



**Eton Properties Philippines, Inc.**

**Building Dreams.  
Building Homes.  
Building with Pride.**

**2007 ANNUAL REPORT**

## Eton Properties Group,

managed by the Lucio Tan Group of Companies (LTGC), was established in the 1980s in Hong Kong. As one of only two Super Brand real estate and construction agencies in Hong Kong, the Group boasts prestige projects such as Queen's Garden, Carmen's Garden, Dragon Centre, King's Court and Eton Tower. Eton has become one of the largest unlisted private real estate businesses in Hong Kong with a value of 20 billion HKD.

In the early 1990s, Eton made its debut in Mainland China's real estate market. While living up to its motto, "Building with Pride", Eton gained recognition as a world-class developer of commercial properties in the booming areas of Beijing, Shanghai, Dalian, Shenzhen, Xiamen and Shenyang.

From Hong Kong to China, and now, the Philippines, Eton Properties Philippines, Inc. draws inspiration from the Eton Properties Group to produce extraordinary projects in strategic locations in the Philippines with the same dedication to quality, attention to detail, and fine craftsmanship that has made its counterparts world-class real estate developers.

Eton Properties Philippines, Inc. specializes in the following:

- Development of premium and mid-income residential and commercial buildings;
- Construction of IT- and BPO-ready office buildings;
- Creation of mixed-use master-planned township projects that incorporate residential, office, commercial, leisure and institutional components;
- And development and management of hotels and shopping centers.

Eton Properties Philippines partners with international design and architectural firms to ensure both quality and beauty as well as functionality. Company Chairman Dr. Lucio C. Tan inspires a traditional Confucian philosophy with a unique business flavor, and transforms the urban landscape with landmark projects. Dr. Tan aims to improve standards of quality and no effort is spared to build a superior brand name for Eton Properties Philippines, Inc.



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# Financial Highlights

<b>FINANCIAL POSITION (in Million Pesos)</b>	<b>As of December 31, 2007</b>	<b>As of April 30, 2007</b>
<b>Current Assets</b>	712.6	128.9
<b>Non-Current Assets</b>	267.5	240.4
<b>Total Assets</b>	980.1	369.3
<b>Current Liabilities</b>	111.7	11.1
<b>Non-Current Liabilities</b>	701.6	40.2
<b>Total Liabilities</b>	813.3	51.3
<b>Equity</b>	166.8	318.0
<b>Total Liabilities &amp; Equity</b>	980.1	369.3





## Dear Shareholders,

The year 2007 marked the entry of the Lucio Tan Group of Companies into property development. Through our flagship real estate firm Eton Properties Philippines, Inc., the Lucio Tan Group is now a major player in the country's booming property sector.

From being a virtual "unknown" and considered by many as an industry "latecomer", Eton jumped to prominence as one of the country's most aggressive property development companies by launching 10 projects in one year. This feat takes remarkable vision, courage and effort. The fact that Eton has now become a buzzword in the industry within a year says it all about our company.

Our entry into the property development sector comes at an opportune time in our country's economic history. With a bullish real estate industry, Eton is riding the crest of renewed vigor in the property sector.

In the fourth quarter of 2007, the real property sector posted the highest growth among major industries at 15.3%. This was driven largely by an increase in OFW remittances and a surge in BPO office space demands that coincided with a low interest rate regime which has made housing finance much more accessible.

Brisk growth in the property sector could be around for a while – which is good news for the Philippine economy and Eton investors in particular. Amidst this backdrop, Eton is slowly, but surely helping reshape the Philippine landscape through extraordinary and quality projects.

I am pleased to announce that your company exceeded its sales target with the brisk take-up of our projects, two of which – The Eton Residences Greenbelt and Eton Baypark Manila – have been sold-out two months from launching.

Like its sister companies in the Lucio Tan Group, Eton is committed to provide the best value for money to the Filipino customer. We stand behind every Filipino's dream of home ownership. Our pleasure lies in providing the best property investment and quality world-class residences to our clients. The real prize is in seeing the smiles of our clients. Delighted with their good investment in an Eton home, they enthusiastically endorse our projects to family and friends. They are, ultimately, our best marketers and the secret behind Eton's remarkable transformation as one of the fastest-growing real estate companies in the country today.

On behalf of the shareholders, officers and staff of Eton Properties Philippines, Inc., I thank you all for your unwavering support.

Mabuhay!

Dr. Lucio C. Tan  
Chairman





# Dear Shareholders,

The entry of Eton Properties Philippines, Inc. in property development at the beginning of 2007 comes at a time when investors are enjoying the fruits of a much improved financial and economic environment. Overseas, Eton is an established brand in Hong Kong and Mainland China with world-class projects under its name. Being a local counterpart, your Company made headway in making its presence known by focusing on four primary goals in 2007:

1. To organize the company and build the Eton brand name;
2. To prioritize areas for development from the extensive landbank of the Lucio Tan Group of Companies;
3. To launch seven priority projects with an initial P10 Billion capital expenditure;
4. To become one of the leading full range property developers in the country in five years' time.

During our early months of operation with only a handful of employees, we set out the task of recruiting the best professionals in the real estate industry. We built momentum and our initial 300-sqm office was quickly transformed into a dynamic place filled with senior personnel in Business Development, Sales, Finance, Treasury, Marketing, Human Resources and Operations.

Our first year as a property developer initially focused on business planning and organization. We began by conducting feasibility studies on the best use of our vast landbank, keeping in mind unique concepts for residential and township projects. The outcome was a list of priority projects in key areas in Makati, Pasig, Quezon City, Manila and Laguna.

The development of premier and mid-income residential condominiums is the area of expertise your Company decided to prioritize given the strategic location of the various properties owned by the Lucio Tan Group of Companies. The residential projects are all masterpiece developments that put together in one address a prime location, first-rate amenities, innovative designs and the best in modern living. Though a new player in the property sector, your Company promptly earned the reputation as the fastest growing real estate developer in the country. We are pleased to report that we were able to launch ten projects - an achievement that is unprecedented for a new company on its first year.

Your Company debuted in the Philippine real estate sector with the all-loft **The Eton Residences Greenbelt**. The project was launched in Guam in March and in the local market in April. Two months thereafter, the project was sold-out.

In June, we launched our second project, **Eton Baypark Manila**. The combined appeal of the majestic views of Manila Bay and Rizal Park and "Move-In Ready" units enabled us to sell-out within two months from launch date.

In July, we launched our third project, the twin-tower all-loft condominium **Eton Emerald Lofts** in Ortigas.

Due to the brisk take-up of our initial Makati project, we launched **Belton Place** in Pasong Tamo in November. Located within an expansive one-hectare fully-integrated township called Belton Square, this three-tower residential project provides excellent investment opportunities. In the same month, we launched **One Archers Place** in Manila amidst favorable market perception.

In December, we launched the first island lot development in the country. Inspired by the world-famous Foster City in San Francisco and Jumeirah, The Palm, and The World in Dubai, **Eton City** is your Company's biggest township project covering almost 1,000 hectares.

Next, we addressed the increasing demand for BPO office space with two BPO office developments bearing the Cyberpod brand. The campus-type **Eton Cyberpod Centris** is part of a 12-hectare, fully-integrated community in EDSA corner Quezon Avenue that is masterplanned to include a commercial center, residential condominiums and a businessman's hotel. To maintain our momentum in this fast growing sector, we also launched the three-tower **Eton Cyberpod Corinthian** in EDSA corner Ortigas Avenue.

As a follow-up to the success of The Eton Residences Greenbelt, we added the 33-storey residential condominium **Eton Parkview Greenbelt** to our roster of landmark developments that offers a lifestyle close to premier shopping and commercial areas.

In a move to capitalize on the middle-income market segment, we organized **Belton Communities, Inc.**, a wholly-owned company that will set new standards in affordable living. The maiden project was the 13.8-hectare **North Belton Communities**. The favorable market response shows that demand for affordable housing is strong and sustainable.

Your one-year old company had a good active year with the impressive take-up of The Eton Residences Greenbelt and Eton Baypark Manila as well as brisk sales of Eton Emerald Lofts in Ortigas, Belton Place and Eton Parkview Greenbelt in Makati and One Archers Place in Manila. The company posted an impressive P980 Million in assets, up by 165% as of December 31, 2007. This resulted in an increase in cash and cash equivalents by P395 Million or 324% from end of April 30, 2007.

Its remarkable growth trend is punctuated by an increase in customer deposits by P702 Million or 2,308% from end of April 30, 2007.

Despite the high reservation sales we have booked, your company posted a loss in 2007 since we are applying the percentage-of-completion accounting method in compliance with International Accounting Standards (IAS). Under this method, revenue will only be realized if there has been progress on construction and the stage of completion can be reasonably estimated.



By end of fiscal year in 2007, the Company posted a net loss of P147 Million due to the absence of realized revenues since significant construction works have yet to be started. We expect to start realizing revenues from sale of the units beginning 2008 with several of our projects scheduled for construction. Among the projects, we have commenced construction of Eton Baypark Manila in December 2007. Construction of The Eton Residences Greenbelt, Eton Emerald Lofts, One Archers Place and Eton City is expected to start in 2008 as scheduled.

Guided by our Chairman Dr. Lucio C. Tan's vision of **providing the best property investment opportunities** through Eton, we are pleased to report our accomplishments:

- As of end-December 2007, we have established a fully-operational company, completely-staffed in all areas of the organization.
- We have successfully built the Eton brand name as manifested by an increase in awareness of our name among customers and competitors.
- We launched ten projects in one year. With this milestone achievement, we are on our way to meet our goal of becoming one of the leading full range property developers in five years' time.

## FACTORS FOR SUCCESS

The year under review saw Eton Properties Philippines, Inc. being built from scratch and making headway in Philippine property development. Your Company's achievements on its first year were the outcome of several factors that allowed us to deliver more than what we have envisioned.

1. For our Clients, there is pride in owning a Lucio Tan residential project. Clients are assured of high quality residences that match Eton's projects abroad. Our motto rings true to this day- "Building with Pride" ultimately means a commitment to excellence and a passion to provide the best property investment opportunities to Clients.
2. Our synergy with our sister companies provided more value with every Eton home. Philippine Airlines fulfilled the combined dream of owning a home and traveling for free through a Mabuhay Miles mileage promotion. With Allied Bank and Philippine National Bank, we introduced Home 838, a home financing plan that offers an unbeatable fixed interest rate of 8.38% for 10 years.
3. Another key factor in our success is our vast landbank in very strategic locations that allows us to become responsive to market trends and deliver projects that impact the lives of our homebuyers.
4. Your Company continues to attract the best real estate professionals in the industry because they have trust and confidence in our Chairman, Dr. Lucio C. Tan. His proven track-record and contributions in the fields of banking, finance, airlines, tobacco and alcohol as well as in real estate in other Asian markets are an inspiration for many. As such, your company is now composed of talented professionals who are united in their passion for excellence, integrity and teamwork. We continue to invest in people as they remain your Company's best assets.

