</b>	(₱10,599,244)	(₱3,526,635)
Additions to (reductions in) income tax resulting from:			
Changes in unrecognized deferred tax assets	<b>4,836,714</b>	15,570,044	9,689,312
Nondeductible expenses	<b>3,219,028</b>	4,081,250	717,001
Gain on disposal of asset held for sale subject to CGT	–	–	(4,322,060)
Nontaxable income	<b>(82,005)</b>	(6,031,541)	(667,352)
Interest income subjected to final tax	<b>(730,889)</b>	(164,466)	(1,586,338)
Provision for income tax	<b>₱1,213,840</b>	₱2,856,043	₱303,928

**17. Related Party Disclosures**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals



owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group 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.

In the normal course of business, the Group has significant related party transactions as follows:

	Amount/volume		Outstanding balance		Terms	Conditions
	2015	2014	2015	2014		
<i>Other related parties:</i>						
International Pipe Industries Corporation (IPIC)						
Advances from related parties	₱-	(₱21,648,112)	₱-	₱-	30 days, 8% per annum	Secured by receivables and finished goods with fair value equivalent; No impairment.
South China Petroleum International (SCPI)						
Advances from related parties	16,052	11,612	166,452	150,400	Due and demandable	Unsecured; No impairment
<b>Total</b>	<b>₱16,052</b>	<b>(₱21,636,500)</b>	<b>₱166,452</b>	<b>₱150,400</b>		

*Transactions with other related parties*

- International Pipe Industries Corporation (IPIC) is the pioneer manufacturer of large-diameter spiral welded pipes and machinery fabrication in the Philippines and Southeast Asia and has been producing quality pipes for the last 48 years. IPIC is the only company to date that has secured the American Petroleum Institute monogram in the Philippines. IPIC was also the first company in the Southeast Asia to pioneer in the design and exportation of high-tension transmission poles, weight coating of submarine line pipe and non-tension and pre-tension concrete pressure pipes.

In May 2011, the BOD authorized the Company to enter into a related party agreement with IPIC to provide a standby fund facility of up to ₱50.0 million for the acquisition of raw materials to be processed into finished steel pipe products. The Company will receive a guaranteed return on investment of at least 8% per annum. Interest earned by the Company in relation to these advances amounted to ₱1.0 million in 2014.

IPIC fully settled its payable to the company amounting to ₱21.6 million in 2014.

- South China Petroleum International (SCPI) is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration. Receivable from SCPI pertains to the amount paid for SCPI's business permit and registration.



- Key Management Personnel Compensation

Salaries and short-term employee benefits of key management personnel amounted to ₱4.3 million, ₱4.4 million and ₱4.5 million in 2015, 2014 and 2013, respectively.

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## 18. Equity

### a. Common Stock

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

	December 31, 2015		December 31, 2014	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱1 par value	1,000,000,000	₱1,000,000,000	1,000,000,000	₱1,000,000,000
Issued	600,559,569	600,559,569	600,489,569	600,489,569
Subscribed	306,000,000	306,000,000	306,070,000	306,070,000
Treasury	4,639,000	(4,961,650)	4,639,000	(4,961,650)

The Parent Company was registered on September 25, 1992 with authorized capital stock amounting to ₱1.0 billion composed of one billion shares with par value ₱1.0 per share.

In 2015, 70,000 shares subscribed shares were fully paid and issued. Collection from such shares this year amounted to ₱52,500.

### b. Retained Earnings

On April 7, 2010, the BOD approved a resolution earmarking ₱500.0 million of the retained earnings for purposes of funding its investments in SOC Land related to the Anuva Residences and Diwalwal Mine Reserve projects. On December 21, 2011, the BOD approved a resolution for the reversal of the 2010 appropriation of retained earnings and further earmarking ₱500.0 million in 2011 for purposes of funding its investments related to the Anuva Residences and other investment projects. The construction of second tandem building of Anuva project, "Azalea" is estimated to start on the 2nd quarter of 2016 and expected to be completed on the 4th quarter of 2018.

### c. Treasury Stock

On December 21, 2011, the Parent Company formalized its share repurchase program. Under the terms and conditions of the share repurchase program, 100,000,000 shares shall be repurchased from the market covering a period of twenty-four (24) months starting December 22, 2011. The total budget allocated for the share repurchase program is ₱120.0 million. Total treasury stock amounted to ₱4,961,650 representing 4,639,000 shares.



