

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

Financial Statements
December 31, 2013 and 2012

and

Independent Auditors' Report



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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, 2013 and 2012, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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




Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SOC Land Development Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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

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

SYCIP GORRES VELAYO & CO.



Ladislao Z. Avila, Jr.

Partner

CPA Certificate No. 69099

SEC Accreditation No. 0111-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 109-247-891

BIR Accreditation No. 08-001998-43-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225149, January 2, 2014, Makati City

April 11, 2014



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

STATEMENTS OF FINANCIAL POSITION

	December 31	January 1	
	2012	2012	
	(As Restated; Note 2)	(As Restated; Note 2)	
	2013		
ASSETS			
Current Assets			
Cash (Note 4)	₱51,716,096	₱63,743,765	₱56,023,833
Receivables (Note 5)	71,847,209	9,795,590	3,237,415
Real estate for sale (Note 6)	1,042,159,389	660,056,016	447,615,888
Other current assets (Note 7)	66,966,996	14,153,018	17,398,612
Total Current Assets	1,232,689,690	747,748,389	524,275,748
Noncurrent Assets			
Property and equipment (Note 8)	17,173,526	19,071,013	17,775,263
Other noncurrent assets (Note 9)	60,668,880	34,883,378	–
Total Noncurrent Assets	77,842,406	53,954,391	17,775,263
TOTAL ASSETS	₱1,310,532,096	₱801,702,780	₱542,051,011
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities (Note 10)	₱128,202,216	₱77,105,311	₱42,575,017
Due to parent company (Note 16)	1,002,752,029	489,989,820	208,989,820
Total Current Liabilities	1,130,954,245	567,095,131	251,564,837
Noncurrent Liabilities			
Retirement benefit obligation	89,695	155,030	53,962
Total Liabilities	1,131,043,940	567,250,161	251,618,799
Equity (Note 17)			
Capital stock - ₱100 par value			
Authorized - 1,600,000 shares			
Issued and subscribed - 712,298 (net of subscription receivables of ₱30,000,000)	41,229,800	41,229,800	41,229,800
Additional paid-in capital	281,068,200	281,068,200	281,068,200
Deficit	(142,949,439)	(87,818,250)	(31,865,788)
Other comprehensive income	139,595	(27,131)	–
Equity	179,488,156	234,452,619	290,432,212
TOTAL LIABILITIES AND EQUITY	₱1,310,532,096	₱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 LOSS

	Years Ended December 31	
	2013	2012 (As Restated; Note 2)
SALE OF REAL ESTATE	₱82,701,994	₱20,303,767
COST OF REAL ESTATE SOLD (Note 6)	66,460,200	14,558,716
	16,241,794	5,745,051
Sales and marketing expenses (Note 11)	42,642,037	39,986,088
General and administrative expenses (Note 12)	33,073,514	22,652,559
Other income (Note 14)	(4,342,568)	(971,561)
Interest expense	—	30,427
	71,372,983	61,697,513
NET LOSS	55,131,189	55,952,462
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income(loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gains (losses) on defined benefit plan	166,726	(27,131)
TOTAL COMPREHENSIVE LOSS	₱54,964,463	₱55,979,593

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, 2013 AND 2012

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Other Comprehensive Income	Deficit	Total
Balances at January 1, 2012, as previously reported	₱41,229,800	₱281,068,200	₱–	(₱31,811,826)	₱290,486,174
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	(53,962)	(53,962)
Balances at January 1, 2012, as restated	41,229,800	281,068,200	–	(31,865,788)	290,432,212
Net loss, as previously reported	–	–	–	(55,878,525)	(55,878,525)
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	(73,937)	(73,937)
Net loss, as restated	–	–	–	(55,952,462)	(55,952,462)
Balances at December 31, 2012, as restated	41,229,800	281,068,200	(27,131)	(87,818,250)	234,452,619
Net loss	–	–	–	(55,131,189)	(55,131,189)
Other comprehensive income	–	–	166,726	–	166,726
Balances at December 31, 2013	₱41,229,800	₱281,068,200	₱139,595	(₱142,939,439)	₱179,488,156