## OUTLOOK FOR 2008

The impending U.S. economic slowdown may have a negative effect on the global economy particularly in the Philippines. Analysts predict a slowdown in GDP growth as consumption could be hurt by increasing prices of commodities. Amid these concerns, your Company is poised to sustain its profitability and withstand these challenges this year. Your company remains confident that its current inventory as well as its line-up of new projects is expected to receive favorable market reception amidst a backdrop of increased remittances from OFWs, low interest rates, increase in foreign tourist arrivals, and an upsurge in BPO office requirements. We firmly believe that the demand for our core business of providing quality residences for our customers will remain resilient.

**Commercial Projects** - We will aggressively develop our commercial projects as part of our self-integrated masterplanned communities. We are in active negotiations with merchants and tenants to partner with us in ambitious retail and shopping complexes that will bring new life to the Filipino's shopping experience.

**International Marketing** - The steady flow of remittances from Overseas Filipino Workers (OFW) continues to encourage demand for housing. We will continue to address this need by allocating resources in diverse geographic locations such as Australia, Asia, Canada and Europe. The current U.S. subprime crisis had minimal effect on our company financials since U.S. sales account for less than 10% of our total sales.

**New Projects** - Our ten projects provide sufficient inventory amounting to P10-Billion, most of which are expected to be substantially sold-out within two years' time. We are ready to launch more residential projects in strategic areas as needed once our current inventory is substantially sold-out.

We will develop more end-user type residential developments that answer the growing demand for affordable housing. We see tremendous opportunities in the middle income market through Belton Communities, Inc. and we intend to launch more projects under its name.

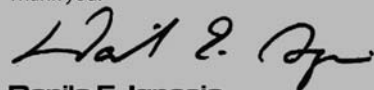
Boosted by the continued rise of the Philippines as a preferred destination of Business Process Outsourcing (BPO) firms, your Company will develop more BPO offices that address the specific demands of our clients through a Build-to-Suit program that will engage our clients in the detailed development of the Cyberpod brand of BPO offices from planning to implementation.

We also plan to go into leisure-type developments for a niche market. Our initial studies point out that these types of developments offer significant growth potential as a result of a robust tourism market with 1.53 million foreign visitors in the first six months of 2007, growing as much as 7.6% in the same period in 2006.

## EXPRESSION OF GRATITUDE

We thank the Board for their support and hard work in 2007, the fruits of which have propelled your Company to where it is today. We also thank our shareholders for their steadfast confidence; the management and staff for their dedication; and our sister companies for their invaluable contributions to Eton's success. And finally, we would like to express our gratitude to our Clients for trusting a new company such as Eton.

Thank you.



**Danilo E. Ignacio**  
President and COO







# Residential Condominiums

The Eton approach to property development is to focus on strategic business areas where financial and commercial activities are centralized. Three of its high-rise projects are located in Makati, the financial capital of the country. The Eton Residences Greenbelt and Eton Parkview Greenbelt both enjoy the dynamic Greenbelt lifestyle, while Belton Place is located just steps away from Ayala and Buendia Avenues.

Centrally located within the confines of Ortigas Center is twin-tower Eton Emerald Lofts. It is strategically situated near first-rate hotels and famed shopping destinations.

Manila, the country's seat of government, is host to One Archers Place and Eton Baypark Manila. One Archers Place is situated along Taft Avenue and directly adjacent to the De La Salle University. Eton Baypark Manila, on the other hand, is along Roxas Boulevard and provides an unobstructed view of the Rizal Park and the famous Manila Bay sunset.

Eton's dedication to offer the best in modern city living is clear from its roster of developments. Apart from seamlessly combining style and function, Eton's residential offerings are all strategically located within the CBD.









# BPO offices



The Business Process Outsourcing (BPO) industry in the Philippines has registered massive expansion over the years. It has become the major career destination of today's young job seekers and has greatly contributed to the nation's economic growth.

To address the increasing need of BPO companies for office space, Eton sets an **early delivery** for its Cyberpod brand of BPO offices by the last quarter of 2008.

Cyberpod Centris and Cyberpod Corinthian, both along EDSA, boast of **strategic locations** and direct access to various transport services.

The **low-rise campus-style design** of each building caters to the demanding work setting of BPO companies. Wide stairwells and high-speed elevators, and a ground-floor retail area complement the 24/7 operations of the call center trade.

All of Eton's Cyberpod BPO offices are planned to be PEZA approved to enable our future tenants to enjoy preferential tax incentives.



**ETON**

## CYBERPOD CENTRIS



**ETON**

## CYBERPOD CORINTHIAN









# Township



The distinctive multi-billion peso Eton City in Sta. Rosa, Laguna is inspired by world wonders such as The Palm in Dubai and Lake Las Vegas in Nevada.

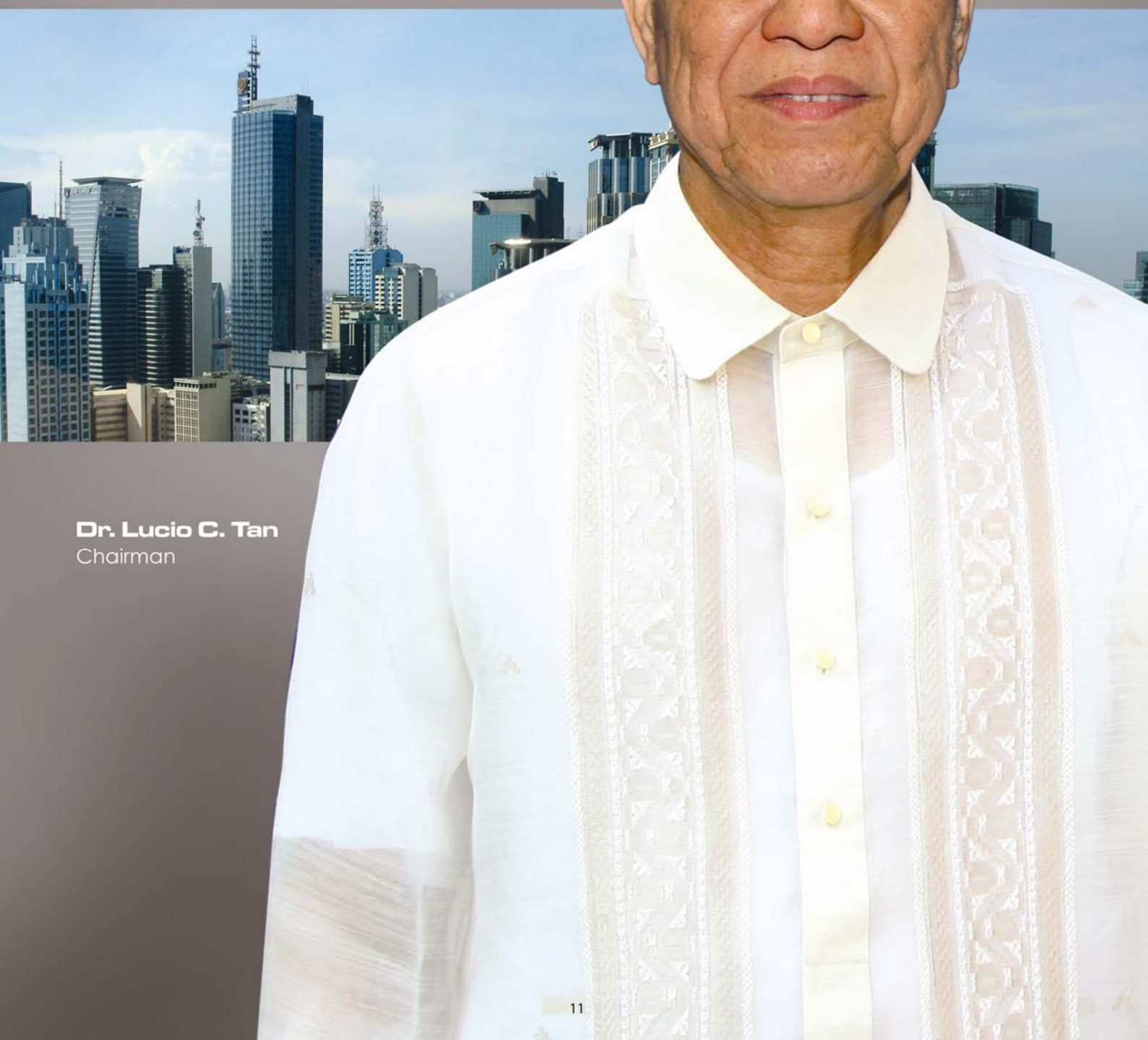
Eton City, hailed as **The Makati of the South**, occupies close to 1,000 hectares of prime land. It boasts of residential enclaves, a world-class business district, a golf-course and a broad range of commercial and resort-type recreation facilities.

Found within Eton City is South Lake Village, the country's first residential island lot development. It features 18 residential islands surrounded by a 35-hectare man-made lake accessible through kayaks and electric boats. Its 47% open spaces promote greener views, more breathing space and an expansive atmosphere.

Eton commissioned Baltimore-based RTKL and NS Mangio & Associates for its masterplan. Its architectural concept provides dynamic options for future residents to take advantage of the cohesive in-city living only Eton can deliver.



# Board of Directors



**Dr. Lucio C. Tan**  
Chairman



# Board of Directors

**Harry C. Tan**

Vice Chairman & CEO

**Danilo E. Ignacio**

President & COO





1

## Board of Directors



2

**1 Mariano C. Tanenglian**  
Director / Treasurer

**2 Lucio K. Tan Jr.**  
Director

**3 Michael G. Tan**  
Director

**4 Domingo T. Chua**  
Director



3



4





## Board of Directors



## Board of Directors

**5** **Juanita T. Tan Lee**  
Director

**6** **Jaime J. Bautista**  
Director

**7** **Wilson T. Young**  
Director

**8** **Reynaldo A. Maclang**  
Director







## Board of Directors

- 9 Omar Byron T. Mier**  
Director
- 10 Antonino L. Alindogan Jr.**  
Independent Director
- 11 Wilfrido E. Sanchez**  
Independent Director
- 12 Regnar C. Rivera**  
Director





**13 Ma. Cecilia L. Pesayco**  
Corporate Secretary

**14 Kurt G. Ang**  
VP & Chief Finance Officer

**15 Christine T. Lao**  
Vice President, Treasury



# Management Team







# Board of Directors

**DR. LUCIO C. TAN**

– Chairman, Eton Properties Philippines, Inc.

Chairman of PAL Holdings Inc., Philippine Airlines Inc., Asia Brewery Inc., Himmel Industries Inc., Fortune Tobacco Corporation, Tanduay Holdings Inc., Tanduay Distillers Inc., Grandspan Development Corporation, Lucky Travel Corporation; Director of Philippine National Bank; Majority Stockholder of Allied Banking Corporation, Century Park Hotel & Charter House Inc.

**HARRY C. TAN**

– Vice Chairman, Eton Properties Philippines, Inc.

Chairman of Tobacco Board; Managing Director of Century Park Hotel; Director of Allied Banking Corporation, Basic Holdings Corporation, Philippine Airlines Inc., Fortune Tobacco Corporation, Asia Brewery Inc., Tanduay Distillers Inc. & Foremost Farms Inc.

