

**SOC Land Development  
Corporation**

*(A Wholly Owned Subsidiary  
of SOCResources, Inc.)*

Financial Statements  
December 31, 2016 and 2015

and

Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
SOC Land Development Corporation

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of SOC Land Development Corporation (a wholly owned subsidiary of SOCResources, Inc.) [the Company], which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

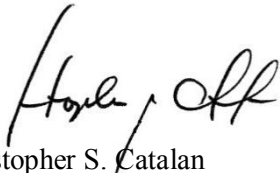
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 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 RR No. 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 the Company. 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.



Kristopher S. Catalan  
Partner

CPA Certificate No. 109712

SEC Accreditation No. 1509-A (Group A),

October 1, 2015, valid until September 30, 2018

Tax Identification No. 233-299-245

BIR Accreditation No. 08-001998-109-2015,

March 4, 2015, valid until March 3, 2018

PTR No. 5908679, January 3, 2017, Makati City

April 4, 2017



**SOC LAND DEVELOPMENT CORPORATION**  
**(A Wholly Owned Subsidiary of SOCResources, Inc.)**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	<b>₱156,118,318</b>	₱86,200,248
Receivables (Note 5)	<b>71,526,086</b>	170,679,859
Real estate inventories (Note 6)	<b>1,082,121,596</b>	1,111,283,626
Other current assets (Note 7)	<b>64,096,501</b>	50,420,053
<b>Total Current Assets</b>	<b>1,373,862,501</b>	1,418,583,786
<b>Noncurrent Assets</b>		
Receivables - net of current portion (Note 5)	<b>78,848,862</b>	25,203,983
Property and equipment (Note 8)	<b>34,622,989</b>	37,058,526
Other noncurrent assets (Note 9)	<b>27,088,243</b>	31,695,342
<b>Total Noncurrent Assets</b>	<b>140,560,094</b>	93,957,851
<b>TOTAL ASSETS</b>	<b>₱1,514,422,595</b>	₱1,512,541,637
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 10)	<b>₱113,720,914</b>	₱151,930,660
Due to Parent Company (Note 16)	<b>1,235,877,150</b>	1,234,526,298
<b>Total Current Liabilities</b>	<b>1,349,598,064</b>	1,386,456,958
<b>Noncurrent Liability</b>		
Retirement benefit obligation (Note 13)	<b>619,301</b>	471,378
<b>Total Liabilities</b>	<b>1,350,217,365</b>	1,386,928,336
<b>Equity</b>		
Capital stock - ₱100 par value		
Authorized - 1,600,000 shares		
Issued and subscribed - 712,298 (net of subscription		
receivable of ₱30,000,000) (Note 17)	<b>41,229,800</b>	41,229,800
Additional paid-in capital	<b>281,068,200</b>	281,068,200
Other comprehensive income	<b>165,091</b>	75,863
Deficit	<b>(158,257,861)</b>	(196,760,562)
<b>Equity</b>	<b>164,205,230</b>	125,613,301
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,514,422,595</b>	₱1,512,541,637

*See accompanying Notes to Financial Statements.*



**SOC LAND DEVELOPMENT CORPORATION**  
**(A Wholly Owned Subsidiary of SOCRessources, Inc.)**

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**STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>REAL ESTATE SALES</b>	<b>₱156,770,447</b>	<b>₱250,260,691</b>
<b>COST OF REAL ESTATE SALES</b> (Note 6)	<b>(113,657,657)</b>	<b>(195,967,763)</b>
<b>GROSS PROFIT</b>	<b>43,112,790</b>	<b>54,292,928</b>
Sales and marketing expenses (Note 11)	(14,340,893)	(28,973,782)
General and administrative expenses (Note 12)	(40,378,461)	(43,932,101)
Other income (Note 14)	51,482,393	18,886,483
	<b>(3,236,961)</b>	<b>54,019,400</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>39,875,829</b>	<b>273,528</b>
<b>PROVISION FOR INCOME TAX</b> (Note 15)	<b>1,373,128</b>	<b>1,213,840</b>
<b>NET INCOME (LOSS)</b>	<b>38,502,701</b>	<b>(940,312)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gains (loss) on defined benefit plan (Note 13)	89,228	(152,991)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱38,591,929</b>	<b>(₱1,093,303)</b>

*See accompanying Notes to Financial Statements.*



**SOC LAND DEVELOPMENT CORPORATION****(A Wholly Owned Subsidiary of SOCResources, Inc.)****STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Other Comprehensive Income (Note 13)	Deficit	Total
<b>BALANCES AS AT DECEMBER 31, 2014</b>	<b>₱41,229,800</b>	<b>₱281,068,200</b>	<b>₱228,854</b>	<b>(₱195,820,250)</b>	<b>₱126,706,604</b>
Net loss	—	—	—	(940,312)	(940,312)
Other comprehensive loss	—	—	(152,991)	—	(152,991)
Total comprehensive loss	—	—	(152,991)	(940,312)	(1,093,303)
<b>BALANCES AS AT DECEMBER 31, 2015</b>	<b>41,229,800</b>	<b>281,068,200</b>	<b>75,863</b>	<b>(196,760,562)</b>	<b>125,613,301</b>
Net income	—	—	—	38,502,701	38,502,701
Other comprehensive income	—	—	89,228	—	89,228
Total comprehensive income	—	—	89,228	38,502,701	38,591,929
<b>BALANCES AS AT DECEMBER 31, 2016</b>	<b>₱41,229,800</b>	<b>₱281,068,200</b>	<b>₱165,091</b>	<b>(₱158,257,861)</b>	<b>₱164,205,230</b>