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CASH FLOWS

	2013	2012 (As Restated; Note 2)
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	(¥55,131,189)	(¥55,952,462)
Adjustments for:		
Depreciation expense (Note 8)	2,611,150	2,665,797
Interest income (Note 4)	(83,956)	(91,628)
Interest expense	–	30,427
Operating loss before working capital changes	(52,603,995)	(53,347,866)
Decrease (increase) in:		
Receivables	(62,051,619)	(6,558,175)
Real estate for sale	(382,103,373)	(212,440,128)
Other current assets	(52,813,978)	3,245,594
Increase in:		
Accounts payable and other current liabilities	51,096,905	34,530,294
Retirement benefit obligation	101,391	73,937
Net cash flows used in operations	(498,374,669)	(234,496,344)
Interest received	83,956	91,628
Interest paid	–	(30,427)
Net cash flows used in operating activities	(498,290,713)	(234,435,143)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 8)	(713,664)	(3,961,547)
Increase in other noncurrent assets	(25,785,501)	(34,883,378)
Net cash flows used in investing activities	(26,499,165)	(38,844,925)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to parent company (Note 16)	512,762,209	281,000,000
NET INCREASE (DECREASE) IN CASH	(12,027,669)	7,719,932
CASH AT BEGINNING OF YEAR	63,743,765	56,023,833
CASH AT END OF YEAR (Note 4)	¥51,716,096	¥63,743,765

See accompanying Notes to Financial Statements.



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

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, 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, 2013 and 2012, structural works has an accomplishment rate of 86.71% and 54.7%, respectively.

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

The Company had ventured into the horizontal development arena. The company has recently acquired a property in Binan, Laguna and will be the first house and lot/lots only project of the Company that will be known as Althea Residences. Strategically located and just a stone’s throw away from Binan Municipal Hall, Althea Residences is positioned to set the trend in middle income housing with competitive pricing. The project will be formally launched in the second quarter of 2014 and initially offer 214 choice lots, commercial and residential combined. With 214



choice lots - 43 commercial and 171 residential lots, Althea is positioned to cater to the middle income market with competitive pricing. A total of 64 house and lot packages are also available as part of the allocated residential lots which are as follows:

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

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

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

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

Approval of the Financial Statements

The financial statements of the Company as at and for the years ended December 31, 2013 and 2012 were approved and authorized for issue by the Board of Directors (BOD) on April 11, 2014.

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.

The nature and the impact of each new standards and amendments are described below:

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2013

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations from IFRIC and improved PFRS which the Company has adopted starting January 1, 2013. Unless



otherwise indicated, the adoption did not have any significant impact on the financial statements of the Company.

- 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, *Financial Instruments: Presentation*. 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.

- PFRS 10, *Consolidated Financial Statements*

The Company adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 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.

- PFRS 11, *Joint Arrangements*

PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities 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 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).



- *PFRS 13, Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.
- *PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will 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 affect presentation only and have no impact on the Company’s financial position or performance.
- *PAS 19, Employee Benefits (Revised)*
For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

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

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

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

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



The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows (in ₱):

	Balance as previously reported	Effect of change in accounting policy	Balance as restated
Retirement benefit obligation as of January 1, 2012	–	53,962	53,962
Deficit as of January 1, 2012	31,811,826	(53,962)	31,865,788
Retirement benefit obligation as of December 31, 2012	–	155,030	155,030
Deficit as of December 31, 2012	87,690,351	(127,899)	87,818,250
Other comprehensive loss as of December 31, 2012	–	(27,131)	(27,131)
Personnel costs for the year ended December 31, 2012	9,798,893	73,937	9,872,830
Net loss for the year ended December 31, 2012	55,878,525	(73,937)	55,952,462
Other comprehensive income for the year ended December 31, 2012	–	(27,131)	(27,131)

The adoption did not have any significant impact on the statements of cash flows.

- 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, jointly controlled entities, and associates in the separate financial statements.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the issuance of the new PFRS 11 and PFRS 12, 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 IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.
- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments)*
The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans.



Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs (2009-2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The Company adopted these amendments for the current year.

