# SOC Land Development Corporation
*(A Wholly Owned Subsidiary of South China Resources, Inc.)*

Financial Statements
December 31, 2012 and 2011

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

# COVER SHEET

CS201019051

SEC Registration Number

SOC LAND DEVELOPMENT CORPORATION (A Wholly Owned Subsidiary of South China Resources, Inc.)

(Company's Full Name)

6/F YL Holdings Building, 115 V.A. Rufino corner Salcedo Streets, Makati City

(Business Address: No. Street City/Town/Province)

**Ms. Maria Luisa K. Valle**

(Contact Person)

**(02) 812-0762**

(Company Telephone Number)

| 12 | 31 | AAFS | 05 | 11 |
|---|---|---|---|---|
| *Month* | *Day* | (Form Type) | *Month* | *Day* |
| (Fiscal Year) | | | (Annual Meeting) | |

**Not Applicable**

(Secondary License Type, If Applicable)

**SEC**

Dept. Requiring this Doc.

**Not Applicable**

Amended Articles Number/Section

Total Amount of Borrowings

| **6** | **Not Applicable** | **Not Applicable** |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

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

**INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors
SOC Land Development Corporation

**Report on the Financial Statements**

We have audited the accompanying financial statements of SOC Land Development Corporation (a wholly owned subsidiary of South China Resources, Inc.), which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of SOC Land Development Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 20 and 21 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SOC Land Development Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John Nai Peng C. Ong

John Nai Peng C. Ong
Partner
CPA Certificate No. 85588
SEC Accreditation No. 0327-AR-2 (Group A),
March 29, 2012, valid until March 28, 2015
Tax Identification No. 103-093-301
BIR Accreditation No. 08-001998-57-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3670008, January 2, 2013, Makati City

March 22, 2013

## SOC LAND DEVELOPMENT CORPORATION
**(A Wholly Owned Subsidiary of South China Resources, Inc.)**

# STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2012** | 2011 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash (Note 4) | **₱63,743,765** | ₱56,023,833 |
| Receivables (Note 5) | **9,795,590** | 3,237,415 |
| Real estate for sale (Note 6) | **660,056,016** | 447,615,888 |
| Other current assets (Note 7) | **14,153,018** | 17,398,612 |
| **Total Current Assets** | **747,748,389** | 524,275,748 |
| **Noncurrent Assets** | | |
| Property and equipment (Note 8) | **19,071,013** | 17,775,263 |
| Other noncurrent assets (Note 9) | **34,883,378** | – |
| **Total Noncurrent Assets** | **53,954,391** | 17,775,263 |
| **TOTAL ASSETS** | **₱801,702,780** | ₱542,051,011 |
| **LIABILITIES AND EQUITY** | | |
| **Liabilities** | | |
| Accounts payable and other current liabilities (Note 10) | **₱77,105,311** | ₱42,575,017 |
| Due to parent company (Note 15) | **489,989,820** | 208,989,820 |
| **Total Liabilities** | **567,095,131** | 251,564,837 |
| **Equity** (Note 16) | | |
| Capital stock - ₱100 par value | | |
| Authorized - 1,600,000 shares | | |
| Issued and subscribed - 712,298 shares in 2012 and 2011 (net of subscription receivables of ₱30,000,000 as of December 31, 2012 and 2011) | **41,229,800** | 41,229,800 |
| Additional paid-in capital | **281,068,200** | 281,068,200 |
| Deficit | **(87,690,351)** | (31,811,826) |
| **Equity** | **234,607,649** | 290,486,174 |
| **TOTAL LIABILITIES AND EQUITY** | **₱801,702,780** | ₱542,051,011 |

*See accompanying Notes to Financial Statements.*

## SOC LAND DEVELOPMENT CORPORATION
**(A Wholly Owned Subsidiary of South China Resources, Inc.)**

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | Years Ended December 31 | |
|---|---|---|
| | **2012** | 2011 |
| **SALE OF REAL ESTATE** | **₱20,303,767** | ₱– |
| **COST OF REAL ESTATE SOLD** (Note 6) | **14,558,716** | – |
| **GROSS PROFIT** | **5,745,051** | – |
| Sales and marketing expenses (Note 11) | **39,986,088** | 16,077,086 |
| General and administrative expenses (Note 12) | **22,578,622** | 13,492,013 |
| Other income (Note 13) | **(971,561)** | (68,255) |
| Interest expense (Note 8) | **30,427** | 17,722 |
| | **61,623,576** | 29,518,566 |
| **NET LOSS** | **(55,878,525)** | (29,518,566) |
| **OTHER COMPREHENSIVE INCOME** | **–** | – |
| **TOTAL COMPREHENSIVE LOSS** | **(₱55,878,525)** | (₱29,518,566) |

*See accompanying Notes to Financial Statements.*

## SOC LAND DEVELOPMENT CORPORATION
**(A Wholly Owned Subsidiary of South China Resources, Inc.)**

## STATEMENTS OF CHANGES IN EQUITY
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

| | Capital Stock (Note 16) | Additional Paid-in Capital (Note 16) | Deficit | Total |
|---|---|---|---|---|
| Balances at December 31, 2010 | ₱10,000,000 | ₱– | (₱2,293,260) | ₱7,706,740 |
| Issuance of capital stock | 31,229,800 | 281,068,200 | – | 312,298,000 |
| Net loss/total comprehensive loss | – | – | (29,518,566) | (29,518,566) |
| Balances at December 31, 2011 | 41,229,800 | 281,068,200 | (31,811,826) | 290,486,174 |
| Net loss/total comprehensive loss | – | – | (55,878,525) | (55,878,525) |
| Balances at December 31, 2012 | ₱41,229,800 | ₱281,068,200 | (₱87,690,351) | ₱234,607,649 |