*See accompanying Notes to Financial Statements.*

**SOC LAND DEVELOPMENT CORPORATION**  
**(A Wholly Owned Subsidiary of SOCResources, Inc.)**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱39,875,829</b>	<b>₱273,528</b>
Adjustments for:		
Depreciation expense (Note 8)	<b>2,664,760</b>	<b>2,331,977</b>
Interest income (Note 14)	<b>(10,613,167)</b>	<b>(2,788,418)</b>
Gain on repossession (Note 14)	<b>(15,398,166)</b>	<b>(5,428,035)</b>
Retirement benefit expense (Note 13)	<b>237,151</b>	<b>143,945</b>
Operating income (loss) before working capital changes	<b>16,766,407</b>	<b>(5,467,003)</b>
Decrease (increase) in:		
Receivables	<b>45,508,894</b>	<b>(39,782,127)</b>
Real estate inventories	<b>44,560,196</b>	<b>259,583,942</b>
Other current assets	<b>(553,385)</b>	<b>(856,132)</b>
Decrease in accounts payable and other current liabilities	<b>(38,209,746)</b>	<b>(169,450,097)</b>
Cash flows generated from operations	<b>68,072,366</b>	<b>44,028,583</b>
Interest received	<b>10,613,167</b>	<b>2,788,418</b>
Income taxes paid (including creditable withholding tax)	<b>(9,889,092)</b>	<b>(7,357,673)</b>
Net cash flows from operating activities	<b>68,796,441</b>	<b>39,459,328</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITY</b>		
Acquisitions of property and equipment (Note 8)	<b>(229,223)</b>	<b>(4,865,607)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds of advances from Parent Company (Note 16)	<b>1,350,852</b>	<b>23,774,269</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>69,918,070</b>	<b>58,367,990</b>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT BEGINNING OF YEAR</b>	<b>86,200,248</b>	<b>27,832,258</b>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT END OF YEAR</b>	<b>₱156,118,318</b>	<b>₱86,200,248</b>

*See accompanying Notes to Financial Statements.*





**SOC LAND DEVELOPMENT CORPORATION**  
**(A Wholly Owned Subsidiary of SOCResources, Inc.)**

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**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information, Status of Operations and Approval of the Financial Statements**

Corporate Information

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

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

The registered office address of the Company is 2nd Floor, Enzo Building, 399 Senator Gil Puyat Avenue, Makati City.

Status of Operations

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

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project’s Tandem Building 1 (Anala) commenced thereafter. The structural works was completed in 2014.

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



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

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

In 2014, the Company launched a house and lot/lots only project that will be known as Althea Residences (Althea) which is located in Binan, Laguna with an initial offer of 214 choice lots, commercial and residential combined.

The second tandem building of Anuva (Azalea) was formally launched in 2014 and is expected to have sales of 476 units combined of studio, 1 bedroom and 2 bedroom units.

#### Approval of the Financial Statements

The financial statements of the Company as at and for the years ended December 31, 2016 and 2015 were approved and authorized for issue by the Board of Directors (BOD) on April 4, 2017.

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## **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 and presentation 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 (PFRSs). PFRS includes statements named PFRS and Philippine Accounting Standards (PASs) and Philippine Interpretations from the International Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the first time amendments, which are effective for annual periods beginning on or after January 1, 2016. Except as otherwise indicated, the adoption of these amendments did not have any significant impact on the financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*



- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- Amendment to PAS 19, *Discount Rate: Regional Market Issue*
- Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

New Accounting Standards, Interpretations and Amendments  
to Existing Standards Effective Subsequent to December 31, 2016

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the adoption of these standards and interpretations are not expected to have significant impact on the financial statements.

*Effective January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

*Effective January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date.



- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

*Effective January 1, 2019*

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of adopting PFRS 16.

*Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

#### Cash and Cash Equivalents

Cash includes cash on hand and with banks.

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

#### 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.

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.

As of December 31, 2016 and 2015, the Company has no non-financial asset carried at fair value. In addition, the Company has neither assets nor liabilities with recurring and non-recurring fair value measurements.

#### Current versus Non-current Classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period  
or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period



The Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

### Financial Instruments

#### *Date of Recognition*

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

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

#### *Initial Recognition of Financial Instruments*

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

#### *“Day 1” Difference*

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

#### *Classification of Financial Instruments*

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

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

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

The Company has no financial assets or liabilities at FVPL, HTM investments and AFS financial assets as of December 31, 2016 and 2015.



### *Loans and Receivables*

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

The Company's loans and receivables consist of cash and cash equivalents, receivables, and refundable deposits under other current assets in the statement of financial position.