**DANILO E. IGNACIO**

– President & COO, Eton Properties Philippines, Inc.

Chairman & President of Manhattan Building Management Corporation; Managing Director of Robinsons Properties Marketing and Management Corporation; General Manager of High Rise Buildings Division of Robinsons Land Corporation; President of PhilAm Properties Corporation

**MARIANO C. TANENGLIAN**

– Treasurer & Director, Eton Properties Philippines, Inc.

Director & Treasurer of Basic Holdings Corporation, Philippine Airlines Inc., Asia Brewery Inc., Allied Banking Corporation, Himmel Industries Inc., Fortune Tobacco Corporation, PAL Holdings Inc., Tanduay Distillers Inc., Tanduay Brands International Inc., Charter House Inc., Grandspan Development Corporation

**LUCIO K. TAN JR.**

– Director, Eton Properties Philippines, Inc.

Executive Vice President of Fortune Tobacco Corporation & Foremost Farms Inc.; Director of Allied Bankers Insurance Corporation, Philippine Airlines Inc., Tanduay Holdings Inc., Tanduay Brands International Inc., Air Philippines Corporation, Philippine National Bank & PAL Holdings, Inc.

**MICHAEL G. TAN**

– Director, Eton Properties Philippines, Inc.

Chief Operating Officer of Asia Brewery Inc.; Director of Allied Bankers Insurance Corporation, Philippine Airlines Inc., Philippine Airlines Foundation Inc., Tanduay Holdings Inc., Air Philippines Corporation, Allied Banking Corporation and PAL Holdings Inc.

**DOMINGO T. CHUA**

– Director, Eton Properties Philippines, Inc.

Chairman of Air Philippines Corporation, PNB Securities, Inc., PNB Remittance Center, Inc. (USA), Dynamic Holdings Ltd., Director and President of Manufacturing Services, Allied Leasing & Finances Corporation, Lucky Travel Corporation, Director of Philippine National Bank, Asia Brewery Inc., Maranao Hotel & Resort Corporation, Oceanic Bank, Allied Banking Corporation (Hongkong) Ltd., Allied Bankers Insurance Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Eurotiles Industrian Corporation & General Manager of Himmel Industries Inc.

**JUANITA T. TAN LEE**

– Director, Eton Properties Philippines, Inc.

Director of PAL Holdings Inc.; Corporate Secretary of Asia Brewery Inc., Asian Alcohol Corporation, Charter House Inc., Asian Alcohol Corporation, Charter House Inc., Dominion Realty & Construction Corporation, Far East Molasses Corporation, Foremost Farms Inc., Fortune Tobacco Corporation, Fortune Tobacco International Corporation, Grandspan Development Corporation, Himmel Industries Inc., Landcom Realty Corporation, Lucky Travel Corporation, Manufacturing Services & Trade Corporation, Marcuenco Realty & Development Corporation, Tanduay Distillers Inc., Tanduay Brands International Inc., Tobacco Recyclers Corporation, Total Bulk Corporation, Zebra Holdings Inc.; Assistant Corporate Secretary of Basic Holdings Inc., Tanduay Holdings Inc.

**JAIME J. BAUTISTA**

– Director, Eton Properties Philippines, Inc.

President & COO of Philippine Airlines Inc., Chairman & President of Basic Capital Investments Corporation, President of Cube Factor Holdings Inc., Vice Chairman, Board of Trustees of University of the East, Member, Board of Trustees of UERM Medical Center, Director of Macro-Asia Corporation and PAL Holdings Inc.

**WILSON T. YOUNG**

– Director, Eton Properties Philippines, Inc.

Director of Air Philippines Corporation, Tanduay Holdings Inc., PAL Holdings Inc., Victorias Milling Company Inc., Vice Chairman of UERM Medical Center, Board Member of University of the East, Director and Chief Operating Officer of Tanduay Distillers and Asian Alcohol Corporation, Absolut Chemicals Inc., Flor De Cana Shipping Inc., Total Bulk Corporation, Director/ Treasurer of BK Titans Holdings Inc., and PERF Restaurants Inc., (Franchise of Burger King USA)

**REYNALDO A. MACLANG**

– Director, Eton Properties Philippines, Inc.

Director & President of Allied Banking Corporation, Director of Allied Leasing and Finance Corporation and New York Life Insurance Philippines

**OMAR BYRON T. MIER**

– Director of Eton Properties Philippines, Inc.

President and Chief Executive Officer of Philippine National Bank; Deputy General Manager of Deutsche Bank Manila; Vice President/ Senior Credit Officer of Citibank N.A. Manila Branch; Country Risk Manager/Senior Credit Officer of Citibank N.A. Kuala Lumpur and Penang, Malaysia

**ANTONINO L. ALINDOGAN JR.**

– Director of Eton Properties Philippines, Inc.

Chairman of An-Cor Holdings, Inc., Independent Director of PAL Holdings, Inc., Rizal Commercial Banking Corporation, Philippine Airlines, Inc., House of Investments, Inc.; President of C55, Inc.; Chairman of the Board of Directors of Development Bank of the Philippines (DBP); Consultant for Microfinance of DBP; Member of the Monetary Board of Bangko Sentral ng Pilipinas

**WILFRIDO E. SANCHEZ**

– Director, Eton Properties Philippines, Inc.

Chairman of Omico Corporation; Vice Chairman of Center for Leadership & Change, Inc.; Director and Vice-President of JVR Foundation, Inc.; Director of Adventure International Tours, Inc., Amon Trading Corporation, Dolphin Ship Management, Inc., EEI Corporation, Grepalife Asset Management Corporation, Grepalife Fized Income Fund Corporation, House of Investments, Inc., Kawasaki Motor Corporation, Magellan Capital Holdings Corporation, NYK-TDG Maritime Academy, Rizal Commercial Banking Corporation, Transnational Diversified Corporation, Transnational Diversified Group, Inc., Transnational Plans, Inc. and Universal Robina Corporation

**REGNAR C. RIVERA**

– Independent Director, Eton Properties Philippines, Inc.

Director and President of New York Life Insurance Philippines; Director of Rivera Farms, Inc. and Lloreen's International



## **ETON PROPERTIES PHILIPPINES, INC.**

Financial Statements  
December 31, 2007 and April 30, 2007  
and Eight Months Ended December 31, 2007  
and Years Ended April 30, 2007 and 2006  
and Independent Auditors' Report

## **INDEPENDENT AUDITORS' REPORT**

The Shareholders and the Board of Directors  
Eton Properties Philippines, Inc.  
12th Floor, Allied Bank Center  
6754 Ayala Avenue  
Makati City

We have audited the accompanying financial statements of Eton Properties Philippines, Inc., which comprise the balance sheets as at December 31, 2007 and April 30, 2007, and the statements of operations, statements of changes in equity and statements of cash flows for the eight months ended December 31, 2007 and each of the two years in the period ended April 30, 2007, and a summary of significant accounting policies and other explanatory notes.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

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

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



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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eton Properties Philippines, Inc. as of December 31, 2007 and April 30, 2007, and its financial performance and its cash flows for the eight months ended December 31, 2007 and for each of the two years in the period ended April 30, 2007 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Aldrin M. Cerrado

Partner

CPA Certificate No. 86735

SEC Accreditation No. 0113-AR-1

Tax Identification No. 129-433-783

PTR No. 0005399, January 3, 2008, Makati City

March 25, 2008



**ETON PROPERTIES PHILIPPINES, INC.**  
**BALANCE SHEETS**

	December 31, 2007	April 30, 2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	<b>₱517,032,924</b>	₱121,900,565
Receivables (Note 6)	<b>32,955,197</b>	5,249,003
Real estate projects in progress (Note 9)	<b>133,821,453</b>	433,036
Input tax and other current assets (Note 7)	<b>28,810,889</b>	1,297,545
<b>Total Current Assets</b>	<b>712,620,463</b>	128,880,149
<b>Noncurrent Assets</b>		
Available-for-sale financial asset (Note 8)	<b>186,994,598</b>	226,454,150
Investment properties - net (Note 10)	<b>7,741,837</b>	8,399,868
Property and equipment - net (Note 11)	<b>27,197,033</b>	5,554,679
Deferred income tax assets - net	<b>41,586,600</b>	–
Other noncurrent assets (Note 12)	<b>3,933,633</b>	–
<b>Total Noncurrent Assets</b>	<b>267,453,701</b>	240,408,697
<b>TOTAL ASSETS</b>	<b>₱980,074,164</b>	₱369,288,846
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade payables and other current liabilities (Note 13)	<b>₱111,745,264</b>	₱9,158,256
Income tax payable	–	1,956,796
<b>Total Current Liabilities</b>	<b>111,745,264</b>	11,115,052
<b>Noncurrent Liabilities</b>		
Deposits from customers (Note 14)	<b>701,571,812</b>	29,130,754
Deferred income tax liabilities (Note 21)	–	11,090,650
<b>Total Noncurrent Liabilities</b>	<b>701,571,812</b>	40,221,404
<b>Total Liabilities</b>	<b>813,317,076</b>	51,336,456
<b>Equity</b>		
Share capital - ₱1 par value [held by 1,676 and 1,750 equity holders as of December 31, 2007 and April 30, 2007, respectively] (Note 22)	<b>381,691,029</b>	381,691,029
Cumulative changes in fair value of available-for-sale financial asset (Notes 8 and 26)	<b>15,832,421</b>	20,275,654
Deficit (Note 27)	<b>(230,758,407)</b>	(84,006,338)
Treasury shares - 10,000 shares at cost	<b>(7,955)</b>	(7,955)
<b>Total Equity</b>	<b>166,757,088</b>	317,952,390
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱980,074,164</b>	₱369,288,846

See accompanying Notes to Financial Statements.



## ETON PROPERTIES PHILIPPINES, INC.

### STATEMENTS OF OPERATIONS

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 2007 AND  
THE YEARS ENDED APRIL 30, 2007 AND 2006

	December 31, 2007 (Eight Months)	April 30, 2007 (One Year)	April 30, 2006 (One Year)
<b>SELLING EXPENSES</b> (Note 16)	<b>(₱106,760,636)</b>	(₱1,843,803)	₱–
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 17)	<b>(57,084,106)</b>	(8,336,751)	(4,154,893)
<b>FOREIGN EXCHANGE LOSS</b> - net (Note 20)	<b>(51,253,987)</b>	(26,354,475)	(14,808,024)
<b>INVESTMENT AND OTHER INCOME</b> - net (Note 15)	<b>20,700,274</b>	19,210,275	28,585,215
<b>INTEREST EXPENSE</b> (Note 19)	–	–	(116,537)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(194,398,455)</b>	(17,324,754)	9,505,761
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 21)	<b>(47,646,386)</b>	1,871,456	(355,345)
<b>NET INCOME (LOSS)</b>	<b>(₱146,752,069)</b>	(₱19,196,210)	₱9,861,106
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b> (Note 23)	<b>(₱0.1124)</b>	₱0.0147	₱0.0076

See accompanying Notes to Financial Statements.