*See accompanying Notes to Financial Statements.*

## SOC LAND DEVELOPMENT CORPORATION
**(A Wholly Owned Subsidiary of South China Resources, Inc.)**

# STATEMENTS OF CASH FLOWS

| | **2012** | 2011 |
|---|---|---|
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | |
| Net loss | **(₱55,878,525)** | (₱29,518,566) |
| Adjustments for: | | |
| Depreciation expense (Note 8) | **2,665,797** | 877,881 |
| Interest expense | **30,427** | 17,722 |
| Interest income (Note 4) | **(91,628)** | (68,255) |
| Operating loss before working capital changes | **(53,273,929)** | (28,691,218) |
| Decrease (increase) in: | | |
| Receivables | **(6,558,175)** | (3,233,704) |
| Real estate for sale | **(212,440,128)** | (135,317,888) |
| Other current assets | **3,245,594** | (8,615,924) |
| Other noncurrent assets | **(34,883,378)** | – |
| Increase in accounts payable and other liabilities | **34,530,294** | 42,454,836 |
| Net cash used in operations | **(269,379,722)** | (133,403,898) |
| Interest paid | **(30,427)** | (17,722) |
| Interest received | **91,628** | 68,255 |
| Net cash flows used in operating activities | **(269,318,521)** | (133,353,365) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | |
| Acquisitions of property and equipment (Note 8) | **(3,961,547)** | (18,360,654) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Due to parent company (Note 15) | **281,000,000** | 197,732,852 |
| **NET INCREASE IN CASH** | **7,719,932** | 46,018,833 |
| **CASH AT BEGINNING OF YEAR** | **56,023,833** | 10,005,000 |
| **CASH AT END OF YEAR** (Note 4) | **₱63,743,765** | ₱56,023,833 |

*See accompanying Notes to Financial Statements.*

# NOTES TO FINANCIAL STATEMENTS

1. **Organization and Business**

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

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

The registered office address of the Company is 6/F YL Holdings Building, 115 V.A. Rufino corner Salcedo Streets, Legaspi Village, Makati City.

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

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project’s Tandem Building 1 commenced thereafter. As of December 31, 2012 and 2011, structural works has an accomplishment rate of 54.7% and 11.4%, respectively.

On December 14, 2011, the Housing and Land Use Regulatory Board (HLURB) released the Company’s License to Sell (LTS) for the Project. The Company has gained access to local and international markets and is currently marketing the units under the Tandem Building 1.

Approval of the Financial Statements
The financial statements of the Company as of and for the years ended December 31, 2012 and 2011 were approved and authorized for issue by the Board of Directors (BOD) on March 22, 2013.

2. **Summary of Significant Changes in Accounting Policies and Disclosures**

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except, for the following new and amended PFRS and Philippine Interpretations which were adopted as of January 1, 2012. Adoption of these new and amended standards or interpretations did not have any significant impact to the Company except for the additional required disclosures and use of titles, captions and formats of presentation.

PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments did not have significant impact on the Company's financial position or performance.

Philippine Accounting Standard (PAS) 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The Company has no investment property measured at fair value.

Standards Issued but not yet Effective
The Company will adopt the following new, revised and amended PFRS, PAS and Philippine Interpretations enumerated below, as applicable, when these become effective. The Company does not expect the adoption of these PFRS and Philippine Interpretations to have significant impact on its financial statements in the period of initial application, unless stated otherwise.

*Effective in 2013*

PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Company's financial position or performance.

PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of PFRS 10 will have no impact on the Company's financial position or performance.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interest in Joint Venture* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of PFRS 12 will have no impact on the Company's financial position or performance.

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments will affect presentation only and have no impact on the Company's financial position or performance.

PAS 19, *Employee Benefits* (Revised)
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Company has to apply the amendments retroactively to the earliest period presented. The Company has no retirement plan and has not recognized any retirement benefit obligation as of December 31, 2012 and as a result, the amendments will not significantly affect the Company's financial position and financial performance.

PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, JCEs, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the financial statements of the Company.

PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Company expects that this interpretation will not have any impact on its financial position or performance.

The *Annual Improvements to PFRS* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRS. Earlier application is permitted.

PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12.

PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

*Effective in 2014*

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance.

*Effective in 2015*

PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Company is assessing the potential impact of the new standard on the year of initial application.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by

the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Summary of Accounting Policies

Cash
Cash includes cash on hand and with banks.

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

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

*Determination of Fair Value*
The fair value of financial instruments traded in active markets at the reporting date is based on 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. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

The Company has no financial assets and liabilities under Levels 1, 2 and 3 of the fair value hierarchy as of December 31, 2012 and 2011.

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

or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the amount of "Day 1" difference.

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

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

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Company has no financial assets or liabilities at FVPL, HTM investments and AFS financial assets as of December 31, 2012 and 2011.

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

The Company's loans and receivables consist of cash, receivables, and refundable deposits (see Notes 4, 5 and 7).

*Other Financial Liabilities*
Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Company's other financial liabilities consist of accounts payable and other liabilities and due to parent company (see Notes 10 and 15)

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.

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original 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.

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

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

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

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

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

<u>Offsetting Financial Instruments</u>
Financial assets and liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

Cost includes:

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

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

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

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

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

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

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

| | 2012 | 2011 |
|---|---|---|
| Building | 20 | 5 |
| Office and computer equipment | 1-3 | 1-3 |
| Transportation equipment | 5 | 5 |
| Leasehold improvements | 2 | 2 |

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

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

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. This accounting policy applies primarily to the Company's property and equipment.