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## 19. Basic/Diluted Earnings (Loss) Per Share

	2015	2014	2013
Net income (loss)	(P21,310,532)	(P38,186,857)	(P12,059,378)
Weighted average number of shares	905,645,387	905,575,387	905,575,387
Basic/Diluted Earnings (Loss) per Share	(P0.0235)	(P0.0422)	(P0.0133)

There are no dilutive potential common shares outstanding as of December 31, 2015, 2014 and 2013.

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## 20. Financial Instruments

### Financial Risk Management Objectives and Policies

The Group has various financial assets and liabilities such as cash and cash equivalents, receivables, due from related parties, refundable deposits, AFS financial assets. The main purpose of the Group's financial instruments is to finance its operations. The Group has other financial instruments such as accounts payable and other liabilities which arise directly from its operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group'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 Group's activities.

The Group has exposure to credit risk, liquidity risk, foreign exchange risk, interest rate risk and equity price 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 refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties (ie., foreign currency denominated debt instruments, fixed income deposits and receivables) to its financial assets.

### *Credit Risk Management*

In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.



With respect to credit risk arising from the other financial assets of the Group, which comprise of “Cash and cash equivalents”, “Receivables”, “Due from related parties” and “Refundable deposits”, management monitors these financial assets on an ongoing basis with the result that the Group’s exposure to impairment losses is not significant.

*Credit Risk Exposures*

The maximum exposure to credit risk for financial assets, which is composed of “Cash and cash equivalents”, “Receivables”, “Due from related parties”, “AFS financial assets” and “Refundable deposits”, is equivalent to the carrying amount of these financial assets as carried in the consolidated statement of financial position. The maximum exposure to credit risk for “Due from related parties” is equivalent to the carrying amount of these financial assets as carried in the consolidated statement of financial position, which is secured by collateral.

*Credit Risk Concentration Profile*

Given the Group’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 Group using high quality and standard quality as internal credit ratings.

High Grade - pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this category.

The tables below show the credit quality by class of financial asset based on the Group’s rating system as of December 31, 2015 and 2014:

	2015				Total
	Neither Past Due Nor Impaired	Past Due But Not Impaired	Impaired	Total	
	High Grade	Standard Grade			
<b>Loans and receivables</b>					
Cash and cash equivalents*	P298,808,553	P-	P-	P-	P298,808,553
Receivables	57,786,044	-	144,684,689	-	202,470,733
Due from related parties	-	-	166,452	-	166,452
Refundable deposits	3,430,359	-	-	-	3,430,359
<b>AFS financial assets</b>					
Shares of stock	15,645,902	-	-	-	15,645,902
Golf club shares	17,100,000	-	-	-	17,100,000
	<b>P392,770,858</b>	<b>P-</b>	<b>P144,851,141</b>	<b>P-</b>	<b>P537,621,999</b>

\*Excluding cash on hand.



	2014				Total
	Neither Past Due Nor Impaired		Past Due	Impaired	
	High Grade	Standard Grade	But Not Impaired		
Loans and receivables					
Cash and cash equivalents*	₱282,498,677	₱-	₱-	₱-	₱282,498,677
Receivables	137,662,522	-	4,907,955	-	142,570,477
Due from related parties	150,400	-	-	-	150,400
Refundable deposits	67,536	2,879,121	-	-	2,946,657
AFS financial assets					
Shares of stock	21,013,568	-	-	-	21,013,568
Golf club shares	15,300,000	-	-	-	15,300,000
	₱456,692,703	₱2,879,121	₱4,907,955	₱-	₱464,479,779

\*Excluding cash on hand.

Cash and cash equivalents are considered high grade as the Group trades only with top banks in the Philippines. AFS financial assets are considered high grade due to high probability of collection when sold. High grade receivables pertain to installment contract receivables with no default in payments and settlements are obtained from counterparty in advance or ahead of the due date. Standard grade receivables are for receivables from officers and employees and third parties, due from related parties and refundable deposits which would require some reminder follow-ups to obtain settlement from the counterparties.