- *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*
These 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. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. 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. The amendment does not have any significant impact on the Company's financial position or performance.
- *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, *Income Taxes*. The amendment does not have any significant impact on the Company's financial position or performance.
- *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.



New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2013

The Company will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new standards and interpretations to have any significant impact on the Company's financial statements.

Effective in 2014

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36, *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance.
- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 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. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.



Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Company's financial position or performance.
- PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Company's financial position or performance.
- PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a



business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in 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 to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- 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 SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

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.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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



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

The Company's valuation committee determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring measurement. The valuation committee comprises of the head of the risk management department and chief finance officers.

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

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

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

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

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

The Company has financial assets under Levels 1 and 2 of the fair value hierarchy as of December 31, 2013 and 2012 (see Note 18).

"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, 2013 and 2012.

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" under "Other current assets" in the statement of financial position.

Other Financial Liabilities

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

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

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



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

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

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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



Financial Liabilities

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

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

Offsetting Financial Instruments

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.

Sale of Real Estates

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.

Input Value-Added Tax (VAT)

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

Advances to Suppliers and Contractors

Advances to contractors represent advance payments on services to be incurred in connection with the Company's operations. Advances to contractors are recognized under "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:

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

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

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

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.

Capital Stock

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

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

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

Retained Earnings (Deficit)

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

Revenue Recognition

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

Sale of Real Estate

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

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

Interest Income

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



Costs and Expenses

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

Cost of real estate sold

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

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

Sales and marketing expense

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

General and Administrative Expenses

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

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 expenses" 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 current 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 Sale of Real Estate

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. Sale of real estate amounted to ₱82.7 million and ₱20.3 million in 2013 and 2012, respectively.

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 18.



Impairment Losses on Receivables

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

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

There are no allowance for impairment losses on receivables as of December 31, 2013 and 2012. Receivables amounted to ₱71.8 million and ₱9.8 million as of December 31, 2013 and 2012, 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 ₱1,042.2 million and ₱660.1 million as of December 31, 2013 and 2012, respectively. In 2013 and 2012, 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 ₱17.1 million and ₱19.1 million as of December 31, 2013 and 2012, respectively (see Note 8).

Impairment of Nonfinancial Assets

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

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

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

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

No provision for impairment loss was recognized in 2013 and 2012. The carrying values of other current assets, excluding refundable deposits, amounted to ₱ 65.7 million and ₱12.9 million as of December 31, 2013 and 2012, respectively (see Note 7). The carrying values of property and equipment amounted to ₱17.1 million and ₱19.1 million as of December 31, 2013 and 2012, respectively.

Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and excess MCIT to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Conversely, the 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, 2013 and 2012, deductible



temporary differences and unused NOLCO for which no deferred tax assets were recognized amounted to ₱ 139.3 million and ₱86.5 million, respectively (see Note 15).

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 presented under “Accounts payable and other current liabilities” amounted to ₱0.5 million as of December 31, 2012 (see Notes 10 and 19).

4. **Cash**

	2013	2012
Cash on hand	₱669,906	₱92,760
Cash with banks	51,046,190	63,651,005
	₱51,716,096	₱63,743,765

Cash with banks earn interest at the respective bank deposits rates. Interest income earned amounted to ₱83,956 and ₱91,628 in 2013 and 2012, respectively (see Note 14).

5. **Receivables**

	2013	2012
Installment contract receivables	₱60,584,552	₱8,225,805
Advances to contractors and suppliers	6,465,626	–
Advances to employees	2,351,546	275,988
Others:		
Agents	2,445,485	396,182
Employees	–	897,615
	₱71,847,209	₱9,795,590

Installment Contract Receivables (ICR)

Upon turnover of the inventory in 2014, the full balance of ICR becomes due and demandable. Customers may avail of in-house financing to settle the ICR which will be collectible in monthly installments over a period ranging from one to ten years. Titles to real estate properties are not transferred to the buyers until full payment has been made.

Advances to Employees

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



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 2013 and 2012.