# ETON PROPERTIES PHILIPPINES, INC.

## STATEMENTS OF CHANGES IN EQUITY FOR THE EIGHT MONTHS ENDED DECEMBER 31, 2007 AND FOR THE YEARS ENDED APRIL 30, 2007 AND 2006

	Share Capital (Note 22)	Cumulative Changes in Fair Value of Available-for-Sale Financial Asset (Notes 8, 15 and 26)	Deficit (Note 26)	Treasury Shares (Note 27)	Total
<b>BALANCES AT MAY 1, 2005</b>	<b>₱381,691,029</b>	<b>₱3,892,227</b>	<b>(₱74,671,234)</b>	<b>(₱7,955)</b>	<b>₱310,904,067</b>
Net change in fair value of available-for-sale financial asset during the year	-	17,657,624	-	-	17,657,624
Realized net changes in fair values of available-for-sale financial asset through assignment	-	(2,199,327)	-	-	(2,199,327)
Total income recognized directly in equity	-	15,458,297	-	-	15,458,297
Net income for the year	-	-	9,861,106	-	9,861,106
Total income and expense recognized for the year	-	15,458,297	9,861,106	-	25,319,403
<b>BALANCES AT APRIL 30, 2006</b>	<b>381,691,029</b>	<b>19,350,524</b>	<b>(64,810,128)</b>	<b>(7,955)</b>	<b>336,223,470</b>
Net change in fair value of available-for-sale financial asset during the year	-	925,130	-	-	925,130
Net loss for the year	-	-	(19,196,210)	-	(19,196,210)
Total income and expense recognized for the year	-	925,130	(19,196,210)	-	(18,271,080)
<b>BALANCES AT APRIL 30, 2007</b>	<b>381,691,029</b>	<b>20,275,654</b>	<b>(84,006,338)</b>	<b>(7,955)</b>	<b>317,952,390</b>
Net change in fair value of available-for-sale financial asset during the period	-	(4,443,233)	-	-	(4,443,233)
Net loss for the period	-	-	(146,752,069)	-	(146,752,069)
Total income and expense recognized for the period	-	(4,443,233)	(146,752,069)	-	(151,195,302)
<b>BALANCES AT DECEMBER 31, 2007</b>	<b>₱381,691,029</b>	<b>₱15,832,421</b>	<b>(₱230,758,407)</b>	<b>(₱7,955)</b>	<b>₱166,757,088</b>

See accompanying Notes to Financial Statements



**ETON PROPERTIES PHILIPPINES, INC.**

**STATEMENTS OF CASH FLOWS**

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 2007 AND  
THE YEARS ENDED APRIL 30, 2007 AND 2006

	December 31, 2007 (Eight Months)	April 30, 2007 (One Year)	April 30, 2006 (One Year)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	(P194,398,455)	(P17,324,754)	P9,505,761
Adjustments for:			
Interest income (Notes 5 and 15)	(20,252,908)	(19,208,445)	(20,796,668)
Unrealized foreign exchange loss - net	50,612,423	26,354,475	14,808,024
Depreciation (Notes 11 and 17)	3,836,147	3,067,371	3,065,847
Dividend income (Note 15)	-	(1,830)	(60,894)
Interest expense (Note 19)	-	-	116,537
Gain on assignment of assets and settlement of liabilities (Notes 4, 15 and 19)	-	-	(5,395,621)
Realization of changes in fair values of available-for-sale financial assets through assignment (Notes 8 and 15)	-	-	(2,332,032)
Operating loss before working capital changes	(160,202,793)	(7,113,183)	(1,089,046)
Increase in:			
Receivables	(15,672,862)	(3,164,596)	-
Real estate projects in progress	(133,388,417)	(433,036)	-
Input tax and other current assets	(31,157,446)	(987,835)	(16,846)
Trade payables and other current liabilities	102,107,006	3,120,456	9,090
Cash used in operations	(238,314,512)	(8,578,194)	(1,096,802)
Interest received	8,146,622	19,391,230	20,627,942
Dividends received	-	1,830	60,894
Income taxes paid, including creditable withholding taxes	(4,595,148)	(2,034,712)	(528,236)
Net cash from (used in) operating activities	(234,763,038)	8,780,154	19,063,798
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Additions to property and equipment (Notes 11 and 28)	(24,630,001)	(146,382)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt of deposits from customers	672,441,058	29,130,754	-
Payment of due to related parties (Note 19)	-	(20,975,571)	-
Net cash from financing activities	672,441,058	8,155,183	-
<b>NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 5)</b>	<b>(17,915,660)</b>	<b>(9,357,044)</b>	<b>(5,019,404)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>395,132,359</b>	<b>7,431,911</b>	<b>14,044,394</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>121,900,565</b>	<b>114,468,654</b>	<b>100,424,260</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)</b>	<b>P517,032,924</b>	<b>P121,900,565</b>	<b>P114,468,654</b>

See accompanying Notes to Financial Statements.

## ETON PROPERTIES PHILIPPINES, INC.

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### NOTES TO FINANCIAL STATEMENTS

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#### 1. Corporate Information and Authorization for Issue of the Financial Statements

##### Corporate Information

Eton Properties Philippines, Inc. (the Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 2, 1971 under the name "Balabac Oil Exploration & Drilling Co., Inc." to engage in oil exploration and mineral development projects in the Philippines. On May 12, 1988, the Company's shares were approved for registration and licensing by the Philippine SEC.

On August 19, 1996, the Company's Articles of Incorporation (the Articles) was amended to: (a) change the Company's primary purpose from oil exploration and mineral development to that of engaging in the business of a holding company; and (b) include real estate development and oil exploration as among its secondary purposes.

On February 21, 2007, the Company's Board of Directors (the Board) adopted the following amendments:

- (a) Change the corporate name to Eton Properties Philippines, Inc.;
- (b) Change the primary purpose to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential, including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop and sell subdivision lots; to erect, construct, alter, manage, operate, lease buildings and tenements; and to engage or act as real estate broker; and
- (c) Increase the number of directors from eleven (11) to fifteen (15).

The above amendments were subsequently adopted by the Company's shareholders on April 19, 2007 and approved by the Philippine SEC on June 8, 2007.

The Company's registered business address is 12th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City.

Management, accounting, statutory reporting and compliance, and administrative services are provided by an affiliate at no cost to the Company until February 2007.

##### Authorization for Issue of the Financial Statements

The financial statements were authorized for issue by the Board on March 25, 2008.



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## 2. Summary of Significant Accounting Policies and Financial Reporting Practices

### Basis of Preparation

The financial statements have been prepared using the historical cost basis, except for available-for-sale (AFS) financial asset that has been measured at fair value. The financial statements are presented in Philippine Peso (Peso), which is the Company's functional currency.

The Company prepared short-period financial statements as of December 31, 2007 and for the period May 1, 2007 to December 31, 2007 pursuant to the change in its fiscal year end from April 30 to December 31 for submission to the SEC and Bureau of Internal Revenue (BIR). The amounts reflected in the statement of operations, statement of changes in equity and statement of cash flows and the related explanatory notes for the period May 1, 2007 to December 31, 2007 are for an eight-month period, and accordingly, are not entirely comparable with amounts as of and for the year ended April 30, 2007 and 2006 which pertain to an entire year.

### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year, except for the changes in accounting policies resulting from adoption of the following new standard, amendments to existing standard and Philippine Interpretations effective beginning May 1, 2007:

- PFRS 7, *Financial Instruments: Disclosures*, introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. It is applicable to all entities that report under PFRS.

The Company adopted the amendment to the transitional provisions of PFRS 7, as approved by the Financial Reporting Standards Council of the Philippines, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Company did not present comparative information for the disclosures required by paragraphs 31 to 42 of PFRS 7, unless the disclosure was previously required under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Disclosure and Presentation*. Adoption of PFRS 7 resulted in additional disclosures, which are included throughout the financial statements. These disclosures include different classes of financial assets, credit quality of loans and receivables, and sensitivity analysis as to changes in interest and foreign exchange rates (see Note 25).



- Amendment to PAS 1, *Presentation of Financial Statements: Capital Disclosures*, requires the following additional disclosures: (a) an entity's objectives, policies and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity has complied with any capital requirements; and (d) if it has not complied, the consequences of such noncompliance. The adoption of the standard resulted in additional disclosures on capital management (see Note 26).
- Philippine Interpretation IFRIC 7, *Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies*, provides guidance on how to apply PAS 29 when an economy first becomes hyperinflationary, in particular the accounting for deferred income tax.
- Philippine Interpretation IFRIC 8, *Scope of PFRS 2, Share-based Payment*, requires PFRS 2 to be applied to any arrangement where equity instruments are issued for consideration which appears to be less than fair value.
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows.
- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*, prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date.

The adoption of Philippine Interpretations IFRIC 7, 8, 9 and 10 did not have an impact on the financial statements since the Company currently does not have any transaction within the scope of these interpretations.

New Accounting Standards, Amendments and Interpretations Effective Subsequent to 2007:

The following accounting standards, amendments to existing standards and interpretations are effective subsequent to the year ended December 31, 2007. The Company will adopt the new standard, amendments and interpretations on their respective effectivity dates.

- PFRS 8, *Operating Segments* (effective for annual periods beginning on or after January 1, 2009), requires a management approach to reporting segment information. PFRS 8 will replace PAS 14, *Segment Reporting*, and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the SEC for purposes of issuing any class of instruments in a public market. The adoption of this Standard is not expected to have a significant impact on the financial statements of the Company.



- Amendment to PAS 1, *Presentation of Financial Statements*, (effective for annual periods beginning on or after January 1, 2009), introduces new disclosures to aggregate information in the financial statements on the basis of shared characteristics. It requires the following presentations: (a) all changes in equity arising from transactions with owners are to be presented separately from non-owner changes in equity, (b) income and expenses are to be presented in one statement (a statement of comprehensive income) or in two statements (a separate income statement and a statement of comprehensive income), separately from owner changes in equity, (c) components of other comprehensive income to be displayed in the statement of comprehensive income and, (d) total comprehensive income to be presented in the financial statements. The Company is currently in the process of assessing the impact of this amendment but is not yet in a position to state whether it could have a significant impact on the financial statements.

The adoption of this Interpretation did not have an impact on the consolidated financial statements since the Group currently does not have any transaction within the scope of this Interpretation.

- Amendment to PAS 23, *Borrowing Cost* (effective for annual periods beginning on or after January 1, 2009), eliminates the option to immediately recognize borrowing cost as expense if they are directly attributable to the acquisition, construction or production of a qualifying asset. The Company expects that the adoption of this amendment will not have an impact on the financial statements since the Company currently does not have any transaction within the scope of this amendment.
- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*, (effective for annual periods beginning on or after March 1, 2007) requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. The Company expects that the adoption of this interpretation will not have an impact on the financial statements since the Company currently does not have any transaction within the scope of this interpretation.
- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, (effective for annual periods beginning on or after January 1, 2008), covers contractual arrangements arising from private entities providing public services. The Company expects that the adoption of this interpretation will not have an impact on the financial statements since the Company currently does not have any transaction within the scope of this interpretation.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, (effective for annual periods beginning on or after July 1, 2008), requires loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. The Company expects that the adoption of this interpretation will not have an impact on the financial statements since the Company currently does not have any transaction within the scope of this interpretation.