Common Stock
The Company has issued common stock 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 (Deficit)
The amount included in retained earnings (deficit) includes profit (loss) attributable to the Company's equity holders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when declared. 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 (deficit) may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

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

*Real Estate Sales*
The percentage-of-completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of actual costs incurred to date over the estimated total costs to complete the project. Any excess of collections over the recognized revenue are included under the "Accounts payable and other liabilities" account in the statement of financial position.

If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented as "Customers' deposits" included under the "Accounts payable and other liabilities" account in the statement of financial position.

*Interest Income*
For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the 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.

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 sales*
Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Company's in-house technical staff.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

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

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

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 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" whereas commissions paid in advance are included as part of "Other current assets" in the statement of financial position.

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

*Deferred Tax*
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive 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 foreign exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

Leases

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

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

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

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

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

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

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

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

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

## 3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

*Determination of Functional Currency*

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

*Classification of Financial Instruments*

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

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

*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 commitment on the sale which may be ascertained through the significance of the buyer's initial investment and stage completion of the project. The completion of development is determined based on actual costs incurred over the total estimated development costs reconciled with the engineer's judgment and estimates on the physical portion of contract work done if the development is beyond the preliminary stage.

*Collectibility of Sales Prices*

In determining whether the sales prices are collectible, the Company considers that the initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

*Operating Leases - The Company as Lessee*

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

Estimates

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

*Valuation of Financial Instruments*
PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilized different valuation methodologies. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity. The fair values of the Company's financial assets and liabilities are disclosed in Note 17.

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

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

There are no allowance for impairment losses on receivables as of December 31, 2012 and 2011. Receivables amounted to ₱9.8 million and ₱3.2 million as of December 31, 2012 and 2011, respectively (see Note 5).

*Revenue and Cost Recognition*
The Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenues from real estate, recognized based on the percentage of completion, are measured principally on the basis of the ratio of actual costs incurred to date over the estimated total cost to complete the project.

*Estimated Development Costs*
The total development cost of a project is estimated by the Company's engineers. At each reporting date, these estimates are reviewed and revised when necessary to reflect the current conditions.

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

Real estate for sale at cost amounted to ₱660.1 million and ₱447.6 million as of December 31, 2012 and 2011, respectively. In 2012 and 2011, the Company assessed that the NRV of real estate for sale is higher than cost, hence the Company did not recognize any losses on write down of real estate for sale (see Note 6).

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

In 2012, the Company reviewed the useful life of its building and assessed to change its useful life from 5 years to 20 years as this more accurately reflects the expected period over which the assets will be used.

The change in useful lives was applied prospectively. As a result of the change, depreciation expense decreased by ₱2.4 million while noncurrent assets increased by ₱2.4 million.

The carrying values of property and equipment amounted ₱19.1 million and ₱17.8 million as of December 31, 2012 and 2011, respectively (see Note 8).

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

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

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

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

No provision for impairment loss was recognized in 2012 and 2011. The carrying values of other current assets, excluding refundable deposits amounted to ₱12.9 million and ₱17.0 million as of December 31, 2012 and 2011, respectively (see Note 7).

The carrying values of property and equipment amounted to ₱19.1 million and ₱17.8 million as of December 31, 2012 and 2011, respectively (see Note 8).

*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 Company recognizes deferred tax liabilities from taxable temporary differences.

The Company has deductible temporary differences 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 and unused NOLCO can be utilized. As of December 31, 2012 and 2011, deductible temporary differences and unused NOLCO for which no deferred tax assets were recognized amounted to ₱86.4 million and ₱31.7 million, respectively (see Note 14).

*Estimating Provision for Legal Obligations*
The Company has outstanding legal obligations. The Company's estimate of probable costs for the assessments and resolution of these proceedings have been developed in consultation with outside legal counsel handling the prosecution and defense and is based upon an analysis of potential results. The Company and its legal counsel believe that some of these obligations may have material adverse effect on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these obligations.

The Company's provision for legal obligation pertaining to labor cases amounted to ₱0.5 million as of December 31, 2012 (see Notes 10 and 18).

## 4. **Cash**

| | **2012** | 2011 |
|---|---|---|
| Cash on hand | **₱92,760** | ₱35,000 |
| Cash with banks | **63,651,005** | 55,988,833 |
| | **₱63,743,765** | ₱56,023,833 |

Cash with banks earn interest at the respective bank deposits rates. Interest income earned amounted to ₱91,628 and ₱68,255 in 2012 and 2011, respectively (see Note 13).

## 5. Receivables

| | 2012 | 2011 |
|---|---|---|
| Installment contract receivables | **₱8,225,805** | ₱– |
| Advances to employees | **275,988** | 1,391,552 |
| Others: | | |
| Employees | **897,615** | – |
| Agents | **396,182** | 1,845,863 |
| | **₱9,795,590** | ₱3,237,415 |

Installment Contract Receivables (ICR)
Upon turnover of the inventory in 2013, the full balance of ICR becomes due and demandable. Customers may avail of in-house financing to settle the ICR which will be collectible in monthly installments over a period ranging from one to ten years and bear interest of up to 16.0% per annum, computed daily on the diminishing balance of the principal. Titles to real estate properties are not transferred to the buyers until full payment has been made.

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

Others
Other receivables pertain to cash advances to employees and agents for operational, marketing and corporate-related expenses. These advances are expected to be liquidated within the next financial year.

No impairment loss on receivables was recognized in 2012 and 2011.