The tables below show the aging analysis of financial assets per class that the Group held as of December 31, 2015 and 2014. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2015						Total
	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Loans and receivables							
Cash and cash equivalents*	₱298,808,553	₱-	₱-	₱-	₱-	₱-	₱298,808,553
Receivables	88,179,933	1,191,347	8,070,673	6,303,472	98,725,308	-	202,470,733
Due from related parties	-	-	-	-	166,452	-	166,452
Refundable deposits	3,430,359	-	-	-	-	-	3,430,359
AFS financial assets							
Shares of stock	15,645,902	-	-	-	-	-	15,645,902
Golf club shares	17,100,000	-	-	-	-	-	17,100,000
	₱423,164,747	₱1,191,347	₱8,070,673	₱6,303,472	₱98,891,769	₱-	₱537,621,999

\*Excluding cash on hand.

	2014						Total
	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 90 Days		
Loans and receivables							
Cash and cash equivalents*	₱282,498,677	₱-	₱-	₱-	₱-	₱-	₱282,498,677
Receivables	138,282,291	-	-	-	4,368,432	-	142,650,723
Due from related parties	-	-	-	-	150,400	-	150,400
Refundable deposits	2,946,657	-	-	-	-	-	2,946,657
AFS financial assets							
Shares of stock	₱21,013,568	₱-	₱-	₱-	₱-	₱-	₱21,013,568
Golf club shares	15,300,000	-	-	-	-	-	15,300,000
	₱460,041,193	₱-	₱-	₱-	₱4,518,832	₱-	₱464,560,025

\*Excluding cash on hand.





*Liquidity Risk*

Liquidity risk is the risk that the Group 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 Group 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 Group's financial assets used for liquidity purposes based on contractual undiscounted cashflows, and the Group's financial liabilities based on contractual undiscounted payments.

**2015**

	Total	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year
<b>Financial Assets</b>					
<b>Loans and receivables:</b>					
Cash and cash equivalents	₱297,990,442	₱297,990,442	₱-	₱-	₱-
Receivables	202,470,733	57,786,044	119,480,706	-	25,203,983
Due from related parties	166,452	-	-	166,452	-
Refundable deposits	3,430,359	2,879,121	551,238	-	-
<b>AFS financial assets</b>					
Shares of stock	15,645,902	15,645,902	-	-	-
Golf club shares	17,100,000	17,100,000	-	-	-
	<b>₱536,803,888</b>	<b>₱391,401,509</b>	<b>₱120,031,944</b>	<b>₱166,452</b>	<b>₱25,203,983</b>
<b>Financial Liabilities</b>					
<b>Other financial liabilities:</b>					
Accounts payable and other liabilities**	<b>₱150,931,494</b>	<b>₱-</b>	<b>₱150,931,494</b>	<b>₱-</b>	<b>₱-</b>

\*\*Excluding government payables.

**2014**

	Total	On Demand	Less than 3 Months	3 to 6 Months	More than 1 year
<b>Financial Assets</b>					
<b>Loans and receivables:</b>					
Cash and cash equivalents	₱282,513,677	₱282,513,677	₱-	₱-	₱-
Receivables	142,650,723	-	87,504,423	4,421,092	50,725,208
Due from related parties	150,400	-	-	150,400	-
Refundable deposits	2,946,657	2,879,121	67,536	-	-
<b>AFS financial assets</b>					
Shares of stock	21,013,568	21,013,568	-	-	-
Golf club shares	15,300,000	15,300,000	-	-	-
	<b>₱464,575,025</b>	<b>₱321,706,366</b>	<b>₱87,571,959</b>	<b>₱4,571,492</b>	<b>₱50,725,208</b>
<b>Financial Liabilities</b>					
<b>Other financial liabilities:</b>					
Accounts payable and other liabilities**	<b>₱240,174,424</b>	<b>₱-</b>	<b>₱240,174,424</b>	<b>₱-</b>	<b>₱-</b>

\*\*Excluding government payables.

*Equity Price Risk*

Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's AFS financial assets in equity securities. The Group measures the sensitivity of its domestic AFS financial assets by using stock market index fluctuations and its effect to respective share prices.



The following table demonstrates the sensitivity to a reasonably possible change in the equity price based on past price performance:

Stock Exchange	Change in Stock Market Index	Effect on Income Before Income Tax	
		2015	2014
PSE	+10%	<b>₱3,274,590</b>	₱948,189
	-10%	<b>(3,274,590)</b>	(948,189)

*Foreign Currency Risk*

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign currencies.