- Philippine Interpretation IFRIC 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction*, (effective for annual periods beginning on or after January 1, 2008), provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. The Company expects that the adoption of this interpretation will not have an impact on the financial statements since the Company currently does not have any transaction within the scope of this interpretation.

#### Cash and Cash Equivalents

Cash includes cash on hand and in 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 change in value.

#### Financial Assets and Financial Liabilities

Financial assets are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) financial assets, or AFS financial assets, as appropriate. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Company determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs, if any, are included in the initial measurement of financial assets and financial liabilities, except for any financial instruments measured at FVPL.

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

The Company recognizes a financial asset or financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Company commits to purchase the asset. 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.

The Company's financial assets and financial liabilities consist of loans and receivables, AFS financial asset and other financial liabilities.



### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried either at cost or amortized cost in the balance sheet. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2007 and April 30, 2007, the Company's cash in bank and cash equivalents, accrued interest receivable and refundable deposits are classified as loans and receivables.

### *AFS Financial Assets*

AFS financial assets are non-derivative assets that are either designated in this category or not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. Changes in the fair value of such assets are accounted for in equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve months from the balance sheet date.

As of December 31, 2007 and April 30, 2007, the Company's investment in United States (US) Dollar (\$) -denominated, Philippine government bond is classified as an AFS financial asset.

### *Other Financial Liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables, accruals).

The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

As of December 31, 2007 and April 30, 2007, the Company's trade payables and other current liabilities and deposits from customers are classified as other financial liabilities.

### *Day 1 Profit*

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 profit) in the statement of operations under the "Investment and other income" account unless it qualifies for 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 the statement of operations when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit.

### 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.

Where 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 repay.

#### *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 modification is treated as a derecognition of the carrying value of the original liability and the recognition of a new liability at fair value, and any resulting difference is recognized in profit or loss.

### Impairment of Financial Assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



### *Financial Assets Carried at Amortized Cost*

If there is an 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 assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of operations under "Provision for doubtful accounts". Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

The Company first assesses whether the objective evidence of impairment exists individually for financial assets that are individually significant, and individually or 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 a collective assessment of impairment.

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 the Company's statement of operations, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

### *AFS Financial Assets*

For AFS financial assets, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial asset is impaired. In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. For AFS financial assets, the cumulative loss that had been recognized directly in equity (resulting from decline in fair value) shall be removed from equity and recognized in profit or loss even though the investment has not been derecognized. The amount of the cumulative loss that is removed from equity and recognized in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the Company's statement of operations.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as AFS shall not be reversed through the Company's statement of operations. Reversals of impairment losses on debt instruments are reversed through the statement of operations if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of operations.

Real Estate Projects in Progress

Real estate projects in progress are carried at the lower of cost and net realizable value. Cost primarily consists of acquisition costs and expenditure for the development and improvement of land. Interest on loans (borrowing costs) incurred during the development phase are also capitalized as part of the cost of the real estate projects. Net realizable value is the estimated selling price less costs to complete and sell.

Investment Properties

Investment properties consist of parcels of land, office condominium and improvements and a residential unit. Investment properties are measured at cost less accumulated depreciation and impairment in value. At the date of transition to PFRS, the Company elected to measure the office condominium and improvements at fair value and to use the fair value as deemed cost at that date.

The office condominium and improvements and residential unit are depreciated on a straight line-basis over their estimated useful lives of ranging from five to twenty-five years. The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of investment property.

An investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of an investment property are recognized in the statement of operations in the year of derecognition.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by cessation of owner-occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial costs of property and equipment consist of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are recognized in the statement of operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of the property and equipment.





Depreciation commences once the assets are available for use and is provided on all property and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful lives as follows:

	Years
Transportation equipment	5
Office equipment	3
Sales and marketing equipment	5
Office furniture and fixtures	5

Amortization of leasehold improvements, if any, is computed on a straight-line method based on the estimated useful lives of the assets or the term of the lease, whichever is shorter.

The assets' estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment. The assets' estimated residual values are reviewed periodically and adjusted if appropriate.

When assets are retired, or otherwise disposed of, the cost and the accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in the statement of operations.

#### Software

Software, which is included under "Other noncurrent assets" in the balance sheet, is measured on initial recognition at cost. Following initial recognition, software and licenses are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over its estimated useful life of 5 years.

#### Impairment of Non-financial Assets

The carrying values of non-financial assets (i.e., investment properties, software and property and equipment) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized in the statement of operations.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset. However, the amount should not be higher than the carrying amount that would have been determined (net of any accumulated depreciation, depletion and amortization) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in the statement of operations.

Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

*Sale of condominium units*

Sale of condominium units is generally accounted for under the full accrual method. Under this method, any gain is not recognized until the sales price is reasonably assured and the earnings process is virtually complete. When a sale does not meet the requirements for income recognition, gain is deferred until those requirements are met.

The percentage of completion method is used to recognize income from sale of condominium units where the Company has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

*Interest*

Interest income on cash and cash equivalents is recognized as the interest accrues, taking into account the effective yield on the asset.

*Expenses*

Selling and General and administrative expenses are recognized as incurred.

Borrowing Costs

Borrowing costs are recognized as expense in the year these are incurred except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowings costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is impaired.

Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income for the year by the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential common shares, if any.

The Company does not have any instrument with dilutive effect hence, the basic and diluted earnings per share are of the same amount.



### Income Tax

#### *Current Income Tax*

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

#### *Deferred Income Tax*

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet 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, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused tax losses from net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused excess MCIT over RCIT and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

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 balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax relates to the same entity and the same taxation authority.

### Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are initially recorded in Peso, the Company's functional currency, based on the applicable exchange rate prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated to the functional currency at the applicable closing exchange rate prevailing at the balance sheet date. Foreign exchange differences are recognized in the statement of operations.

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement 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).

#### *Company is the Lessee*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to income 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.

#### Treasury Shares

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in the statement of operations on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Segment Information

Segment information is reported on both a business unit (primary) and geographical (secondary) basis. This approach is based on the manner in which segments are organized and managed as well as management's assessment that the risks and rates of return are affected predominantly by differences in the products produced and services rendered rather than the geographical location of its activities. Currently, the Company has a single business and geographical segment and therefore, segment disclosures have not been included in the accompanying financial statements.

#### Provisions and Contingencies

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 on the amount of the obligation.

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



## Events After the Balance Sheet Date

Any post-year end event that provides additional information about the Company's position at the balance sheet date (adjusting event) is reflected in the financial statements. Post-year end events that are not adjusting events, if any, are disclosed when material to the financial statements.

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

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of income and expenses during the period.

The judgments, estimates and assumptions used in the preparation of the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of any changes will be reflected in the financial statements as they become reasonably determinable.

#### Judgments

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

#### *Determination of Functional Currency*

The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be Peso. The Peso is the currency of the primary economic environment in which it operates. It is the currency that mainly influences the costs and expenses of the Company.

#### *Classification of Financial Instruments*

The Company classifies a financial instrument, or its component parts, on initial recognition and re-evaluates this designation at every financial reporting date 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 balance sheets.

#### *Classification of Leases*

The Company has entered into property leases, where it has determined that the risks and rewards related to those properties are retained with the lessors. As such, these lease agreements are accounted for as operating leases.

#### *Impairment of AFS Financial Asset*

In determining the fair values of its financial asset, management evaluates the presence of significant and prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. Any indication of deterioration in these factors can have a negative impact on their fair value. The Company treats "significant" generally as 20% more of the original cost of investment, and "prolonged" greater than 6 months.

Based on management's assessment, no impairment loss needs to be recognized on AFS financial asset for the period May 1 to December 31, 2007 and the years ended April 30, 2007 and 2006.

#### *Determination of Fair Value of Financial Instruments*

Financial assets and liabilities on initial recognition are accounted for at fair value. The fair values of financial assets and financial liabilities on initial recognition are normally the transaction prices. The fair value of the Company's investment in US dollar-denominated bond is based on its quoted market price. This price is indicative of actual and regularly occurring market transactions on an arm's length basis.

The carrying amounts and fair values of financial assets and financial liabilities as of December 31, 2007 and April 30, 2007 are disclosed in Note 24.

#### *Impairment of Investment Properties and Property and Equipment*

The Company determines whether its investment properties and property and equipment are impaired, at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the assets belong. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows. Based on management's assessment, no impairment loss needs to be recognized as of December 31, 2007 and April 30, 2007.

#### Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities follow:

#### *Valuation of Financial Assets and Financial Liabilities*

Financial assets and financial liabilities carried at fair value require the use of accounting estimates. While significant components of fair value measurement are determined using verifiable objective evidence, the amount of changes in fair value would differ if the Company utilizes a different valuation methodology. Any changes in the fair value of financial assets and financial liabilities will affect profit and loss and equity.

The fair values of financial assets and financial liabilities on initial recognition are normally the transaction prices. This price is indicative of actual and regularly occurring market transactions on an arm's length basis.

The carrying amounts and fair values of financial assets and financial liabilities as of December 31, 2007 and April 30, 2007 are disclosed in Note 24.

#### *Estimation of Useful Lives of Investment Properties and Property and Equipment*

The Company estimates the useful lives of investment properties and property and equipment based on internal technical evaluation and experience with similar assets. Estimated useful lives of investment properties are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. The total carrying amount of investment properties as of December 31, 2007 and April 30, 2007 amounted to ₱7,741,837 and ₱8,399,868, respectively (Note 10). The carrying value of property and equipment as of December 31, 2007



and April 30, 2007 amounted to ₱27,197,033 and ₱5,554,679, respectively (Note 11).

*Estimation of the Realizability of Deferred Income Tax Assets*

The Company reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred income tax assets 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. No deferred income tax assets are recognized as of December 31, 2007 and April 30, 2007 (Note 21).

#### 4. Memorandum of Agreement (the MOA) with Combined Equity Venture, Inc. (CEVI)

On December 23, 2005, the Company entered into and executed the MOA with CEVI, a third party, wherein the Company agrees to assign, transfer and convey to CEVI some of its assets for the purpose of liquidating them in order to effect the full and final settlement of some of its liabilities. CEVI agrees to undertake the most beneficial arrangements involving the assets in order to generate the required funds to settle the liabilities. Realized gain on assignment of assets and settlement of liabilities amounting to ₱5,395,621 was recorded in the statement of operations for the year ended April 30, 2006 (Note 15).