### *Other Financial Liabilities*

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

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

Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process. The Company's other financial liabilities consist of accounts payable and other current liabilities (excluding taxes payable to government agencies), due to parent company and other obligations that meet the above definition 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 effective interest (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 effective interest rate.

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

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

#### Offsetting Financial Instruments

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

#### 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.





#### Real Estate Inventories

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. The amount of any write-down of inventories to NRV and all losses of inventories are recognized in profit or loss in the year the write-down or loss occurs.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

#### *Repossessed Inventories*

Repossessed inventories represent the acquisition costs of properties sold but subsequently reacquired by the Company due to buyer's default on payment of monthly amortization. These are measured at fair value. Any resulting gain is credited or charged to "Other income" in the statement of comprehensive income.

#### Advances to Suppliers and Contractors

Advances to suppliers and contractors represent advance payments on services to be incurred in connection with the Company's operations. These are charged to expense in profit or loss, or capitalized to real estate inventories in the statement of financial position, as appropriate, when the services are rendered, which is normally within 12 months.

#### Creditable Withholding taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within 12 months are classified as current assets. Otherwise, these are classified as other noncurrent asset. CWTs are classified in the "Other current assets" account in the statement of financial position.

#### Value-added Tax (VAT)

VAT is equal to 12% of the purchase or selling price of the VATable goods and services. VAT imposed on purchases is called input VAT while VAT imposed on sales is called output VAT. Input VAT and output VAT are presented at gross in the statement of financial position. Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of the asset or as part of the expense item, as applicable. VAT on the purchase of assets classified as capital assets exceeding a certain threshold as provided by the taxing authority is recognized as deferred input VAT and is amortized within the life of the asset of five years, whichever is shorter.



The Input VAT recoverable from the taxation authority is included as part of “Other current assets” or “Other noncurrent assets”, while Output VAT payable to the taxation authority is included as part of “Accounts payable and other current liabilities” accounts in the statement of financial position.

#### 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 commences when an asset is in the location and condition capable of being operated in the manner intended by management. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter, as follows:

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

Depreciation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date that the asset is derecognized.

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.

#### Retirement Benefits Costs

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

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

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

Retirement benefit costs comprise the following:

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

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

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

Net interest on the net defined benefit liability or asset is recognized as an expense or income in the statement of comprehensive income.

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



### Capital Stock

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

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

Subscription receivable pertains to the uncollected portion of the subscribed shares.

### Deficit

The amount included in 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. Deficit may also include effect of changes in accounting policy as may be required by the standard’s transitional provisions.

### Other Comprehensive Income (OCI)

OCI comprises items of income and expenses, including reclassification adjustments, which are not recognized in profit or loss as required or permitted by other standards.

### Revenue and Cost 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. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific revenue recognition criteria should also be met before revenue is recognized.

#### *Real Estate Sales*

The Company assesses whether it is probable that the economic benefits will flow to the Company when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer’s commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

The percentage-of-completion (POC) method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold. The Company start recognizing income under POC when the equitable interest has been transferred to the buyer, construction is beyond the preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliable. 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.

When a sale of real estate does not meet the requirements for income recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventory continues to be reported in the Company’s statement of financial position as part of real estate inventories and the deposit as part of as “Customers’ deposits” included under the “Accounts payable and other current liabilities” account in the statement of financial position.



#### *Cost of Real Estate Sales*

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and 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 real estate sales 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 POC used for revenue recognition purposes.

Any changes in estimated development costs used in the determination of the amount of revenue and cost are recognized in the statements of comprehensive income in the period in which the change is made.

#### *Interest Income*

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

#### *Other Income*

Other income pertains to the gain arising from forfeiture or cancellation of prior years' real estate sales.

#### Expense Recognition

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.

#### *Sales and Marketing Expenses*

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 are treated as outright expense upon payment. 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.

#### Leases

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



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

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

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

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

#### Income Taxes

##### *Current Income Tax*

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

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" account in the statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Other current assets" account in the statement of financial position.

##### *Deferred Income Tax*

Deferred income 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized.

Deferred income 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 income tax relating to items recognized directly in equity is recognized in OCI and not in profit or loss.



Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset the deferred income tax assets against the deferred income tax liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

The carrying amount of deferred income 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 income tax assets to be utilized. Unrecognized deferred income 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.

#### 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.

#### Provisions

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

#### Contingencies

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

#### 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.

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### **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:



#### *Revenue Recognition*

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others, the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and stage of completion of the project. Based on the judgment of the Company, the percentage-of-completion method is appropriate in recognizing revenue on real estate sale transactions in 2016 and 2015.

#### *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 (see Note 18).

#### Estimates and Assumptions

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.

#### *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 revenue and costs. The Company's revenue and cost from real estate sales recognized based on the percentage of completion is determined based on actual costs incurred to date over the estimated total costs to complete the project reconciled with the engineer's judgment and estimates on the physical portion of contract work done if the development is beyond the preliminary stage.

