



Eton Properties Philippines, Inc.

# 2013 ANNUAL REPORT



## A PROMISING FUTURE

Integrity, passion for excellence, innovation, customer focus and teamwork. These are the values that guide Eton Properties Philippines, Inc. (EPPI). As we progress in the year of the wooden horse, the company remains steadfast in its commitment to help shape a bright future for the Filipino family.

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# FINANCIAL HIGHLIGHTS

## CONSOLIDATED STATEMENTS OF INCOME

(In Million Pesos)	2013	2012
Revenues	3,656.94	2,694.71
Costs and Expenses	3,561.85	2,721.10
Other Income	170.56	136.01
Income Before Income Tax	265.65	109.62
Provision For Income Tax	160.58	67.35
<b>Net Income</b>	<b>105.07</b>	<b>42.27</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Million Pesos)	As of December 2013	As of December 2012
Current Assets	9,489.34	10,253.97
Non-Current Assets	10,550.85	7,954.30
<b>Total Assets</b>	<b>20,040.19</b>	<b>18,208.27</b>
Current Liabilities	8,602.24	9,181.46
Non-Current Liabilities	3,480.13	2,289.66
Total Liabilities	12,082.37	11,471.12
Equity	7,957.82	6,737.15
<b>Total Liabilities and Equity</b>	<b>20,040.19</b>	<b>18,208.27</b>



# CHAIRMAN'S MESSAGE

The Philippines' 7.2 percent Gross Domestic Product (GDP) in 2013 is a significant improvement from last year's 6.6 percent growth. Increased government and consumer spending backed up by a 7.3 percent increase in OFW remittances and a 10 percent rise in disposable income all worked toward surpassing macro-economic forecasts. Alongside the robust performance of the Philippine economy, the property sector experienced unprecedented growth.

Amidst the country's strong economic growth, Eton Properties Philippines realized total revenues of almost P4.0 billion, 35 percent higher than that recorded in 2012. The company's management directions were further assessed to examine the best way to achieve maximum returns by way of leasing activities. The company's leasing business was strengthened with the completion of Cyberpod Centris Three, its sixth Business Process Outsourcing (BPO) office development and the renewal of lease contracts at competitive and market-responsive rates.

The organization is actively reviewing its existing policies, setting up new ones as needed, and streamlining procedures that would improve overall company efficiency, profitability, and risk management. To maximize yields, EPPI shall focus on the re-master planning of its two township developments Eton City in Sta. Rosa, Laguna and Eton Centris in Quezon City and their transformation within the next few years.

With the continuous expansion of its leasing portfolio for office and retail segments and the rental of selected prime residential units, EPPI reaffirms its

commitment to become a leading property developer, dedicated to improving the lives of Filipino families, workers and consumers. Eton continues to support the Philippine BPO industry, with Manila dubbed as the third sought-after service site, overtaking India. Eton likewise upholds innovation as a cornerstone value for its products and processes. The latest innovative designs shall be showcased in the upcoming commercial center, offices and hotels in Eton City and Eton Centris.

Despite several operational challenges that confront Eton in a very competitive and dynamic business environment, Eton's huge landholdings for township developments and easy access to strategic properties remain a distinct advantage. Eton continues to be optimistic over the medium to long term and looks forward to another good upbeat year. Its recurring income and holistic view of the property business is tightly woven into the company's core values of integrity, innovation, passion for excellence, customer service and teamwork.

May I take this occasion to extend my sincerest gratitude to the Board of Directors, stakeholders and Officers and Staff, who have remained passionate in bringing the company to the next performance level. By pulling all our efforts together, I am quite hopeful that Eton can achieve its aspiration of being in the league of major property developers in due time.

Mabuhay po tayong lahat at salamat sa inyong pamamatnubay!



DR. LUCIO C. TAN  
CHAIRMAN



# MANAGEMENT REPORT

The year 2013 was a banner year for the Philippines. Good macroeconomic fundamentals combined with heightened investor confidence sustained economic growth. It was also the first time for the Philippines to garner its first three investment-grade credit ratings in just one year.

Demand for office space in Metro Manila continued to soar with upward pressure on rental rates. Due to the limited available office space, many developers, including Eton saw the opportunity to capture this demand. Also, low interest rates worked well for the residential market as it enabled majority of developers to offer more flexible financing schemes. Retail developments provided an excellent ancillary market for families of new residential projects and provided sought-after retail platforms to business process outsourcing firms.

Against the backdrop of strong economic and property sector growth, Eton aggressively embarked on a program to review its inventory plan as well as profitability performance and revisit its strategic agenda. Total revenues in 2013 amounted to P3.66 billion, an improvement of 35 percent increase from the previous year. The company realized a net income of P105 million, climbing by 149 percent from last year's P42 million. The increase in revenues resulted from progress made in the construction of the company's residential projects, such as 8 Adriatico, Eton Tower Makati, 68 Roces, West Wing Residences at North Belton Communities, and South Lake Village, RiverBend and West Wing Residences at Eton City. Eton uses the percentage-of-completion method in recognizing residential project revenues.