6. Real Estate for Sale

	2013	2012
Land	₱304,381,388	₱309,327,632
Construction/development costs incurred	618,036,421	350,728,384
Real estate for development	119,741,580	–
	₱1,042,159,389	₱660,056,016

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

	2013	2012
Balances at beginning of year	₱660,056,016	₱447,615,888
Construction/development costs incurred	618,036,421	226,998,844
Disposals (recognized as cost of real estate sold)	(66,460,200)	(14,558,716)
	₱1,042,159,389	₱660,056,016

The amount of land and development costs recognized as “Cost of real estate sold” in the statements of comprehensive income amounted to ₱66.4 million and ₱14.6 million in 2013 and 2012, respectively.

Real estate for development pertains to land purchased for the development of the Althea Residences. (See Note 1)

7. Other Current Assets

	2013	2012
Input VAT	₱49,784,868	₱9,727,659
Deferred charges	15,278,901	–
Refundable deposits (see Note 18)	1,273,210	1,225,210
Prepaid tax	400,070	400,070
Prepaid commission	–	2,547,172
Others	229,947	252,907
	₱66,966,996	₱14,153,018

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 are composed of security deposits related to the Company’s lease agreement and utilities deposits.



8. Property and Equipment

2013

	Building	Office and Computer Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost:					
Balances at beginning of year	₱16,365,656	₱5,262,324	₱741,071	₱261,596	₱22,630,647
Additions	–	713,663	–	–	713,664
Balances at end of year	16,365,656	5,975,987	741,071	261,596	23,344,310
Accumulated depreciation and amortization:					
Balances at beginning of year	801,125	2,286,943	209,970	261,596	3,559,634
Depreciation and amortization (see Notes 11 and 12)	818,283	1,644,654	148,213	–	2,611,150
Balances at end of year	1,619,408	3,931,597	358,183	261,596	6,170,784
Net book values	₱14,746,248	₱2,044,390	₱382,888	₱–	₱17,173,526

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

9. Other Noncurrent Assets

Other noncurrent assets as of December 31, 2013 and 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 ₱60.7 million and ₱34.9 million, respectively

10. Accounts Payable and Other Current Liabilities

	2013	2012
Customers' deposits	₱50,862,091	₱28,013,009
Accounts payable	37,784,967	7,329,491
Retention payable (see Note 19)	29,159,504	13,595,561
Accrued expenses	6,727,122	4,084,131
Government payables	3,060,231	1,230,930
Accrued contractors' payables (see Note 19)	–	20,917,426
Others (see Note 18)	608,301	1,934,763
	₱128,202,216	₱77,105,311



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.

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

	2013	2012 (As restated; see Note 2)
Commissions and incentives	₱13,904,791	₱1,980,090
Consultancy fees	9,200,325	11,360,079
Product presentation	6,263,599	4,136,611
Advertising (see Note 19)	4,711,322	14,632,823
Personnel costs	3,446,174	3,397,172
Utilities	1,277,528	927,100
Rentals (see Note 19)	1,109,514	417,337
Depreciation (see Note 8)	719,206	524,705
Training	646,948	905,824
Transportation and travel	519,629	542,369
Supplies	454,089	485,014
Communications	209,725	120,918
Repairs and maintenance	114,895	82,077
Others	64,292	473,969
	₱42,642,037	₱39,986,088



Personnel costs consist of:

	2013	2012 (As restated; see Note 2)
Salaries and wages	₱2,851,802	₱2,827,319
Other employee benefits	594,372	569,853
	₱3,446,174	₱3,397,172

12. General and Administrative Expenses

	2013	2012 (As Restated; see Note 2)
Security services	₱9,043,196	₱3,098,467
Personnel costs	6,528,047	5,849,554
Professional fees	5,345,700	2,750,464
Taxes and licenses	5,038,155	602,562
Depreciation (see Note 8)	1,891,944	2,141,092
Rentals (see Note 19)	769,637	1,150,622
Communications	717,039	595,350
Entertainment, amusement and recreation	693,498	973,237
Supplies	587,985	374,314
Transportation and travel	530,679	215,420
Training	264,916	352,546
Repairs and maintenance	199,919	65,236
Utilities	163,410	432,658
Dues and subscriptions	142,049	89,408
Donations	141,933	30,000
Insurance	101,733	229,509
Provision for legal obligation (see Note 19)	-	520,999
Others	913,674	3,181,121
	₱33,073,514	₱22,652,559