Among the specific provisions of the MOA are the following:

- a. Certain liabilities of the Company comprising of estimated liabilities for retirement benefits and accrued salaries and subscription payable to Unioil Resources and Holdings Co., Inc. (Unioil) and Phoenix Energy Corp. (Phoenix Energy), totaling ₱47,132,320 as of December 23, 2005, will be assumed by CEVI.
- b. Certain assets of the Company comprising of investments in and advances to Phoenix Energy and Phoenix Gas and Oil Exploration Co., Inc., (Phoenix Gas) and B.U. Properties Corporation (B.U. Properties), and AFS investments in proprietary shares and club shares, totaling ₱41,736,699 as of December 23, 2005, were assigned, transferred and conveyed by the Company to CEVI.
- c. In the event the aggregate proceeds of the sale of the assets shall exceed the liabilities, the entire amount in excess of the liabilities shall belong to CEVI. Should, however, the aggregate proceeds of the sale of the assets be less than the liabilities, the deficiency shall be for the account of CEVI, and the Company shall not be liable to CEVI and/or the creditors for any deficiency. CEVI shall hold the Company free and harmless from and against any and all claims by the creditors or any third party whatsoever arising from non-payment of the liabilities.

On February 1, 2007, the Company and CEVI agreed to amend the provisions of the MOA pertaining to the remaining assets and liabilities. The provisions are as follows:

- a. The Company shall pay to CEVI the amount of ₱20,975,571 as full settlement of all CEVI's claims/rights under the MOA, which amount shall be payable as follows:

Term	Amount
On or before February 28, 2007	₱10,000,000
On or before March 15, 2007	10,975,571



- b. Upon acceptance by CEVI of the Company's payment of ₱20,975,571, the MOA dated December 23, 2005 shall be deemed terminated and CEVI shall accordingly relinquish any and all of its rights and interest on the assets.

As a result of the foregoing settlement of the remaining assets and liabilities, a gain amounting to ₱968,080 was recognized in the statement of operations for the year ended April 30, 2007. Consequently, an interest expense by the same amount was recognized as amortization charges for the financial liability (Note 19).

## 5. Cash and Cash Equivalents

	December 31, 2007	April 30, 2007
Cash on hand and in bank	₱124,825,370	₱121,900,565
Cash equivalents	392,207,554	–
	<b>₱517,032,924</b>	<b>₱121,900,565</b>

The effective annual interest rate on cash equivalents, which have an average maturity of 25 days, ranges from 2.50% to 4.35% as of December 31, 2007. Total interest income from cash equivalents for the eight-month period ended December 31, 2007 amounted to ₱8,713,358.

As of December 31, 2007 and April 30, 2007, the Company's cash and cash equivalents include United States Dollar (Dollar) deposits with local banks as follows:

	December 31, 2007	April 30, 2007
Dollar value	\$2,989,880	\$2,089,114
Peso equivalent	₱123,422,230	₱99,462,717

The closing exchange rate used at December 31, 2007 and April 30, 2007 amounted to ₱41.28 and ₱47.61 to US\$1, respectively.

Unrealized foreign exchange loss charged to statements of operations for the eight-month period ended December 31, 2007 and the years ended April 30, 2007 and 2006 amounted to ₱17,915,660, ₱9,357,044 and ₱5,019,404, respectively.

## 6. Receivables

	December 31, 2007	April 30, 2007
Accrued interest receivable	₱14,117,739	₱2,084,407
Advances to Eton Sales Corporation [ESC] (Note 19)	15,422,691	3,164,596
Advances to officers and employees	1,266,054	–
Other advances	2,148,713	–
	<b>₱32,955,197</b>	<b>₱5,249,003</b>

Accrued interest receivable pertains to cash equivalents and AFS financial assets (see Note 8). Advances to ESC are noninterest-bearing, payable on demand advances for working capital purposes.



## 7. Input Tax and Other Current Assets

	December 31, 2007	April 30, 2007
Input Value-Added Tax (VAT)	<b>₱26,399,119</b>	₱1,293,745
Refundable deposits	<b>1,240,291</b>	3,800
Prepaid expenses	<b>1,171,479</b>	–
	<b>₱28,810,889</b>	₱1,297,545

## 8. AFS Financial Asset

The AFS financial asset pertains to investment in US Dollar-denominated, Philippine-government bond carried at fair value amounting to ₱186,994,598 and ₱226,454,150 as of December 31, 2007 and April 30, 2007, respectively. The cumulative changes in fair value amounting to ₱15,832,421 and ₱20,275,654 (net of deferred income tax liability of ₱8,525,150 and ₱10,917,660) were recognized as a separate component of equity as of December 31, 2007 and April 30, 2007, respectively. The fair value of this investment is based on its quoted market price as of December 31, 2007 and April 30, 2007. The AFS financial asset will mature on March 17, 2015 and interest is received semi-annually.

Accrued interest receivable on this AFS financial asset amounted to ₱12,100,785 and ₱2,084,407 as of December 31, 2007 and April 30, 2007, respectively.

Pursuant to the MOA (see Note 4), certain AFS financial assets carried at fair value aggregating to ₱7,940,992, with cumulative fair value gains as of December 23, 2005 of ₱2,199,327 (net of related deferred income tax liability of ₱132,705), were conveyed to CEVI, in partial settlement of the Company's liabilities, including the subscription payable to Unioil of ₱20,660,187 that were assumed by CEVI. The AFS financial assets disposed off consist of marketable equity securities, shares of Unioil and club shares, with carrying value totaling ₱7,940,992 as of December 23, 2005. Realized net changes in the fair values of these investments amounted to ₱2,332,032 in 2006 (see Note 15).

Changes in the fair value of AFS financial asset follows:

	December 31, 2007	April 30, 2007
Beginning balance	<b>₱31,193,314</b>	₱29,770,037
Changes in fair value during the period	<b>(6,835,743)</b>	1,423,277
Ending balance	<b>₱24,357,571</b>	₱31,193,314

**9. Real Estate Projects in Progress**

	<b>December 31, 2007</b>	April 30, 2007
Project development cost	<b>₱81,437,188</b>	₱–
Professional and consultancy fees	<b>49,326,117</b>	433,036
Others	<b>3,058,148</b>	–
	<b>₱133,821,453</b>	₱433,036

Professional and consultancy fees include payments for architectural, mechanical and industrial design of the projects as well as surveys and appraisal of the project location.

Project development cost pertains to payments to the contractors, purchases of construction materials and other costs that are directly attributed to the construction of the projects.

**10. Investment Properties****December 31, 2007**

	<b>Land</b>	<b>Residential Unit</b>	<b>Office Condominium and Improvements</b>	<b>Total</b>
<b>Cost</b>	<b>₱4,413,100</b>	<b>₱7,620,000</b>	<b>₱11,695,999</b>	<b>₱23,729,099</b>
<b>Accumulated Depreciation</b>				
<b>Beginning balances</b>	–	<b>4,010,525</b>	<b>11,318,706</b>	<b>15,329,231</b>
<b>Depreciation</b>	–	<b>280,738</b>	<b>377,293</b>	<b>658,031</b>
<b>Ending balances</b>	–	<b>4,291,263</b>	<b>11,695,999</b>	<b>15,987,262</b>
<b>Net Book Value</b>	<b>₱4,413,100</b>	<b>₱3,328,737</b>	<b>₱–</b>	<b>₱7,741,837</b>

**April 30, 2007**

	<b>Land</b>	<b>Residential Unit</b>	<b>Office Condominium and Improvements</b>	<b>Total</b>
<b>Cost</b>	<b>₱4,413,100</b>	<b>₱7,620,000</b>	<b>₱11,695,999</b>	<b>₱23,729,099</b>
<b>Accumulated Depreciation</b>				
<b>Beginning balances</b>	–	<b>3,208,420</b>	<b>9,054,964</b>	<b>12,263,384</b>
<b>Depreciation</b>	–	<b>802,105</b>	<b>2,263,742</b>	<b>3,065,847</b>
<b>Ending balances</b>	–	<b>4,010,525</b>	<b>11,318,706</b>	<b>15,329,231</b>
<b>Net Book Value</b>	<b>₱4,413,100</b>	<b>₱3,609,475</b>	<b>₱377,293</b>	<b>₱8,399,868</b>

Upon transition to and as allowed under PFRS, the Company elected to measure its investment properties stated at revalued amounts as their deemed cost as of May 1, 2004. The revaluation increment, which became part of the investment properties deemed cost, is considered as a taxable temporary difference until the property is sold.





## 11. Property and Equipment

December 31, 2007

	Transportation Equipment	Office Equipment	Sales and Marketing Equipment	Office Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>						
Beginning balances	₱5,409,821	₱34,643	₱–	₱1,676,259	₱–	₱7,120,723
Additions	14,379,465	6,246,624	520,385	983,975	2,665,111	24,795,560
Ending balances	19,789,286	6,281,267	520,385	2,660,234	2,665,111	31,916,283
<b>Accumulated Depreciation and Amortization</b>						
Beginning balances	–	(962)	–	(1,565,082)	–	(1,566,044)
Depreciation and amortization	(1,927,411)	(798,838)	(30,894)	(332,256)	(63,807)	(3,153,206)
Ending balances	(1,927,411)	(799,800)	(30,894)	(1,897,338)	(63,807)	(4,719,250)
<b>Net Book Value</b>	<b>₱17,861,875</b>	<b>₱5,481,467</b>	<b>₱489,491</b>	<b>₱762,896</b>	<b>₱2,601,304</b>	<b>₱27,197,033</b>

April 30, 2007

	Transportation Equipment	Office Equipment	Office Furniture and Fixtures	Total
<b>Cost</b>				
Beginning balances	₱–	₱–	₱1,564,520	₱1,564,520
Additions	5,409,821	34,643	111,739	5,556,203
Ending balances	5,409,821	34,643	1,676,259	7,120,723
<b>Accumulated Depreciation</b>				
Beginning balances	–	–	(1,564,520)	(1,564,520)
Depreciation	–	(962)	(562)	(1,524)
Ending balances	–	(962)	(1,565,082)	(1,566,044)
<b>Net Book Value</b>	<b>₱5,409,821</b>	<b>₱33,681</b>	<b>₱111,177</b>	<b>₱5,554,679</b>

## 12. Other Noncurrent Assets

As of December 31, 2007, the Company's other noncurrent assets consist of the following:

Software	₱289,531
Refundable deposits:	
Makati Commercial Estate Association [MACEA] (Net of deferred expense amounting to ₱698,927 for the eight- month period ended December 31, 2007)	2,801,073
Philippine National Bank [PNB] (Net of deferred rent expense amounting to ₱156,971 for the eight-month period ended December 31, 2007)	843,029
	<u>₱3,933,633</u>

## Software:

	December 31, 2007
Cost:	
Beginning balance	₱–
Additions	314,442
Ending balance	314,442
Accumulated Amortization:	
Beginning balance	–
Amortization	₱24,911
Ending balance	24,911
Net Book Value	₱289,531

The deposit to MACEA will be refunded at the end of the construction of Eton Residences Greenbelt (ERG) which is set on September 30, 2011. The deposit to PNB will be refunded at the end of the lease period on December 2010.

### 13. Trade Payables and Other Current Liabilities

	December 31, 2007	April 30, 2007
Trade payables	₱102,766,128	₱5,139,581
Accrued liabilities	3,371,832	2,581,984
Accrued taxes	4,591,476	361,789
Advances from related parties (Note 19)	774,264	275,156
Others	241,564	799,746
	₱111,745,264	₱9,158,256

Trade payables are noninterest-bearing and are normally settled on 30 to 60 days term. Accrued liabilities consist of various expense accruals for rental, utilities and professional fee.