Real estate sales and cost of real estate sales amounted to ₱156.8 million and ₱113.7 million in 2016 and ₱250.3 million and ₱196.0 million in 2015, respectively.

#### *Estimation of Allowance for Impairment of Loans and Receivables*

The level of allowance for loans and receivables is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Company's relationship with the customer, the customer's payment behavior and known market factors that affect the collectability of the accounts.

There are no allowance for impairment losses on receivables as of December 31, 2016 and 2015. Receivables amounted to ₱150.4 million and ₱195.9 million as of December 31, 2016 and 2015, respectively (see Note 5).

#### *Measurement of Net Realizable Value of Real Estate Inventories*

The Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV in respect of real estate inventories 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 inventories at cost amounted to ₱1,082.1 million and ₱1,111.3 million as of December 31, 2016 and 2015, respectively. In 2016 and 2015, the Company assessed that the NRV of real estate inventories is higher than cost, hence the Company did not recognize any losses on write down of real estate inventories (see Note 6).





*Estimation of Useful Lives of Property and Equipment, Excluding Land*

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.

There were no changes in the estimated useful life of property and equipment in 2016 and 2015. The carrying values of property and equipment amounted ₱34.6 million and ₱37.1 million as of December 31, 2016 and 2015, respectively (see Note 8).

*Assessment of 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-use 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 2016 and 2015. The carrying value of property and equipment amounted to ₱34.6 million and ₱37.1 million as of December 31, 2016 and 2015, respectively (see Note 8).

*Recognition of Deferred Income Tax Assets*

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



As of December 31, 2016 and 2015, the Company has deductible temporary differences, carryforward benefits of unused NOLCO and excess MCIT over RCIT amounting to ₱34.6 million and ₱98.2 million, respectively, for which no deferred income tax assets were recognized (see Note 15).

#### 4. Cash and Cash Equivalents

	2016	2015
Cash on hand	<b>₱74,913</b>	₱803,060
Cash in banks	<b>13,095,930</b>	13,706,624
Short-term deposit	<b>142,947,475</b>	71,690,564
	<b>₱156,118,318</b>	₱86,200,248

Cash in banks earn interest at the respective bank deposits rates. Short-term deposit is made for varying period of up to three months and earns interest at rate of 2% in 2016 and 2015. Interest income earned from cash and cash equivalents amounted to ₱1.8 million and ₱0.4 million in 2016 and 2015, respectively (see Note 14).

#### 5. Receivables

	2016	2015
Installment contract receivables	<b>₱116,819,864</b>	₱178,078,526
Advances to:		
Officers and employees	<b>15,258,164</b>	184,675
Suppliers and contractors	<b>6,201,177</b>	5,686,578
Agents	<b>1,056,607</b>	659,931
Other receivables	<b>11,039,136</b>	11,274,132
	<b>150,374,948</b>	195,883,842
Less current portion of receivables	<b>(71,526,086)</b>	(170,679,859)
	<b>₱78,848,862</b>	₱25,203,983

- a. Installment contract receivables arises from sale of real estate and is collectible in monthly installments over a period ranging from one to 10 years which bears monthly interest rates of 14.0% to 16.0% in 2016 and 2015 computed on the diminishing balance.

Interest income earned amounted to ₱8.8 million and ₱2.4 million in 2016 and 2015, respectively (Note 14).

- b. Advances to officers and employees are noninterest-bearing and will generally be settled through liquidation and salary deduction, respectively. These receivables will be settled within the next financial year.
- c. Advances to suppliers and contractors are payments made to suppliers as contracts with them generally require advance payment. The amount will be applied as part of the full payment of the contracted price.
- d. Other receivables consists mostly of receivables from unit owners.



## 6. Real Estate Inventories

	2016	2015
Condominium and residential units	₱577,738,822	₱614,141,232
Subdivision projects under development	334,782,960	332,914,287
Lot inventory	169,599,814	164,228,107
	<b>₱1,082,121,596</b>	<b>₱1,111,283,626</b>

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

	2016	2015
Balances at beginning of year	₱1,111,283,626	₱1,365,439,533
Development costs incurred	20,561,570	38,660,157
Disposals recognized as cost of real estate sales	(113,657,657)	(195,967,763)
Reposessed inventories	63,934,057	23,898,958
Change in development plan	–	(96,848,301)
	<b>₱1,082,121,596</b>	<b>₱1,111,283,626</b>

Change in development plan pertains to accrued costs related to the amenities of the Anuva Project. As of December 31, 2016, construction of the portion of the amenities has not yet started.

## 7. Other Current Assets

	2016	2015
Input VAT	₱46,076,270	₱39,763,366
Creditable withholding taxes	14,669,955	6,153,991
Refundable deposits (Note 18)	2,608,154	3,358,287
Prepaid insurance	–	319,632
Others	742,122	824,777
	<b>₱64,096,501</b>	<b>₱50,420,053</b>

Refundable deposits are composed of security deposits related to the Company's lease agreement and utility deposits to Manila Electric Corporation.