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

Personnel costs consist of:

	2013	2012 (As Restated; see Note 2)
Salaries and wages	₱5,324,265	₱4,482,830
Other employee benefits	1,102,391	1,292,787
Pension expense	101,391	73,937
	₱6,528,047	₱5,849,554



13. Retirement Benefit Plan

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

Retirement benefit expense in 2013 and 2012 recognized in the statements of comprehensive income are as follows:

	2013	2012 (As restated; see Note 2)
Current service cost	₱93,577	₱70,917
Interest cost	7,814	3,022
Expense recognized during the year	₱101,391	₱73,939

As at December 31, 2013 and 2012, the amounts recognized in the statement of financial position as retirement benefit obligation are as follows:

	2013	2012 (As restated; see Note 2)
Opening present value of obligation	₱155,030	₱53,962
Current service cost	93,577	70,917
Benefits paid	7,814	3,020
Change in assumptions	5,970	9,248
Experience adjustments	(172,696)	17,883
Closing present value of obligation	₱ 89,695	₱155,030

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

	2013	2012
Discount rate	4.42%	5.04%
Salary increase rate	10.00%	10.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2013, assuming all other assumptions were held constant:

	Increase/(Decrease) (In percentage point)	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	(₱9,412)
	-1%	10,986
Future salary increase rate	+1%	9,636
	-1%	(8,509)



14. Other Income

	2013	2012
Forfeited buyer deposits	₱3,828,230	₱788,699
Sales penalty	430,011	91,234
Interest income (see Note 4)	83,956	91,628
Others	371	-
	₱4,342,568	₱971,561

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

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

15. Income Taxes

The 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:

	2013	2012
NOLCO	₱102,165,642	₱66,273,973
Difference between tax and book basis of accounting for real estate transactions	34,035,898	17,736,023
Accrued expenses	2,563,811	1,975,403
Provision for legal obligation	520,999	520,999
	₱139,286,350	₱86,506,398

The Company has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiry	Amount
2013	2014	₱38,184,929
2012	2015	34,573,441
2011	2014	29,407,272
		₱102,165,642

Movement of the Company's NOLCO is as follows:

	2013	2012
Balances at beginning of year	₱66,273,973	₱31,700,532
Additions	38,184,929	34,573,441
Expirations	(2,293,260)	-
Balances at end of year	₱102,165,642	₱66,273,973



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:

	2013	2012
Income tax at statutory tax rate of 30%	P (16,539,357)	(P16,785,739)
Additions to (reductions in) income tax resulting from:		
Change in unrecognized deferred tax assets	16,521,964	16,463,941
Nondeductible expenses	42,580	349,286
Interest income subjected to final tax	(25,187)	(27,488)
	P-	P-

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 2 buildings.

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

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

16. Related Party Transactions

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



	Nature	Transaction Amount	Outstanding Balance	Terms	Conditions
Parent:					
SCRI					
2013	Payable	₱512,762,209	₱1,002,752,029	Due and	Unsecured;
2012		₱281,000,000	₱489,989,820	demandable	No impairment

Due to parent company represent amounts received by the Company 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 ₱2.1 million and ₱1.8 million in 2013 and 2012, respectively.

17. Equity

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

	December 31, 2013		December 31, 2012	
	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.

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

18. Financial Instruments

Financial Risk Management Objectives and Policies

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

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



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

Credit Risk

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

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

The maximum exposure to credit risk for financial assets, which is composed of cash, 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, 2013 and 2012:

	2013		Past Due But Not Impaired	Impaired	Total
	Neither Past Due Nor High Grade	Standard Grade			
Loans and receivables					
Cash*	₱51,046,190	–	–	–	₱51,046,190
Receivables	60,584,552	2,445,485	–	–	63,030,037
Refundable deposits	–	1,273,210	–	–	1,273,210
	₱111,630,742	₱3,718,695	–	–	₱115,349,437

*Excluding cash on hand.