## 6. Real Estate for Sale

| | 2012 | 2011 |
|---|---|---|
| Land | **₱309,327,632** | ₱312,298,000 |
| Construction/development costs incurred | **350,728,384** | 135,317,888 |
| | **₱660,056,016** | ₱447,615,888 |

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

| | 2012 | 2011 |
|---|---|---|
| Balances at beginning of year | **₱447,615,888** | ₱– |
| Land acquired during the year (see Note 16) | – | 312,298,000 |
| Construction/development costs incurred (see Note 18) | **226,998,844** | 135,317,888 |
| Disposals (recognized as cost of real estate sold) | **(14,558,716)** | – |
| | **₱660,056,016** | ₱447,615,888 |

In 2012, the amount of land and development costs recognized as “Cost of real estate sold” in the statements of comprehensive income amounted to ₱14.6 million. In 2011, no revenue and cost from sale of real estate were recognized.

The land and development costs are carried at cost. The Company assessed that the NRV of real estate for sale is higher than cost and did not recognize any loss on write down of real estate for sale in 2012 and 2011.

## 7. Other Current Assets

| | **2012** | 2011 |
|---|---|---|
| Input VAT | **₱9,727,659** | ₱16,587,473 |
| Prepaid commission | **2,547,172** | – |
| Refundable deposits (see Note 18) | **1,225,210** | 355,520 |
| Prepaid tax | **400,070** | 400,070 |
| Advances to suppliers and contractors | **48,648** | 7,969 |
| Others | **204,259** | 47,580 |
| | **₱14,153,018** | ₱17,398,612 |

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

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

Advances to Suppliers and Contractors
Advances to suppliers and contractors refer to payments made by the Company to suppliers and contractors for future services. These advances will be applied proportionately to every progress billing. Advances are generally liquidated within a year.

## 8. Property and Equipment

**2012**

| | Building | Office and Computer Equipment | Transportation Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Balances at beginning of year | ₱15,451,939 | ₱2,214,494 | ₱741,071 | ₱261,596 | ₱18,669,100 |
| Additions | 913,717 | 3,047,830 | – | – | 3,961,547 |
| Balances at end of year | 16,365,656 | 5,262,324 | 741,071 | 261,596 | 22,630,647 |
| **Accumulated depreciation and amortization:** | | | | | |
| Balances at beginning of year | – | 641,230 | 61,756 | 190,851 | 893,837 |
| Depreciation and amortization (see Notes 11 and 12) | 801,125 | 1,645,713 | 148,214 | 70,745 | 2,665,797 |
| Balances at end of year | 801,125 | 2,286,943 | 209,970 | 261,596 | 3,559,634 |
| **Net book values** | ₱15,564,531 | ₱2,975,381 | ₱531,101 | ₱– | ₱19,071,013 |

2011

| | Building | Office and Computer Equipment | Transportation Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|---|
| Cost: | | | | | |
| Balances at beginning of year | ₱– | ₱308,446 | ₱– | ₱– | ₱308,446 |
| Additions | 15,451,939 | 1,906,048 | 741,071 | 261,596 | 18,360,654 |
| Balances at end of year | 15,451,939 | 2,214,494 | 741,071 | 261,596 | 18,669,100 |
| Accumulated depreciation and amortization: | | | | | |
| Balances at beginning of year | – | 15,956 | – | – | 15,956 |
| Depreciation and Amortization (see Notes 11 and 12) | – | 625,274 | 61,756 | 190,851 | 877,881 |
| Balances at end of year | – | 641,230 | 61,756 | 190,851 | 893,837 |
| Net book values | ₱15,451,939 | ₱1,573,264 | ₱679,315 | ₱70,745 | ₱17,775,263 |

Significant additions to property and equipment in 2011 pertain to the building situated in East Service Road, Barangay Buli, Muntinlupa, which was constructed and completed in 2011. The building is being used by the Company as its marketing and sales office.

In 2011, the Company purchased transportation equipment and paid 20% of the total purchase price in cash while the balance was paid on an installment basis over a period of one (1) year, subject to interest of 3.71% per annum. Interest expense recognized and paid amounted to ₱30,427 in 2012 and ₱17,722 in 2011. The unpaid portion of the purchase price is included under the "Accounts payable and accrued expenses" account and amounted to nil and ₱0.4 million as of December 31, 2012 and 2011, respectively (see Note 10).

## 9. Other Noncurrent Assets

Other noncurrent assets as of December 31, 2012 consists of input VAT that is expected to be offset against output VAT in more than one year and deferred input VAT amounting to ₱34.9 million.

## 10. Accounts Payable and Other Current Liabilities

| | **2012** | 2011 |
|---|---|---|
| Accrued contractors' payables (see Note 18) | **₱20,917,426** | ₱17,069,254 |
| Customers' deposits | **28,013,009** | 19,033,889 |
| Retention payable (see Note 18) | **13,595,561** | 4,105,929 |
| Accounts payable (see Note 8) | **7,329,491** | 465,368 |
| Accrued expenses | **4,084,131** | 1,547,384 |
| Advanced processing fees | **1,413,764** | – |
| Government payables | **1,230,930** | 353,193 |
| Provision for legal obligation (see Note 18) | **520,999** | – |
| | **₱77,105,311** | ₱42,575,017 |

Accrued Contractors' Payables

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

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.

Retention Payable

Retention payable represents the amount retained by the Company as security for any defects and damages on the construction of Tandem Building 1 arising from or due to faulty workmanship and/or defective contractor-supplied materials before the final acceptance of the Tandem Building 1 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.

Accrued Expenses

Accrued expenses include accruals for commissions and professional fees.

Advanced Processing Fees

Advanced processing fees pertain to amounts received from customers in relation to the condominium sales contracts to cover for the cost of transfer of the units which will be remitted by the Company on behalf of the customers. This is computed based on the list price.