## 8. Property and Equipment

December 31, 2016

	Land	Building	Office and Computer Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>						
Balances at beginning of year	₱16,336,217	₱18,734,059	₱7,473,457	₱741,071	₱4,925,023	₱48,209,827
Additions	–	–	113,151	–	116,072	229,223
<b>Balances at end of year</b>	<b>16,336,217</b>	<b>18,734,059</b>	<b>7,586,608</b>	<b>741,071</b>	<b>5,041,095</b>	<b>48,439,050</b>
<b>Accumulated depreciation</b>						
Balances at beginning of year	–	3,534,443	6,467,478	654,613	494,767	11,151,301
Depreciation	–	936,703	689,568	86,458	952,031	2,664,760
<b>Balances at end of year</b>	<b>–</b>	<b>4,471,146</b>	<b>7,157,046</b>	<b>741,071</b>	<b>1,446,798</b>	<b>13,816,061</b>
<b>Net book values</b>	<b>₱16,336,217</b>	<b>₱14,262,913</b>	<b>₱429,562</b>	<b>₱–</b>	<b>₱3,594,297</b>	<b>₱34,622,989</b>



December 31, 2015

	Land	Building	Office and Computer Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost						
Balances at beginning of year	₱16,336,217	₱18,734,059	₱7,271,277	₱741,071	₱261,596	₱43,344,220
Additions	—	—	202,180	—	4,663,427	4,865,607
Balances at end of year	16,336,217	18,734,059	7,473,458	741,071	4,925,023	48,209,827
Accumulated depreciation						
Balances at beginning of year	—	2,597,739	5,453,589	506,399	261,596	8,819,324
Depreciation	—	936,704	1,013,888	148,214	233,171	2,331,977
Balances at end of year	—	3,534,443	6,467,477	654,613	494,767	11,151,301
Net book values	₱16,336,217	₱15,199,616	₱1,005,980	₱86,458	₱4,430,256	₱37,058,526

The aggregate cost of fully depreciated property and equipment that are still used in operations amounted to ₱6.4 million and ₱5.5 million as of December 31, 2016 and 2015, respectively.

## 9. Other Noncurrent Assets

Other noncurrent assets as at December 31, 2016 and 2015 consists of input VAT that is expected to be offset against output VAT in more than one year and deferred input VAT amounting to ₱27.1 million and ₱31.7 million, respectively.

## 10. Accounts Payable and Other Current Liabilities

	2016	2015
Accounts payable - trade	₱4,819,781	₱8,007,773
Accrued expenses	4,458,114	7,826,900
Customers' deposits	51,037,088	79,424,535
Accrued contractors' payables (Note 19)	40,003,015	41,440,654
Retention payable (Note 19)	7,278,249	7,865,391
Government payables	6,124,667	1,462,582
Unearned income	—	1,208,621
Others	—	4,694,204
	<b>₱113,720,914</b>	<b>₱151,930,660</b>

- Accounts payable includes billings of various suppliers and contractors for liabilities incurred in relation to the Project and office administrative functions. Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days.
- Accrued contractors' payables represent accruals for billings of various contractors in relation to the Anuva and Althea Project. These accruals are reclassified to accounts payable once billings are actually received.
- Retention payable represents the amount retained by the Company as security for any defects and damages on the construction of Anala arising from or due to faulty workmanship and/or defective contractor-supplied materials before the final acceptance of the Anala and the payment of the last billing. Retention payable is expected to be settled within the next financial year.



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

#### 11. Sales and Marketing Expenses

	2016	2015
Commissions and incentives	<b>₱4,830,254</b>	₱18,073,576
Product presentation	<b>4,350,491</b>	1,635,311
Consultancy fees	<b>2,958,462</b>	6,599,636
Advertising	<b>861,542</b>	352,322
Utilities	<b>725,413</b>	1,133,692
Communications	<b>243,899</b>	70,261
Transportation and travel	<b>146,761</b>	327,106
Rentals (Note 19)	<b>108,295</b>	481,646
Depreciation (Note 8)	<b>80,587</b>	268,877
Others	<b>35,189</b>	31,355
	<b>₱14,340,893</b>	₱28,973,782

#### 12. General and Administrative Expenses

	2016	2015
Personnel costs	<b>₱9,566,144</b>	₱9,871,613
Taxes and licenses	<b>8,417,365</b>	4,914,582
Transportation and travel	<b>4,060,669</b>	4,332,501
Property management	<b>3,446,488</b>	4,482,147
Depreciation (Note 8)	<b>2,584,173</b>	2,063,100
Security services	<b>2,359,295</b>	2,895,672
Rentals (Note 19)	<b>2,351,856</b>	3,223,096
Professional fees	<b>1,700,373</b>	2,067,155
Utilities	<b>1,443,970</b>	2,125,419
Communications	<b>802,823</b>	779,959
Insurance	<b>735,080</b>	837,813
Supplies	<b>721,517</b>	618,177
Dues and subscriptions	<b>714,975</b>	1,118,053
Repairs and maintenance	<b>534,271</b>	264,043
Entertainment, amusement and recreation	<b>120,944</b>	178,618
Interest, penalties and charges	<b>—</b>	425,284
Others	<b>818,518</b>	3,734,869
	<b>₱40,378,461</b>	₱43,932,101

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

Personnel costs consist of:

	2016	2015
Salaries and wages	<b>₱8,420,886</b>	₱8,691,617
Other employee benefits	<b>908,107</b>	1,036,051
Retirement benefits costs (Note 13)	<b>237,151</b>	143,945
	<b>₱9,566,144</b>	₱9,871,613



### 13. Retirement Benefit Obligation

The Company has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. RA No. 7641 ("Retirement Pay Law"), an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2016.