	2012				
	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
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.

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, 2013 and 2012. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2013						
	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days		
Loans and receivables							
Cash	₱51,046,190	₱-	₱-	₱-	₱-	₱-	₱51,046,190
Receivables	63,030,037	-	-	-	-	-	63,030,037
Refundable deposits	1,273,210	-	-	-	-	-	1,273,210
	₱115,349,437	₱-	₱-	₱-	₱-	₱-	₱115,349,437

*Excluding cash on hand.

	2012						
	Neither Past Due nor Impaired	Past Due but Not Impaired				Impaired	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	More than 91 Days		
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.

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.

2013

	Total	On Demand	Less than 3 Months
Financial Assets:			
Cash	₱51,716,096	₱51,716,096	₱-
Receivables	63,030,037	60,584,552	2,445,485
	114,746,133	112,300,648	2,445,485
Financial Liabilities:			
Accounts payable and other current liabilities	128,202,214	-	128,202,214
Due to parent company	1,002,752,029	1,002,752,029	-
	1,130,954,243	1,002,752,029	128,202,214
Net Exposure	(₱1,016,208,110)	(₱890,451,381)	(₱125,756,729)

2012

	Total	On Demand	Less than 3 Months
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 current 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
Net exposure	(₱465,360,622)	(₱418,020,250)	(₱47,340,372)

Cash, Receivables, Refundable Deposits, Accounts Payable and Other Current Liabilities and Due to Parent Company

Due to the short-term nature of transactions, the carrying amounts of these instruments approximate the fair values as of reporting date.

Fair value of financial instruments

The Company has no financial instruments measured at fair value in a recurring basis. As of December 31, 2013 and 2012, the carrying values of financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

Capital Management

The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes



in economic conditions. To manage or adjust the capital structure, the Company may obtain additional advances from the parent company and stockholders or issue new shares.

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

	2013	2012
Due to parent company	₱1,002,752,029	₱489,989,820
Capital stock	41,229,800	41,229,800
Additional paid-in capital	281,068,200	281,068,200
Deficit	(142,949,437)	(87,690,351)
	₱1,182,100,592	₱724,597,469

19. Contracts and Commitments

Construction Agreements and Purchase Commitments

On various dates in 2013, 2012 and 2011, 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 3 weeks to 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 ₱29.1 million and ₱13.6 million as of December 31, 2013 and 2012, respectively (see Note 10). These are expected to be settled upon completion of the Tandem Building 1 in 2013.

On various dates in 2013, the Company entered into agreements to purchase steel, pipes and other construction materials. Outstanding purchase commitments amounted to nil and ₱49.6 million as of December 31, 2013 and 2012, respectively.

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 ₱4.7 million and ₱14.6 million in 2013 and 2012, 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 ₱0.1 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 ₱1.8 million and ₱1.6 million in 2013 and 2012, 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.

20. Supplementary Information Required Under Revenue Regulations 15-2010

In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes and license fees paid or accrued in 2013:

VAT

Net sales/receipts and output VAT declared in the Company's VAT returns for 2013:

	Net Sales/ Receipts	Output VAT
Taxable Sales:		
Sales	₱8,268,365	₱992,204
Exempt Sales	81,685,432	—
	<u>₱89,953,797</u>	<u>₱992,204</u>

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, 2013 are as follows:

Input VAT, beginning of the year	₱ 40,729,943
Current year domestic purchases/payments for:	
Goods other than capital goods	45,072,352
Services	23,125,848
Application against output VAT	(922,204)
<u>Input VAT, end of the year</u>	<u>₱108,005,938</u>



Withholding Taxes

The Company has withholding taxes for the year ended December 31, 2013 as follows:

Tax on compensation and benefits	₱848,147
Expanded withholding taxes	8,771,010
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	₱9,619,157
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Tax on compensation and benefits and expanded withholding taxes are recorded under the “Cost of services” and “General and administrative expenses” accounts in the statement of comprehensive income.

Other Taxes and Licenses

In 2013, the Company has paid taxes and licenses which is lodged under “General and administrative expenses” in the statement of comprehensive loss as follows:

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