Government Payables

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

## 11. Sales and Marketing Expenses

| | 2012 | 2011 |
|---|---|---|
| Advertising (see Note 18) | **₱14,632,823** | ₱7,129,001 |
| Consultancy fees | **11,360,079** | 5,299,494 |
| Product presentation | **4,136,611** | 2,209,006 |
| Salaries and wages | **3,397,172** | 1,090,058 |
| Commissions and incentives | **1,980,090** | 51,234 |
| Utilities | **927,100** | 14,295 |
| Training | **905,824** | 76,803 |
| Transportation and travel | **542,369** | 68,956 |
| Depreciation (see Note 8) | **524,705** | – |
| Supplies | **485,014** | 25,507 |
| Rentals (see Note 18) | **417,337** | 13,960 |
| Communications | **120,918** | 21,552 |
| Repairs and maintenance | **82,077** | 1,887 |
| Others | **473,969** | 75,333 |
| | **₱39,986,088** | ₱16,077,086 |

Others include other expenses directly attributable to sales and marketing.

Personnel expenses consist of:

| | 2012 | 2011 |
|---|---|---|
| Salaries and wages | **₱2,827,319** | ₱1,090,058 |
| Other employee benefits | **569,853** | – |
| | **₱3,397,172** | ₱1,090,058 |

## 12. General and Administrative Expenses

| | 2012 | 2011 |
|---|---|---|
| Salaries and wages | **₱5,775,617** | 6,508,919 |
| Security services | **3,098,467** | – |
| Professional fees | **2,750,464** | 656,314 |
| Depreciation (see Note 8) | **2,141,092** | 877,881 |
| Rentals (see Note 18) | **1,150,622** | 683,564 |
| Entertainment, amusement and recreation | **973,237** | 179,549 |
| Taxes and licenses | **602,562** | 514,671 |
| Communications | **595,350** | 418,249 |
| Provision for legal obligation (see Note 18) | **520,999** | – |
| Utilities | **432,658** | 247,940 |
| Supplies | **374,314** | 481,239 |
| Training | **352,546** | 4,465 |
| Insurance | **229,509** | 26,699 |
| Transportation and travel | **215,420** | 113,282 |

(Forward)

| | 2012 | 2011 |
|---|---|---|
| Dues and subscriptions | **₱89,408** | ₱15,170 |
| Repairs and maintenance | **65,236** | 23,092 |
| Donations | **30,000** | – |
| Consultancy fees | **–** | 316,978 |
| Outside services | **–** | 288,631 |
| Others | **3,181,121** | 2,135,370 |
| | **₱22,578,622** | ₱13,492,013 |

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

Personnel expenses consist of:

| | 2012 | 2011 |
|---|---|---|
| Salaries and wages | **₱4,482,830** | ₱5,089,997 |
| Other employee benefits | **1,292,787** | 1,418,922 |
| | **₱5,775,617** | ₱6,508,919 |

## 13. **Other Income**

| | 2012 | 2011 |
|---|---|---|
| Forfeited buyer deposits | **₱788,699** | ₱– |
| Interest income (see Note 4) | **91,628** | 68,255 |
| Sales  penalty | **91,234** | – |
| | **₱971,561** | ₱68,255 |

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.

## 14. **Income Taxes**

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

| | 2012 | 2011 |
|---|---|---|
| NOLCO | **₱66,273,973** | ₱31,700,532 |
| Difference between tax and book basis of accounting for real estate transactions | **17,736,023** | – |
| Accrued expenses | **1,975,403** | – |
| Provision for legal obligation | **520,999** | – |
| | **₱86,506,398** | ₱31,700,532 |

As of December 31, 2012, the Company has NOLCO that can be claimed as deduction from future taxable income as follows:

| Year Incurred | Year of Expiry | Amount |
|---|---|---|
| 2012 | 2015 | ₱34,573,441 |
| 2011 | 2014 | 29,407,272 |
| 2010 | 2013 | 2,293,260 |
| | | ₱66,273,973 |

Movement of the Company's NOLCO is as follows:

| | **2012** | 2011 |
|---|---|---|
| Balances at beginning of year | **₱31,700,532** | ₱2,293,260 |
| Additions | **34,573,441** | 29,407,272 |
| Balances at end of year | **₱66,273,973** | ₱31,700,532 |

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

| | **2012** | 2011 |
|---|---|---|
| Income tax at statutory tax rate of 30% | **(₱16,763,558)** | (₱8,855,570) |
| Additions to (reductions in) income tax resulting from: | | |
| Change in unrecognized deferred tax assets | **16,441,760** | 8,822,182 |
| Nondeductible expenses | **349,286** | 53,865 |
| Interest income subjected to final tax | **(27,488)** | (20,477) |
| | **₱–** | ₱– |

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

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

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

## 15. Related Party Transactions

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

| | Transaction | Transaction Amount | Outstanding Balance | Terms | Conditions |
|---|---|---|---|---|---|
| Parent: | | | | | |
| SCRI | | | | | |
| **2012** | Advances | **₱281,000,000** | **₱489,989,820** | Due and | Unsecured; |
| 2011 | | ₱197,732,852 | ₱208,989,820 | demandable | No impairment |

Due to parent company represent advances received to finance the construction of Tandem Building 1 (see Note 1).

Key Management Personnel Compensation

Short-term employee benefits of key management personnel amounted to ₱2.8 million and ₱2.6 million in 2012 and 2011, respectively.