Retirement benefits costs recognized in the statements of comprehensive income are as follows:

	2016	2015
Current service cost	<b>₱213,441</b>	₱135,607
Interest cost	<b>23,710</b>	8,338
	<b>₱237,151</b>	₱143,945

The amounts recognized in the statement of financial position as retirement benefit obligation are as follows:

	2016	2015
Beginning	<b>₱471,378</b>	₱174,442
Current service cost	<b>213,441</b>	135,607
Interest cost	<b>23,710</b>	8,338
Actuarial loss (gain) due to:		
Change in assumptions	<b>(27,963)</b>	28,167
Experience adjustments	<b>(61,265)</b>	124,824
Ending	<b>₱619,301</b>	₱471,378

Actuarial gain (loss) on the retirement benefit obligation recognized in other comprehensive income amounted to ₱89,228 and (₱152,991) in 2016 and 2015, respectively.

The principal actuarial assumptions used to determine retirement obligations for the Company's retirement plan are as follows:

	2016	2015
Discount rate	<b>5.34%</b>	5.03%
Salary increase rate	<b>10.00%</b>	10.00%

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

December 31, 2016:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	<b>100</b>	<b>(₱537,678)</b>
	<b>(100)</b>	<b>716,149</b>
Future salary increase rate	<b>100</b>	<b>712,057</b>
	<b>(100)</b>	<b>(539,259)</b>



December 31, 2015:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	100	(₱406,823)
	(100)	548,278
Future salary increase rate	100	544,742
	(100)	(408,269)

The estimated weighted average duration of benefit payment is 18 years as of December 31, 2016.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2016	2015
Less than one year	₱—	₱—
More than one year to five years	106,225	100,444
More than five years and 10 years	—	—
More than 10 to 15 years	4,358,402	2,039,829
More than 15 to 20 years	936,333	4,243,032
More than 20 years	4,377,994	2,444,653

#### 14. Other Income

	2016	2015
Forfeited buyer deposits	₱19,163,258	₱7,911,436
Gain on repossession	15,398,166	5,428,035
Interest income on:		
Installment contract receivables (Note 5)	8,815,212	2,431,576
Cash and cash equivalents (Note 4)	1,797,955	356,842
Penalty income and late payment charges	602,679	2,045,693
Others	5,705,123	712,901
	₱51,482,393	₱18,886,483

- Forfeited buyer deposits are recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale.
- Gain on repossession represents the difference between the fair value of the repossessed inventories and the carrying value of the ICR and any amount refundable to the buyer at the date of repossession.
- Penalty are additional fees imposed on customers due to their failure to make payments on time.
- Others pertain to the reversal of long outstanding payables in 2016 amounting to ₱3.5 million as the Company assessed that these will no longer be collected by the suppliers.



## 15. Income Taxes

- a. The Company's current provision for income tax represents MCIT in 2016 and 2015.
- b. 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:

	2016	2015
Provision for income tax at statutory tax rate	<b>₱11,962,750</b>	₱82,058
Adjustments resulting from tax effects of:		
Movements in deductible temporary differences, NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized	<b>(12,154,887)</b>	989,834
Nondeductible expenses	<b>2,104,652</b>	249,000
Interest income subjected to final tax	<b>(539,387)</b>	(107,052)
Provision for income tax	<b>₱1,373,128</b>	₱1,213,840

- c. The components of the Company's deferred income tax asset (liabilities) are as follows:

	2016	2015
Deferred income tax asset on NOLCO	<b>₱11,014,820</b>	₱3,772,568
Deferred income tax liabilities on:		
Difference between tax and book basis of accounting for real estate transactions	<b>(6,395,370)</b>	(3,772,568)
Gain on repossession	<b>(4,619,450)</b>	—
	<b>₱—</b>	₱—

- d. The deductible temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized consist of the following:

	2016	2015
NOLCO	<b>₱26,571,200</b>	₱88,896,968
Accrued expenses	<b>4,453,774</b>	7,220,021
Excess MCIT over RCIT	<b>2,959,109</b>	1,585,981
Retirement benefit obligation	<b>619,301</b>	471,378

- e. NOLCO and excess MCIT over RCIT that can be claimed as deduction against future taxable income and regular corporate income tax due, respectively, as follows:

### NOLCO

Year Incurred	Balance as of December 31, 2015	Addition (Applied)	Expired	Balance as of December 31, 2016	Tax effect	Available Until
2013	₱38,184,929	(₱18,423,452)	(₱19,761,477)	₱—	₱—	2016
2014	59,267,361	—	—	59,267,361	17,780,208	2017
2015	4,019,906	—	—	4,019,906	1,205,972	2018
	<b>₱102,472,196</b>	<b>(₱18,423,452)</b>	<b>(₱19,761,477)</b>	<b>₱63,287,267</b>	<b>₱18,986,180</b>	