### 14. Deposits from Customers

Deposits from customers represent reservation fees received by the Company for its condominium projects.

As of December 31, 2007, the Company has received deposits from customers for the following condominium projects:

Project	Amount
The Eton Residences Greenbelt	₱448,519,905
Eton Baypark Manila	160,556,060
Eton Emerald Lofts	57,874,835
One Archers Place	21,882,226
Eton Parkview Greenbelt	12,226,506
Belton Place	512,280
	₱701,571,812



The deposits from customers as of April 30, 2007 amounting to ₱29,130,754 pertain specifically for The Eton Residences Greenbelt condominium project.

## 15. Investment and Other Income

	December 31, 2007	April 30 2007	2006
Interest income (Notes 5 and 8)			
Cash and cash equivalents	<b>₱9,234,445</b>	₱1,118,614	₱–
AFS financial asset	<b>11,018,463</b>	18,089,831	20,796,668
Dividend income	–	1,830	60,894
Gain on assignment of assets and settlement of liabilities (Note 4)	–	–	5,395,621
Realization of changes in fair values of AFS financial asset through assignment (Note 8)	–	–	2,332,032
Other income	<b>447,366</b>	–	–
	<b>₱20,700,274</b>	₱19,210,275	₱28,585,215

## 16. Selling Expenses

	December 31, 2007	April 30 2007	2006
Sales commissions	<b>₱65,464,993</b>	₱–	₱–
Advertising and promotion	<b>41,089,642</b>	1,843,803	–
Other marketing expenses	<b>206,001</b>	–	–
	<b>₱106,760,636</b>	₱1,843,803	₱–

## 17. General and Administrative Expenses

	December 31, 2007	April 30 2007	2006
Personnel costs (Note 18)	<b>₱24,185,908</b>	₱2,332,295	₱–
Professional fees	<b>7,261,789</b>	1,246,357	571,000
Travel and transportation	<b>5,634,878</b>	–	–
Entertainment, amusement and recreation	<b>4,294,184</b>	–	–
Depreciation and amortization (Notes 10 and 11)	<b>3,836,147</b>	3,067,371	3,065,847
Rent	<b>2,075,767</b>	120,400	–
Postage and courier	<b>1,699,472</b>	–	–
Taxes and licenses	<b>1,320,597</b>	103,045	13,100
Communication, light and water	<b>1,365,206</b>	–	–
Office supplies	<b>1,362,843</b>	43,175	–
Others	<b>4,047,315</b>	1,454,108	504,946
	<b>₱57,084,106</b>	₱8,366,751	₱4,154,893



**18. Personnel Costs**

	December 31, 2007	April 30 2007	2006
Salaries and wages	<b>₱22,647,616</b>	₱2,160,846	₱–
Employee benefits	<b>1,406,750</b>	73,774	–
Others	<b>131,542</b>	97,675	–
	<b>₱24,185,908</b>	₱2,332,295	₱–

**19. Related Party Transactions**

The significant related party transactions and account balances of the Company are as follows:

**Related Parties**

The Company's "Cash and cash equivalents" account is deposited with Allied Banking Corporation (ABC). The outstanding balance of this account amounted to ₱515,161,763 and ₱121,849,565 as of December 31, 2007 and April 30, 2007, respectively. Rental expense charged to operations representing the Company's use of ABC's common area amounted to ₱1,106,999 and ₱120,400 for the eight-month period ending December 31, 2007 and the year ended April 30, 2007. No rental expense was charged to the Company for the year ended April 30, 2006.

In December 2007, the Company entered into an Investment Management Agreement with ABC for an investment in portfolio. Principal investment made by the Company amounted to ₱300 million. In return for its services, ABC shall be paid a fee computed at 0.25% per annum of the daily cash balance of the principal which shall be directly charged against the said account.

Funds held by the investment manager as of December 31, 2007 comprised the following investment portfolio:

**Assets**

Cash in bank	₱4,199
Cash equivalents	300,004,848
Accrued interest receivable	596,022
	<u>300,605,069</u>

**Liabilities**

Withholding taxes payable	119,204
Trustee fee payable	26,042
	<u>₱300,459,823</u>

Investment income recognized for the period amounted to ₱3.2 million, net of final taxes and trustee fees amounting to ₱1.0 million. Withdrawal from the investment fund amounted to ₱2.7 million. This was set off against the interest income for the period May 1 to December 31, 2007 resulting to a net increase in the investment fund by ₱0.46 million as of December 31, 2007.

Advances to ESC reported as part of "Receivables" in the balance sheets, represent advances made by the Company for the allowances of sales agents and brokers as of December 31, 2007 and April 30, 2007, respectively, on behalf of ESC.



Non interest-bearing advances from related parties as of December 31, 2007 and April 30, 2007, which are included under "Trade payables and other current liabilities" follow:

	December 31, 2007	April 30, 2007
Due from ESC	<b>₱15,422,691</b>	₱3,164,596
Due to:		
Basic Holdings Corporation	<b>₱294,264</b>	₱275,156
Fortune Tobacco Corporation	<b>480,000</b>	–
	<b>₱774,264</b>	₱275,156

#### Key Management

The compensation of the Company's key management personnel pertain to short-term benefits for the eight-month period ending December 31, 2007 and the year ended April 30, 2007 amounting to ₱3,317,222 and ₱330,000, respectively.

## 20. Foreign Currency-Denominated Monetary Assets

As of December 31, 2007 and April 30, 2007, the following are the outstanding monetary assets of the Company denominated in US Dollar that were translated to Peso using the applicable exchange rates:

	December 31, 2007		April 30, 2007	
	US Dollar Value	Peso Equivalent	US Dollar Value	Peso Equivalent
Cash and cash equivalents	<b>\$2,989,880</b>	<b>₱123,422,230</b>	\$2,089,114	₱99,462,717
AFS financial asset	<b>4,529,908</b>	<b>186,994,598</b>	4,756,441	226,454,156
	<b>\$7,519,788</b>	<b>₱310,416,828</b>	\$6,845,555	₱325,916,873

As of December 31, 2007 and April 30, 2007, the applicable exchange rates were ₱41.28 and ₱47.610 to US\$1, respectively. The Company recognized net foreign exchange loss amounting to ₱51,523,987, ₱26,354,475 and ₱14,808,024 for the period May 1 to December 31, 2007, and the year ended April 30, 2007 and 2006, respectively.

## 21. Income Taxes

a. The Company's provision for (benefit from) income tax is composed of the following:

	December 31, 2007	April 30 2007	2006
Current:			
RCIT	<b>₱–</b>	₱1,956,796	₱3,147,453
Final tax on interest income	<b>2,638,352</b>	83,897	79,415
	<b>2,638,352</b>	2,040,693	3,226,868
Deferred	<b>(50,284,738)</b>	(169,237)	(3,582,213)
	<b>(₱47,646,386)</b>	₱1,871,456	(₱355,345)

- b. A reconciliation of the provision for (benefit from) income tax at the applicable statutory income tax rates to the provision for (benefit from) income tax as shown in the statements of income is as follows:

	December 31, 2007	April 30 2007	2006
Provision for (benefit from) income tax at the applicable statutory income tax rates	(P68,039,459)	(P6,063,664)	P3,184,430
Adjustments for:			
Deductible temporary differences for which no deferred income tax assets were recognized	23,293,600	10,042,042	4,960,689
Nontaxable interest income	(182,031)	–	–
Nondeductible expenses	1,502,964	–	39,040
Interest income subjected to final tax at lower rate	(4,450,166)	(349,565)	(287,368)
Capital gains subject to capital gains tax	228,706	–	(1,807,533)
Deductible temporary differences, NOLCO and excess MCIT over RCIT for which deferred income tax assets were not recognized in prior years but were used in current year	–	(1,756,716)	(4,202,299)
Dividend income subjected to zero-rated tax	–	(641)	(20,399)
Realization of changes in fair values of available-for-sale financial asset through assignment	–	–	(781,231)
Realization of appraisal increase of capital assets, net of capital gains tax	–	–	(1,440,674)
Provision for (benefit from) income tax	(P47,646,386)	P1,871,456	(P355,345)

- c. The Company's recognized net deferred income tax assets (liabilities) as of December 31, 2007 and April 30, 2007 relate to the following:

	December 31, 2007	April 30, 2007
Deferred income tax asset on the tax effect of NOLCO	P50,237,422	P–
Deferred income tax liabilities for the tax effect of:		
Revaluation increment in investment properties	125,672	172,990
Net changes in fair value of AFS financial asset	8,525,150	10,917,660
	8,650,822	11,090,650
	P41,586,600	(P11,090,650)

Upon transition to and as allowed under PFRS, the Company elected to measure its investment properties stated at revalued amounts as their deemed cost as of May 1, 2004.



The revaluation increment, which became part of the investment properties deemed cost, is considered as a taxable temporary difference until the property is sold.

- d. The deductible temporary differences for which no deferred income tax assets were recognized in the balance sheets are as follows:

	December 31, 2007	April 30, 2007
NOLCO	<b>₱2,249,475</b>	₱–
Unrealized foreign exchange loss	<b>85,155,977</b>	44,774,896
Excess of MCIT over RCIT	–	1,063,932

Deferred income tax assets for the above deductible temporary differences have not been recognized because management believes that the Company may not have sufficient taxable profit available to allow all or part of the deferred income tax assets to be utilized in the near future.

- e. The details of the Company's NOLCO and excess MCIT over RCIT are as follows:

Incurred In	Available Until	Balance as of April 30, 2007	Additions	Applications	Balance as of December 31, 2007
<i>NOLCO</i>					
2007	2010	₱–	₱169,707,548	₱–	₱169,707,548
<i>Excess MCIT over RCIT</i>					
2005	2008	₱448,821	₱–	(₱448,821)	₱–
2004	2007	615,111	–	(615,111)	–
		<b>₱1,063,932</b>	<b>₱–</b>	<b>(₱1,063,932)</b>	<b>₱–</b>

## 22. Share Capital

Details of the Company's share capital as of December 31, 2007 and April 30, 2007 are as follows:

	Number of Shares	Amount
Authorized - 5 billion shares at ₱1 par value		
Issued and outstanding	373,798,267	₱373,798,267
Subscribed	931,550,434	931,550,434
Subscriptions receivable	(923,657,672)	(923,657,672)
	<b>381,691,029</b>	<b>₱381,691,029</b>



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

The information used in the computation of basic and diluted earnings per share for the eight-month period ended December 31, 2007 and the years ended April 30, 2007 and 2006 follows:

	December 31, 2007	April 30, 2007	2006
Net income (loss)	(P146,752,069)	(P19,196,210)	P9,861,106
Divided by weighted average number of common shares outstanding during the year	1,305,348,701 (P0.1124)	1,305,348,701 (P0.0147)	1,305,348,701 P0.0076

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

### 24. Financial Instruments

The following is a comparison by category of the carrying values and fair values of the financial instruments that are carried in the Company's balance sheets:

	December 31, 2007		April 30, 2007	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Loans and Receivables</b>				
Cash and cash equivalents	P517,032,924	P517,032,924	P121,900,565	P121,900,565
Receivables				
Accrued interest receivable	14,117,739	14,117,739	2,084,407	2,084,407
Advances to ESC	15,422,691	15,422,691	3,164,596	3,164,596
Advances to officers and employees	1,266,054	1,266,054	–	–
Other advances	2,148,713	2,148,713	–	–
	32,955,197	32,955,197	5,249,003	5,249,003
Refundable deposits	4,884,393	4,884,393	3,800	3,800
	554,872,514	554,872,514	127,153,368	127,153,368
<b>AFS Financial Asset</b>	186,994,598	186,994,598	226,454,150	226,454,150
	P741,867,112	P741,867,112	P353,607,518	P353,607,518
<b>Other Financial Liabilities</b>				
Trade payables and other current liabilities	P111,745,264	P111,745,264	P9,158,256	P9,158,256

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

The respective carrying amounts of cash and cash equivalents, accrued interest receivable, advances to ESC, advances to officers and employees and other advances and trade payables and other current liabilities approximate their respective fair values due to their relatively short-term maturities.