## 16. Equity

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

| | **December 31, 2012** | | December 31, 2011 | |
|---|---|---|---|---|
| | **No. of Shares** | **Amount** | No. of Shares | Amount |
| Authorized - ₱100 par value | **1,600,000** | **₱160,000,000** | 1,600,000 | ₱160,000,000 |
| Issued and subscribed | **712,298** | **41,229,800** | 712,298 | 41,229,800 |

On March 4, 2011, SCRI transferred land with a fair value of ₱312.3 million to the Company in exchange for 312,298 additional shares in the Company (see Note 6)

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

## 17. Financial Instruments

Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

A high grade financial asset pertains to a counterparty that is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard grade financial assets pertain to other financial assets not belonging to high quality financial assets.

The tables below show the credit quality by class of financial assets based on the Company's rating system as of December 31, 2012 and 2011:

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due Nor Impaired | | | | |
| | High Grade | Standard Grade | Past Due But Not Impaired | Impaired | Total |
| **Loans and receivables** | | | | | |
| **Cash*** | **₱63,651,005** | **₱–** | **₱–** | **₱–** | **₱63,651,005** |
| **Receivables** | **8,225,805** | **–** | **–** | **–** | **8,225,805** |
| **Refundable deposits** | **–** | **1,225,210** | **–** | **–** | **1,225,210** |
| | **₱71,876,810** | **₱1,225,210** | **₱–** | **₱–** | **₱73,102,020** |

**Excluding cash on hand.*

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due Nor Impaired | | | | |
| | High Grade | Standard Grade | Past Due But Not Impaired | Impaired | Total |
| Loans and receivables | | | | | |
| Cash* | ₱55,988,833 | ₱– | ₱– | ₱– | ₱55,988,833 |
| Refundable deposits | – | 355,520 | – | – | 355,520 |
| | ₱55,988,833 | ₱355,520 | ₱– | ₱– | ₱56,344,353 |

**Excluding cash on hand.*

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

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

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

The tables below show the aging analysis of the Company's financial assets per class as of December 31, 2012 and 2011. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

| | **2012** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Past Due but Not Impaired** | | | | | |
| | **Neither Past Due nor Impaired** | **Less than 30 Days** | **31 to 60 Days** | **61 to 90 Days** | **More than 91 Days** | **Impaired** | **Total** |
| **Loans and receivables** | | | | | | | |
| **Cash** | **₱63,651,005** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱63,651,005** |
| **Receivables** | **8,225,805** | **–** | **–** | **–** | **–** | **–** | **8,225,805** |
| **Refundable deposits** | **1,225,210** | **–** | **–** | **–** | **–** | **–** | **1,225,210** |
| | **₱73,102,020** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱73,102,020** |

**Excluding cash on hand.*

| | 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Past Due but Not Impaired | | | | | |
| | Neither Past Due nor Impaired | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | More than 91 Days | Impaired | Total |
| Loans and receivables | | | | | | | |
| Cash | ₱55,988,833 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱55,988,833 |
| Refundable deposits | 355,520 | – | – | – | – | – | 355,520 |
| | ₱56,344,353 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱56,344,353 |

**Excluding cash on hand.*

*Liquidity Risk*

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

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

| | **2012** | | | | | |
|---|---|---|---|---|---|---|
| | **Total** | **On Demand** | **Less than 3 Months** | **3 to 6 Months** | **6 to 12 Months** | **More than 1 Year** |
| **Financial Assets:** | | | | | | |
| **Cash** | **₱63,743,765** | **₱63,743,765** | **₱–** | **₱–** | **₱–** | **₱–** |
| **Receivables** | **8,225,805** | **8,225,805** | – | – | – | – |
| | **₱71,969,570** | **₱71,969,570** | **₱–** | **₱–** | **₱–** | **₱–** |
| **Financial Liabilities:** | | | | | | |
| **Accounts payable and other liabilities** | **₱47,340,372** | **₱–** | **₱47,340,372** | **₱–** | **₱–** | **₱–** |
| **Due to parent company** | **489,989,820** | **489,989,820** | – | – | – | – |
| | **₱537,330,192** | **₱489,989,820** | **₱47,340,372** | **₱–** | **₱–** | **₱–** |

| | 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Total | On Demand | Less than 3 Months | 3 to 6 Months | 6 to 12 Months | More than 1 Year |
| Financial Assets: | | | | | | |
| Cash | ₱56,023,833 | ₱56,023,833 | ₱– | ₱– | ₱– | ₱– |
| | ₱56,023,833 | ₱56,023,833 | ₱– | ₱– | ₱– | ₱– |
| Financial Liabilities: | | | | | | |
| Accounts payable and other liabilities | ₱23,187,935 | ₱– | ₱23,187,935 | ₱– | ₱– | ₱– |
| Due to parent company | 208,989,820 | 208,989,820 | – | – | – | – |
| | ₱232,177,755 | ₱208,989,820 | ₱23,187,935 | ₱– | ₱– | ₱– |

Fair Values of Financial Instruments

| | Carrying Values | | Fair Values | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| **Financial Assets** | | | | |
| Loans and receivables: | | | | |
| Cash | **₱63,743,765** | ₱56,023,833 | **₱63,743,765** | ₱56,023,833 |
| Receivables | **8,225,805** | – | **8,225,805** | – |
| Refundable deposits | **1,225,210** | 355,520 | **1,225,210** | 355,520 |
| | **₱73,194,780** | ₱56,379,353 | **₱73,194,780** | ₱56,379,353 |

(Forward)

| | Carrying Values | | Fair Values | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| **Financial Liabilities** | | | | |
| Other financial liabilities: | | | | |
| Accounts payable and other liabilities | **₱47,340,372** | ₱23,187,935 | **₱47,340,372** | ₱23,187,935 |
| Due to parent company | **489,989,820** | 208,989,820 | **489,989,820** | 208,989,820 |
| | **₱537,330,192** | ₱232,177,755 | **₱537,330,192** | ₱232,177,755 |

The following method and assumption was used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

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

| | **2012** | 2011 |
|---|---|---|
| Due to parent company | **₱489,989,820** | ₱208,989,820 |
| Capital stock | **41,229,800** | 41,229,800 |
| Additional paid-in capital | **281,068,200** | 281,068,200 |
| Deficit | **(87,690,351)** | (31,811,826) |
| | **₱724,597,469** | ₱499,475,994 |

## 18. **Contracts and Commitments**

The Company has the following significant commitments and agreements:

Construction Agreements and Purchase Commitments
On various dates in 2011 and 2012, the Company entered into various construction-related contracts for the Tandem Building 1. 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 Tandem Building 1.