Excess MCIT over RCIT

Year Incurred	Balance as of December 31, 2015	Addition	Balance as of December 31, 2016	Tax effect	Available Until
2014	₱372,141	₱—	₱372,141	₱372,141	2017
2015	1,213,840	—	1,213,840	1,213,840	2018
2016		1,373,128	1,373,128	1,373,128	2019
	<b>₱1,585,981</b>	<b>₱1,373,128</b>	<b>₱2,959,109</b>	<b>₱2,959,109</b>	

## 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.

	Amount/volume		Outstanding balance		Terms	Conditions
	2016	2015	2016	2015		
<b>Parent Company</b>						
<b>SRI</b>						
Due to Parent Company (a)	<b>₱1,350,852</b>	₱23,774,269	<b>₱1,235,877,150</b>	₱1,234,526,298	Due and demandable; noninterest bearing	Unsecured; No impairment

- Due to Parent Company represent amounts received by the Company to finance the construction of Anala (see Note 1).
- Short-term employee benefits of key management personnel amounted to ₱1.8 million and ₱1.4 million in 2016 and 2015, respectively.

## 17. Equity

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

	December 31, 2016		December 31, 2015	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱100 par value	<b>1,600,000</b>	<b>₱160,000,000</b>	1,600,000	₱160,000,000
Issued and subscribed	<b>712,298</b>	<b>41,229,800</b>	712,298	41,229,800

On March 4, 2011, SRI transferred land with a fair value of ₱312.3 million to the Company in exchange for 312,298 additional shares in the Company. As a result of the exchange, additional paid-in capital increased by ₱281.1 million, representing the excess of fair value of the land acquired over the par value of capital stock issued as consideration.



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## 18. Financial Instruments

### Financial Risk Management Objectives and Policies

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

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

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

#### *Credit Risk*

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

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

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

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

#### *Credit Quality of Financial Assets*

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



The tables below show the credit quality by class of financial assets based on the Company's rating system as follows:

December 31, 2016

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
Cash and cash equivalents*	<b>₱156,043,405</b>	<b>₱—</b>	<b>₱—</b>	<b>₱156,043,405</b>
Receivables	—	<b>116,819,864</b>	<b>33,555,084</b>	<b>150,374,948</b>
Refundable deposits	<b>2,608,154</b>	—	—	<b>2,608,154</b>
	<b>₱158,651,559</b>	<b>₱116,819,864</b>	<b>₱33,555,084</b>	<b>₱309,026,507</b>

*\*Excludes cash on hand*

December 31, 2015

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
Cash and cash equivalents*	<b>₱85,397,188</b>	<b>₱—</b>	<b>₱—</b>	<b>₱85,397,188</b>
Receivables	—	<b>178,078,526</b>	<b>17,805,316</b>	<b>195,883,842</b>
Refundable deposits	<b>3,358,287</b>	—	—	<b>3,358,287</b>
	<b>₱88,755,475</b>	<b>₱178,078,526</b>	<b>₱17,805,316</b>	<b>₱284,639,317</b>

*\*Excludes cash on hand*

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. Past due but not impaired financial assets are items with history of frequent default. Nevertheless, the amount due are still collectible.

The aging analysis of financial assets that are past due but not impaired as of December 31 follows:

	2016	2015
Less than 30 days	<b>₱4,056,093</b>	<b>₱1,155,957</b>
31-60 days	<b>240,791</b>	<b>350,000</b>
61-90 days	<b>86,840</b>	—
More than 90 days	<b>29,171,360</b>	<b>16,299,359</b>
	<b>₱33,555,084</b>	<b>₱17,805,316</b>

*Liquidity Risk*

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



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

December 31, 2016

	Total	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year
<b>Financial Assets</b>					
Loans and receivables:					
Cash and cash equivalents	₱156,118,318	₱156,118,318	₱–	₱–	₱–
Receivables	150,374,948	33,555,084	33,410,185	4,560,817	78,848,862
Refundable deposits	2,608,154	2,608,154	–	–	–
	<b>309,101,420</b>	<b>192,281,556</b>	<b>33,410,185</b>	<b>4,560,817</b>	<b>78,848,862</b>
<b>Financial Liabilities</b>					
Other financial liabilities:					
Accounts payable and other liabilities*	56,559,159	9,277,895	47,281,264	–	–
Due to parent company	1,235,877,150	1,235,877,150	–	–	–
	<b>1,292,436,309</b>	<b>1,245,155,045</b>	<b>47,281,264</b>	<b>–</b>	<b>–</b>
Liquidity position (gap)	<b>(₱983,334,889)</b>	<b>(₱1,052,873,489)</b>	<b>(₱13,871,079)</b>	<b>₱4,560,817</b>	<b>₱78,848,862</b>