In the normal course of business, the Group enters into transactions denominated in US dollar and other foreign currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Group regularly monitors outstanding financial assets in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related these foreign currency denominated assets.

Information on the Group's foreign currency denominated monetary assets and their Philippine peso equivalent are as follows:

	2015		2014	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Financial Assets				
Cash - USD	<b>\$123,177</b>	<b>₱5,796,710</b>	\$128,163	₱5,731,449

The table below demonstrate the sensitivity to a reasonable change in the foreign exchange rates, with all other variables held constant, of the Group's income (loss) before income tax (due to the changes in the fair value of the foreign-currency-denominated assets and liabilities). The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the period end for the following percentage change in foreign currency rates:

	2015		2014	
	Effect on income before tax		Effect on income before tax	
	Change in Peso-US Dollar Exchange Rate Increase by 5%	Decrease by 5%	Change in Peso-US Dollar Exchange Rate Increase by 5%	Decrease by 5%
US Dollar	<b>₱289,573</b>	(₱289,835)	₱286,573	(₱286,573)

The exchange rates as of December 31, 2015 and 2014 were:

	USD
<b>2015</b>	<b>₱47.06</b>
2014	₱44.72

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

*Cash and Cash Equivalents, Receivables, Due from Related Parties, Refundable Deposits and Accounts Payable and Other Liabilities*

The carrying amounts of cash and cash equivalents, receivables, due from related parties,



refundable deposits and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

*AFS financial assets*

Fair value of AFS financial assets is based on the quoted market bid prices at the close of business as of the reporting date.

Fair Value Hierarchy

The table below summarizes the fair value hierarchy of Group's financial assets and liabilities.

**December 31, 2015**

	Level 1	Level 2	Level 3	Total
<b>AFS financial assets:</b>				
Shares of stock	<b>₱15,645,902</b>	<b>₱-</b>	<b>₱-</b>	<b>₱15,645,902</b>
Golf club shares	<b>17,100,000</b>	<b>-</b>	<b>-</b>	<b>17,100,000</b>
	<b>₱32,745,902</b>	<b>₱-</b>	<b>₱-</b>	<b>₱32,745,902</b>

December 31, 2014

	Level 1	Level 2	Level 3	Total
<b>AFS financial assets:</b>				
Shares of stock	<b>₱21,013,568</b>	<b>₱-</b>	<b>₱-</b>	<b>₱21,013,568</b>
Golf club shares	<b>15,300,000</b>	<b>-</b>	<b>-</b>	<b>15,300,000</b>
	<b>₱36,313,568</b>	<b>₱-</b>	<b>₱-</b>	<b>₱36,313,568</b>

As of December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2015 and 2014.

The following table pertains to the account balances which the Group considers as its core economic capital:

	2015	2014
Common stock	<b>₱600,559,569</b>	₱600,489,569
Subscribed common stock - net	<b>76,500,000</b>	76,517,500
Additional paid-in capital	<b>72,272,140</b>	72,272,140
Retained earnings	<b>862,306,250</b>	883,616,782
Treasury stock	<b>(4,961,650)</b>	(4,961,650)
	<b>₱1,606,676,309</b>	₱1,627,934,341



## 21. Segment Information

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments, as follows:

- The real estate development segment, which is engaged in the real estate business.
- Investment pertain to the activities of the Parent Company as a holding entity.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating income or loss in the consolidated financial statements. The Group's identified operating segments, which are consistent with the segments reported to the BOD, which is the Group's Chief Operating Decision Maker (CODM).

The following tables regarding business segments present assets and liabilities, revenue and profit information for each of the three years in the period ended December 31, 2015.

### 2015

	Real Estate Development	Investment	Total	Eliminations	Consolidated
<b>Segment results</b>					
Income (loss) before income tax	₱273,527	(₱20,370,219)	(₱20,096,692)	₱-	(₱20,096,692)
Provision for income tax	1,213,840	-	1,213,840	-	1,213,840
Net loss	(₱940,313)	(₱20,370,219)	(₱21,310,532)	₱-	(₱21,310,532)
<b>Assets</b>					
Segment assets	₱1,512,541,637	₱1,490,719,084	₱3,003,260,721	(₱1,234,526,298)	₱1,768,734,423
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	₱1,512,541,637	₱1,813,017,084	₱3,325,558,721	(₱1,556,824,298)	₱1,768,734,423
<b>Other segment information</b>					
Segment liabilities	₱1,386,928,338	₱3,870,252	₱1,390,798,590	(₱1,234,526,298)	₱156,272,292
Depreciation and amortization	₱2,331,976	₱12,899	₱2,344,875	₱-	₱2,344,875