These agreements require down payment of 15% to 20% of the contract price while the balance will be settled through progress billings. The agreements also include a provision whereby the Company shall deduct 10% retention from every progress payment until full completion of the project work. Retention payable related to these contracts amounted to ₱13.6 million and ₱4.1 million as of December 31, 2012 and 2011, respectively (see Note 10). These are expected to be settled upon completion of the Tandem Building 1 in 2013.

On various dates in 2011 and 2012, the Company entered into agreements to purchase steel, pipes and other construction materials. Outstanding purchase commitments amounted to ₱49.6 million and ₱70.8 million as of December 31, 2012 and 2011, respectively.

The estimated construction and development cost of the Tandem Building 1 is approximately ₱621.3 million. Costs capitalized as real estate for sale amounted to ₱227.0 million and ₱135.3 million in 2012 and 2011, respectively (see Note 6). Accrued liabilities related to these contracts amounted to ₱20.9 million and ₱17.1 million as of December 31, 2012 and 2011, respectively (see Note 10).

Advertising Agreements

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

Sales and marketing expenses related to these agreements amounted to ₱14.6 million and ₱7.1 million in 2012 and 2011, respectively (see Note 11).

Lease Agreements

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

The Company paid security deposit amounting to ₱0.2 million to answer for any and all damages to the leased premises and as security for the return of the leased premises in proper condition (see Note 7). The related rent expense recognized by the Company amounted to ₱1.6 million and ₱0.7 million in 2012 and 2011, respectively (see Notes 11 and 12).

Minimum lease payment within a year is ₱60,180.

Contingencies

The Company is contingently liable for amounts arising from lawsuits or claims. On December 3, 2012, the Company received a copy of the decision that ruled against the Company. The Company recognized provision arising from the legal obligation amounting to ₱0.5 million (see Notes 10 and 12).

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

## 19. **Other Matters**

The composition of the selling and marketing and general and administrative expenses accounts in the 2011 financial statements was reclassified to conform to the 2012 presentation of the financial statements.

Advances to suppliers and contractors amounting to ₱7,969 which was classified as "Receivables" in the 2011 financial statements has been reclassified as "Other current assets" to conform to the 2012 presentation of the financial statements.

The reclassifications have no impact on the Company's financial position, financial performance and cash flows.

## 20. **Supplementary Information Required Under Revenue Regulation 19-2011**

On December 9, 2011, the BIR has issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011. In the case of corporations using BIR Form 1702, the taxpayer is now required to include as part of its Notes to the Audited Financial Statements, which will be attached to the income tax return, schedules and information on taxable income and deductions taken.

The schedule and information of taxable income and deductions taken are as follows:

a. Taxable sales, revenues, receipts and fees for the year ended December 31, 2012 consists of:

| | |
|---|---|
| Sale of real estate | ₱38,039,790 |

b. Deductible cost of real estate sold for the year ended December 31, 2012 consists of:

| | |
|---|---|
| Cost of real estate sold | ₱14,558,716 |

c. Taxable other income for the year ended December 31, 2012 consists of:

| | |
|---|---|
| Forfeited buyer deposits | ₱788,699 |
| Penalty | 91,234 |
| | ₱879,933 |

d. Itemized deductions for the year ended December 31, 2012 consists of:

| | |
|---|---|
| Advertising and promotions | ₱14,632,823 |
| Management and consultancy fees | 11,360,079 |
| Salaries and allowances | 8,708,606 |
| Security services | 3,098,467 |
| Professional fees | 2,750,464 |
| Depreciation | 2,665,797 |
| Communication, light and water | 2,076,026 |
| Commissions | 1,733,357 |
| Miscellaneous | 1,575,171 |
| Rentals | 1,567,959 |

| | |
|---|---:|
| Trainings and seminars | 1,258,370 |
| Office supplies | 859,328 |
| Transportation and travel | 757,789 |
| Taxes and licenses | 602,562 |
| SSS, GSIS, Philhealth, HDMF and Other Contributions | 464,183 |
| Insurance | 229,509 |
| Repairs and maintenance | 147,313 |
| Representation and entertainment | 190,199 |
| Interest | 30,427 |
| Others: | |
| Product presentation | 4,136,611 |
| Dues and subscription | 89,408 |
| | ₱58,934,448 |

e. Taxes and licenses for the year ended December 31, 2012 consists of:

| | Official receipt number | Date paid | Amount |
|---|---:|---:|---:|
| Real property tax (1st quarter) | 044678 | 3/30/2012 | ₱145,939 |
| Real property tax (2nd quarter) | 0351371 | 6/29/2012 | 145,939 |
| Real property tax (3rd quarter) | 0358156 | 9/21/2012 | 145,939 |
| Real property tax (4th quarter) | 0361000 | 12/21/2012 | 145,939 |
| Business permit | MKTCF 1551205 | 01/31/2012 | 13,100 |
| Barangay business permit | 0995971 | 03/15/2012 | 2,750 |
| Barangay clearance | 960382010 | 01/03/2012 | 1,400 |
| Community tax certificate | CC12010 35172848 | 03/15/2012 | 1,056 |
| SEC registration | 0703862 | 03/22/2012 | 500 |
| | | | ₱602,562 |