The fair value of the Company's AFS financial asset is based on the quoted market price of the said investment as of December 31, 2007 and April 30, 2007.

The fair value of refundable deposits as of December 31, 2007 approximate its carrying cost since these were paid to MACEA and PNB close to the end of 2007 (Note 12).

## 25. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of AFS financial asset and cash and cash equivalents. The main purpose of these financial instruments is to finance the Company's operations. The Company has various financial assets and financial liabilities such as accrued interest receivables, refundable deposits and trade and other current liabilities, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading of financial instruments shall be undertaken.

Management closely monitors the cash fund and financial transactions of the Company. Cash funds are normally deposited with affiliated banks, and financial transactions are normally dealt with related parties. These strategies, to an extent, mitigate the Company's interest rate and credit risks.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk and credit risk. The Board reviews and approves the policies for managing these risks and they are summarized as follows:

### *Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table sets out the cash flows, by maturity, of the Company's financial instruments that are exposed to interest rate risk as of December 31, 2007:

	Interest rate	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Over 5 Years	Total
Cash and cash equivalents		P517,032,924	P–	P–	P–	P–	P–	P517,032,924
AFS financial asset	9.002%	P–	P–	P–	P–	P–	P186,994,598	P186,994,598

The Company's interest rate risk management policy focuses on reducing exposure to changes in interest rates. As of December 31, 2007, the Company's financial instruments carry fixed interest rates.

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the table above are noninterest-bearing and are therefore not subject to interest rate risk.

The following table represents the impact on the Company's equity brought about by a reasonably possible change in interest rates, with all other variables held constant as of December 31, 2007 until its next financial reporting date (through the impact of AFS financial asset):

	Change in Interest Rate	
	Increase by 25 bps	Decrease by 25 bps
Effect on equity	(₱17,667,573)	₱17,667,573

#### Foreign Currency Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company's foreign exchange exposure arises from holding foreign currency denominated cash and cash equivalents, purchases of some materials used in the construction of its projects. The Company relies on its ability to generate dollar-based revenue from its foreign customers to mitigate this risk. The Company does not enter into derivatives to hedge the exposure. The Company's assets that are denominated in foreign currency are disclosed in Note 20.

The following table represents the impact on the Company's income before income tax brought about by a reasonably possible change in Peso to Dollar exchange rate (holding all other variables constant) as of December 31, 2007 until its next financial reporting date:

	Change in Exchange Rate	
	Increase by ₱1.08	Decrease by ₱1.08
Effect on income before income tax	₱8,121,371	(₱8,121,371)

#### Credit Risk

Credit risk is the risk that the Company will incur a loss because its counterparties failed to discharge their contractual obligations. The Company has no significant concentrations on credit risk.

As of December 31, 2007 and April 30, 2007, maximum exposure to credit risk for the components of the balance sheet follows:

	December 31, 2007	April 30, 2007
Cash in bank and cash equivalents	₱516,981,924	₱121,849,565
Receivables		
Advances to ESC	15,422,691	3,164,596
Accrued interest receivable	14,117,739	2,084,407
Advances to officers and employees	1,266,054	–
Other advances	2,148,713	–
	32,955,197	5,249,003
Refundable deposits	4,884,393	–
	₱554,821,514	₱127,098,568

The Company's cash in bank and cash equivalents, receivables and refundable deposits are classified as "neither past due nor impaired". These financial assets are considered as satisfactory, non-investment grade financial assets.

The credit quality of the financial assets was determined as follows:

- Cash and cash equivalents and refundable deposits - based on the nature of the counterparty and the internal rating system of the Company.



- Receivables - satisfactory pertains to receivables from existing and active suppliers, related parties, counterparties, officers and employees while unsatisfactory pertains to receivables from suppliers, related parties and counter parties that have already ceased their respective operations and officers and employees that are no longer employed by the Company.

#### *Liquidity Risk*

Liquidity risk is defined as risk that the Company would not be able to settle or meet its obligations on time or at a reasonable price. The Company maintains sufficient cash and marketable securities in order to fund its operations. The Company utilizes its borrowing capacity if necessary to further bolster its cash reserves.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31, 2007:

	Within 1 year	One to 3 years	3 to 5 years	Over 5 years	Total
Trade payables and other current liabilities	₱111,745,264	₱–	₱–	₱–	₱111,745,264

## 26 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating, comply with externally imposed capital requirements and healthy capital ratios in order to support its business and maximize stockholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during the eight-month period ended December 31, 2007 and the year ended April 30, 2007.

The Company monitors capital using debt to equity ratio, which is total debt divided by total equity. The Company includes within total debt, trade payables and other current liabilities, deposits from customers and income tax payable.

	2007	2006
<b>Debt</b>		
Trade payables and other current liabilities	₱111,745,264	₱9,158,256
<b>Equity</b>		
Share capital	381,691,029	381,691,029
Treasury shares	(7,955)	(7,955)
Cumulative changes in fair value of AFS financial asset	15,832,421	20,275,654
Deficit	(230,758,407)	(84,006,338)
	₱166,757,088	₱317,952,390
Debt to equity	67%	3%



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**27. Deficit**

The Company's future earnings are restricted from the payment of dividends to the extent of ₱7,955, representing the cost of 10,000 treasury shares.

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**28. Note to Statements of Cash Flows**

The principal noncash items in 2007 and 2006 are as follows:

- a. Non-cash additions to property and equipment as of December 31, 2007 and April 30, 2007 amounted to ₱480,000 and ₱5,391,821, respectively.
- b. Certain liabilities of the Company comprising of estimated liabilities for retirement benefits and accrued salaries and subscription payable to Unioil and Phoenix Energy, totaling ₱47,132,321 and certain assets of the Company comprising of investments in and advances to Phoenix Energy and Phoenix Gas, and B.U. Properties, and AFS investments in shares of stock and club shares, totaling ₱41,736,699 as of December 23, 2005, were assigned, transferred and conveyed by the Company to CEVI. Realized gain on assignment of assets and settlement of liabilities amounting to ₱5,395,621 was recorded in the 2006 statement of operations.



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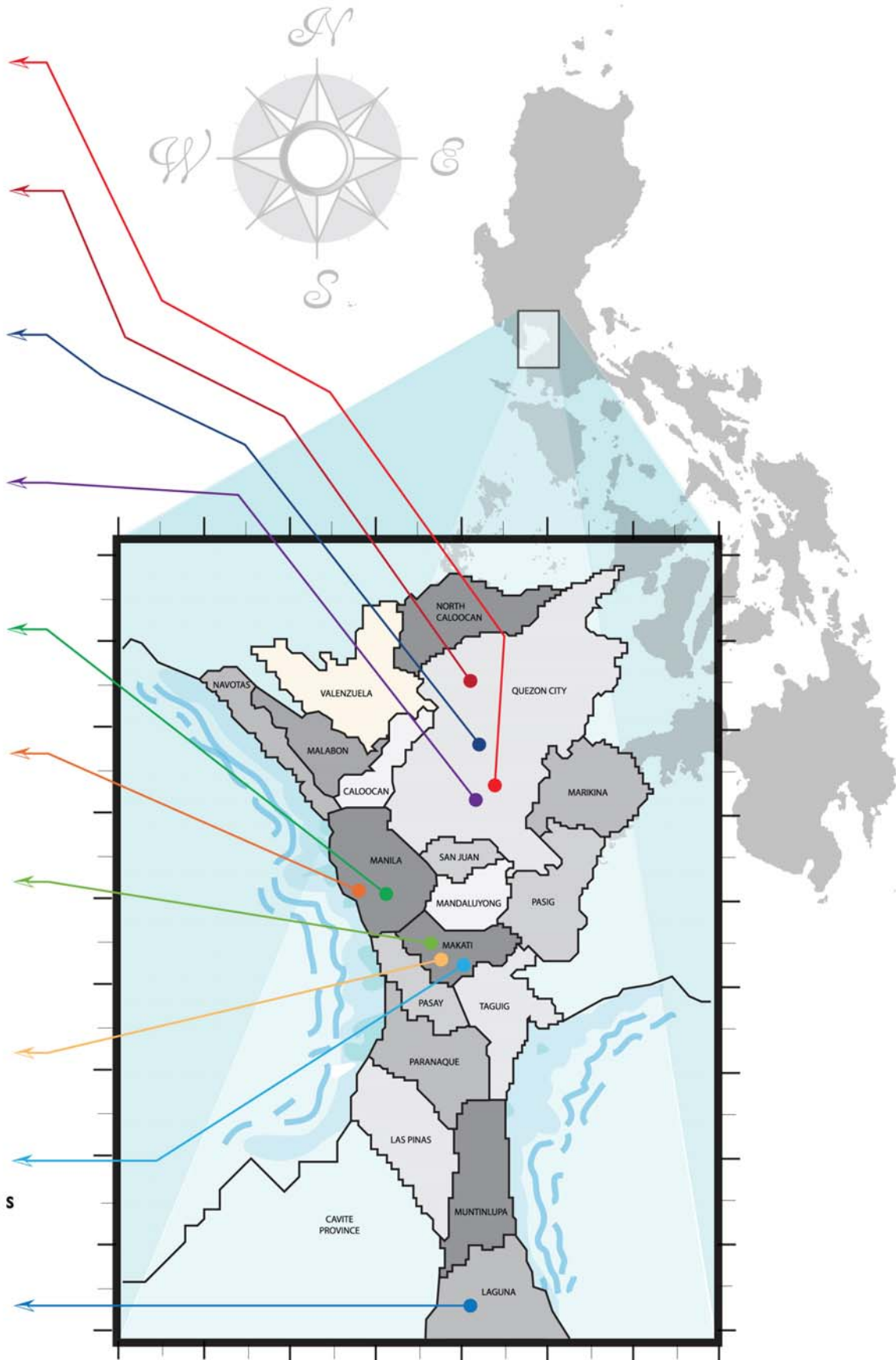
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