\*Excluding payable to government agencies and customers' deposits

December 31, 2015

	Total	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year
<b>Financial Assets</b>					
Loans and receivables:					
Cash and cash equivalents	₱86,200,248	₱86,200,248	₱–	₱–	₱–
Receivables	195,883,842	17,805,316	152,874,543	–	25,203,983
Refundable deposits	3,358,287	3,358,287	–	–	–
	<b>285,442,377</b>	<b>107,363,851</b>	<b>152,874,543</b>	<b>–</b>	<b>25,203,983</b>
<b>Financial Liabilities</b>					
Other financial liabilities:					
Accounts payable and other liabilities*	71,043,543	20,504,801	50,538,742	–	–
Due to parent company	1,234,526,298	1,234,526,298	–	–	–
	<b>1,305,569,841</b>	<b>1,255,031,099</b>	<b>50,538,742</b>	<b>–</b>	<b>–</b>
Liquidity position (gap)	<b>(₱1,020,127,464)</b>	<b>(₱1,147,667,248)</b>	<b>₱102,335,801</b>	<b>₱–</b>	<b>₱25,203,983</b>

\*Excluding payable to government agencies and customers' deposits

Fair value of Financial Instruments

The Company has no financial instruments measured at fair value on a recurring basis. As of December 31, 2016 and 2015, the carrying values of cash and cash equivalents, receivables, refundable deposits, accounts payable and other current liabilities and due to Parent Company approximate their fair values due to the short-term nature of these transactions.

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. No changes were made in the objectives, policies or processes during the years ended December 31, 2016 and 2015.



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

	2016	2015
Due to Parent Company	<b>₱1,235,877,150</b>	₱1,234,526,298
Capital stock	<b>41,229,800</b>	41,229,800
Additional paid-in capital	<b>281,068,200</b>	281,068,200
Deficit	<b>(158,257,861)</b>	(196,760,562)
	<b>₱1,399,917,289</b>	₱1,360,063,736

## 19. Contracts and Commitments

### Construction Agreements and Purchase Commitments

The Company entered into various construction-related contracts for the Anala and Althea Project. 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 for the Anala Project commenced on various dates in 2011 and 2012, with terms ranging from 3 weeks to 2 years. These contracts expired on various dates in 2012 until May 2015, the anticipated turnover date of Anala. The contracts relating to the Althea Project ranges from 120 to 180 days.

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 ₱7.3 million and ₱7.9 million as of December 31, 2016 and 2015, respectively (see Note 10). These are expected to be settled in 2017.

### Lease Agreements

In 2012, the Company entered into a lease contract with E. Zobel, Inc. for the lease of office space at the 4<sup>th</sup> Floor Enzo Building, located at No. 399 Senator Gil Puyat Avenue, Makati City. The lease agreement was renewed on a yearly basis until June 15, 2015.

On June 16, 2015, the Company entered into a new lease contract with E. Zobel, Inc. for the transfer of office space from 4<sup>th</sup> Floor to 2<sup>nd</sup> Floor of Enzo Building, located at No. 399 Senator Gil Puyat Avenue, Makati City for a period of six months. The lease agreement is renewable on a yearly basis. The Company then renewed the lease for another year.

The Company paid security deposit amounting to ₱0.3 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. Minimum lease payments within one year amounted to ₱2.3 million.

The Company also entered into a lease contract with a third party contractor to provide service vehicle to Company officers. The contract is renewable every six months. Minimum lease payments within one year amounted to ₱0.7 million.

The related rent expense recognized by the Company amounted to ₱3.4 million and ₱3.7 million in 2016 and 2015, respectively (see Notes 11 and 12).



## 20. Supplementary Information Required Under Revenue Regulations No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes and license fees paid or accrued in 2016:

### VAT

Net sales/receipts and output VAT declared in the Company's VAT returns for 2016:

	Net Sales/ Receipts	Output VAT
VATable Sales	₱64,841,464	₱7,780,976
Exempt Sales	129,042,776	—
	₱193,884,240	₱7,780,976

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, 2016 is as follows:

Input VAT, beginning of the year	₱71,458,708
Current year domestic purchases/payments for:	
Goods other than capital goods	266,288
Services	3,597,759
Total available input VAT	75,322,755
Application against output VAT	(1,643,669)
Input VAT, end of the year	₱67,541,779

### Withholding Taxes

The Company has withholding taxes for the year ended December 31, 2016 as follows:

Tax on compensation and benefits	₱868,787
Expanded withholding taxes	1,987,206
	₱2,855,993

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

### Other Taxes and Licenses

In 2016, the Company has paid taxes and licenses which is lodged under "General and administrative expenses" in the statement of comprehensive income as follows:

Real property taxes	₱2,541,074
Business permits	1,466,636
Others	4,437,875
	₱8,417,365



Tax Assessment and Case

On March 19, 2015, the Company received a Preliminary Assessment Notice for the taxable year 2014 and 2013 for deficiency VAT, expanded withholding taxes and income taxes amounting to ₱1.3 million, ₱0.2 million and ₱0.1 million for, respectively. The Company paid the deficiency taxes on March 11, 2016.