## 21. Supplementary Information Required Under Revenue Regulation 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes and license fees paid or accrued in 2012:

VAT

Net sales/receipts and output VAT declared in the Company's VAT returns for 2012:

| | Net Sales/ Receipts | Output VAT |
|---|---:|---:|
| Taxable Sales: | | |
| Sales of services | ₱523,779 | ₱62,853 |
| Exempt Sales | 4,016,800 | – |
| | ₱4,540,579 | ₱62,583 |

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

Details of the Company's input VAT as at December 31, 2012 are as follows:

| | |
|---|---|
| Input VAT, beginning of the year | ₱15,188,266 |
| Current year domestic purchases/payments for: | |
| Goods other than capital goods | 12,414,446 |
| Services | 13,189,814 |
| Application against output VAT | (62,583) |
| Input VAT, end of the year | ₱40,729,943 |

Withholding Taxes

The Company has withholding taxes for the year ended December 31, 2012 as follows:

| | |
|---|---|
| Tax on compensation and benefits | ₱744,233 |
| Expanded withholding taxes | 459,572 |
| | ₱1,203,805 |

Tax on compensation and benefits and expanded withholding taxes are recorded under the "Cost of services" and "General and administrative" accounts.

Other Taxes and Licenses

In 2012, the Company has paid taxes and licenses which is lodged under "General and administrative expenses" in the statement of comprehensive income as follows:

| | |
|---|---|
| Real property taxes | ₱583,756 |
| Business permits | 18,806 |
| | ₱602,562 |

## SOC LAND DEVELOPMENT CORPORATION

### SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
### DECEMBER 31, 2012

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2012:

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2012 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| **PFRSs Practice Statement Management Commentary** | | | | ✓ |
| **Philippine Financial Reporting Standards** | | ✓ | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| **PFRS 2** | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | | | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | | | ✓ |
| **PFRS 3 (Revised)** | Business Combinations | | | ✓ |
| **PFRS 4** | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | | | ✓ |

* Not early adopted

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2012 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | | ✓* | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | ✓* | |
| **PFRS 8** | Operating Segments | | | ✓ |
| **PFRS 9** | Financial Instruments | | ✓* | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures | | ✓* | |
| **PFRS 10** | Consolidated Financial Statements | | ✓* | |
| **PFRS 11** | Joint Arrangements | | ✓* | |
| **PFRS 12** | Disclosure of Interests in Other Entities | | ✓* | |
| **PFRS 13** | Fair Value Measurement | | ✓* | |
| **Philippine Accounting Standards** | | | | |
| **PAS 1 (Revised)** | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | | ✓* | |
| **PAS 2** | Inventories | ✓ | | |
| **PAS 7** | Statement of Cash Flows | ✓ | | |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| **PAS 10** | Events after the Reporting Date | ✓ | | |
| **PAS 11** | Construction Contracts | ✓ | | |
| **PAS 12** | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |

* Not early adopted

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2012 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19** | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures | | | ✓ |
| **PAS 19 (Amended)** | Employee Benefits | | ✓* | |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | | |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| **PAS 27** | Consolidated and Separate Financial Statements | | | ✓ |
| **PAS 27 (Amended)** | Separate Financial Statements | | ✓* | |
| **PAS 28** | Investments in Associates | ✓ | | |
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | | ✓* | |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **PAS 31** | Interests in Joint Ventures | | | ✓ |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | | | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | | ✓* | |
| **PAS 33** | Earnings per Share | | | ✓ |
| **PAS 34** | Interim Financial Reporting | | | ✓ |
| **PAS 36** | Impairment of Assets | ✓ | | |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| **PAS 38** | Intangible Assets | | | ✓ |

* Not early adopted

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2012 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | | | ✓ |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| **PAS 40** | Investment Property | | | ✓ |
| **PAS 41** | Agriculture | | | ✓ |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| **IFRIC 4** | Determining Whether an Arrangement Contains a Lease | ✓ | | |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| **IFRIC 6** | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| **IFRIC 7** | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| **IFRIC 8** | Scope of PFRS 2 | | | ✓ |
| **IFRIC 9** | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives | | | ✓ |
| **IFRIC 10** | Interim Financial Reporting and Impairment | | | ✓ |
| **IFRIC 11** | PFRS 2- Group and Treasury Share Transactions | | | ✓ |
| **IFRIC 12** | Service Concession Arrangements | | | ✓ |

* Not early adopted

| **PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012** | | **Adopted** | **Not Adopted** | **Not Applicable** |
|---|---|---|---|---|
| **IFRIC 13** | Customer Loyalty Programmes | | | ✓ |
| **IFRIC 14** | The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | | | ✓ |
| **IFRIC 18** | Transfers of Assets from Customers | | | ✓ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | ✓* | |
| SIC-7 | Introduction of the Euro | | | ✓ |
| SIC-10 | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| SIC-12 | Consolidation - Special Purpose Entities | | | ✓ |
| | Amendment to SIC - 12: Scope of SIC 12 | | | ✓ |
| SIC-13 | Jointly Controlled Entities - Non-Monetary Contributions by Venturers | | | ✓ |
| SIC-15 | Operating Leases - Incentives | | | ✓ |
| SIC-25 | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |
| SIC-29 | Service Concession Arrangements: Disclosures. | | | ✓ |
| SIC-31 | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| SIC-32 | Intangible Assets - Web Site Costs | | | ✓ |