### 2014

	Real Estate Development	Investment	Total	Eliminations	Consolidated
<b>Segment results</b>					
Income (loss) before income tax	(₱52,498,670)	₱17,167,855	(₱35,330,815)	₱-	(₱35,330,815)
Provision for income tax	372,141	2,483,902	2,856,043	-	2,856,043
Net income (loss)	(₱52,870,811)	₱14,683,953	(₱38,186,858)	₱-	(₱38,186,858)
<b>Assets</b>					
Segment assets	₱1,659,013,832	₱1,511,219,814	₱3,170,233,646	(₱1,210,752,029)	₱1,959,481,617
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	₱1,659,013,832	₱1,833,517,814	₱3,492,531,646	(₱1,533,050,029)	₱1,959,481,617
<b>Other segment information</b>					
Segment liabilities	₱1,532,307,228	₱8,552,903	₱1,540,860,131	(₱1,210,752,029)	₱330,108,102
Depreciation and amortization	₱2,648,540	₱33,152	₱2,681,692	₱-	₱2,681,692



2013

	Real Estate Development	Investment	Total	Eliminations	Consolidated
<b>Segment results</b>					
Income (loss) before income tax	(P55,131,189)	P43,375,739	(P11,755,450)	P-	(P11,755,450)
Provision for income tax	303,928	-	303,928	-	303,928
Net income (loss)	(P55,435,117)	P43,375,739	(P12,059,378)	P-	(P12,059,378)
<b>Assets</b>					
Segment assets	P1,308,976,065	P1,525,510,559	P2,834,486,624	(P1,002,752,029)	P1,831,734,595
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	P1,308,976,065	P1,847,808,559	P3,156,784,624	(P1,325,050,029)	P1,831,734,595
<b>Other segment information</b>					
Segment liabilities	P126,735,880	P14,536,013	P141,271,893	(P322,298,000)	P181,026,107
Depreciation and amortization	P2,611,150	P61,481	P2,672,631	P-	P2,672,631

**22. Registration with the Board of Investments (BOI)**

As disclosed in Note 1, SOC Land's current project is the Anuva Residences. 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 two (2) buildings.

On September 2, 2011, Phase 1 project was duly registered with the Board of Investments (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, SOC Land 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, SOC Land 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 SOC Land.

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

**23. Contracts and Commitments**

The Group has the following significant commitments and agreements:

Construction Agreements and Purchase Commitments

On various dates in 2011 and 2012, the Subsidiary 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 three (3) weeks to two (2) years. These contracts will expire on various dates in 2012 until December 2013, 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 Subsidiary shall deduct 10% retention from every progress payment until full completion of the project work. Retention payable related to these contracts amounted to ₱7.8 million and ₱32 million as of December 31, 2015 and 2014, respectively (see Note 11). These are expected to be settled upon completion of the Anala.

On various dates in 2011 and 2012, the Group entered into agreements to purchase steel, pipes and other construction materials. Outstanding purchase commitments amounted to nil as of December 31, 2015 and 2014, respectively.

#### Lease Agreements

- a. In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of ENZO Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight (8) months commencing on May 1, 2012 and expiring December 31, 2012. The lease is renewable every year for a period of twelve months. In line with the contract, the Parent Company paid a security deposit amounting ₱72,072, which is classified under "Prepayment and other current assets". Minimum lease payments within a year under this contract is ₱0.1 million.
- b. On June 16, 2015, the Company entered into a lease contract with E. Zobel, Inc. for the lease of office space at 2/F Enzo Building, 399 Sen. Gil Puyat Avenue, Makati City. The contract is for the period June 16, 2015 to December 31, 2015. 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.

In 2015, the Company also entered into a lease contract with third party contractor to provide service vehicle to Company officers. The contract is renewable every six months.

#### Contingencies

SOC Land is contingently liable for amounts arising from lawsuits or claims. On December 3, 2012, the Subsidiary received a copy of the decision that ruled against the Subsidiary. In 2011, the Company recognized provision arising from the legal obligation amounting to ₱0.5 million (see Notes 11 and 12).