Rental revenues climbed by 11 percent from P405.76 million in 2012 to P448.72 million the following year. The year 2013 saw the completion of Cyberpod Centris Three, the third BPO office building in Eton Centris and the full year lease contribution of five completed office buildings – Cyberpod Centris One, Cyberpod Centris Two, and the three buildings in Eton Cyberpod Corinthian. Contributing as well to Eton's recurring income base was the full lease income streams coming from Centris Walk, Centris Station, E-Life and Green Podium. Eton's office buildings are fully leased to business process outsourcing (BPO) companies as well as other top multinational companies. Occupancy rates of retail developments average 80 percent across sites.

Completion of three major residential developments went full blast. These included Eton Tower Makati, 8 Adriatico and 68 Roces. Eton Tower Makati is a prime 41-storey residential condominium that sits at the center of the Makati Central Business District. The project features executive residences, Small Office Home Office (SOHO) units and serviced apartments in one unique address and is the first residential condominium that is directly connected to the elevated walkways leading to the main retail corridor of the Makati Commercial Center. In the heart of the tourist belt in Manila is 8 Adriatico, a choice 40-storey residential condominium with a retail component on the ground floor. 68 Roces luxury residences is an upscale and fully secured community located along Roces Avenue in Quezon City.

Unit turnovers to buyer were completed on the 7th and 8th building of The Manors at North Belton Communities in Quezon City, an enclave currently featuring 10 5-storey mid-rise buildings under the Belton Communities brand. Construction activities at West Wing Residences and West Wing Villas at North Belton Communities likewise went on full swing.

The re-master planning of the company's two township projects, Eton City and Eton Centris were likewise given undivided attention. Eton City, the company's flagship master planned project, is envisioned to be a world-class city South of Manila. Construction of Village Walk, the first commercial center to rise in the sprawling 1,000 hectare community, is ongoing.

Eton Centris, recognized as the gateway to Quezon City's Triangle Park Central Business District, is a 12-hectare mixed-use township development site of known BPO offices and commercial centers and home to more new ones.

Over the immediate horizon, EPPI is aggressively pursuing recurring income streams from additional commercial developments, through rental of more office and retail spaces, and on a selective basis the lease of residential units in certain projects. The company continues to ride on the robust growth of the BPO sector, through the development of more office buildings in strategic locations, with distinct accessibility. The company will continue to support the growth of the BPO sector by expanding its office portfolio. The new master plans for both Eton City and Eton Centris shall be undertaken in phases, with office and commercial developments placed at the forefront of activities in the coming years.

It is with deep appreciation that I thank all who have supported our company for the last seven years – to the Board of Directors, Officers and Staff who have provided selfless dedication to the company's objectives, and to our shareholders who continue to trust Eton's name and the organization it represents. With everyone's commitment to work toward common goals, I am quite confident that Eton is here to stay for the years to come.



LUCIO K. TAN, JR.  
PRESIDENT AND CEO







CYBERPOD CENTRIS THREE

**Eton Properties Philippines, Inc.**

A key player in the property industry, EPPI is committed to deliver distinctive developments for the markets' discerning taste. The company has delivered 47 projects since inception creating unique lifestyle choices for the Filipino family. With growth based on value and innovation, Eton continues to expand its property portfolio offering more value for every home turned over and project launched.



CENTRIS WALK



# ETON REDEFINING THE HIGH LIFE

Eton aims to redefine the way people live. From residential high rises to house and lots, we offer outstanding real estate products that allow residents to explore life's exciting possibilities.



THE ETON RESIDENCES GREENBELT



68 ROCES



RIVERBEND



Belton Communities, Inc. (BCI) is a fully owned subsidiary catering to the middle-income segment. The Belton Communities brand features well-located homes with exciting features and amenities for growing families.

North Belton Communities, the first project of Belton Communities, is a 10.8-hectare development consisting of three residential enclaves: The Manors, West Wing Residences and West Wing Villas. Situated in bustling Quezon City, the project is surrounded by lifestyle destinations, distinctive landmarks and well-known hospitals, universities and colleges in the metro. It is accessible through main thoroughfares such as EDSA, NLEX, Quirino Highway, Tandang Sora and Congressional Road.



*The Manors*  
AT NORTH BELTON COMMUNITIES

The Manors features 10 clusters of five-storey mid-rise condominiums offering studio, two and three bedroom units in a 2.7-hectare property.





## WEST WING RESIDENCES

West Wing Residences is a 2.8-hectare development featuring two and three bedroom house units inspired by contemporary American architecture.



## WEST WING VILLAS

Occupying 5.2 hectares of prime land, West Wing Villas offers 3 to 6 bedroom house and lot units with larger lot cuts designed to accommodate bigger families.



## WEST WING RESIDENCES AT ETON CITY

West Wing Residences is the second project of Belton Communities. A 20-hectare development featuring two and three bedroom units, it features a one-hectare amenity area with an eco park and open field, a village clubhouse, landscaped gardens, children's playground, a barbeque area, swimming pool and multi-purpose court.





First Homes caters to the broad affordable market segment particularly first time homebuyers who want to own a home inside the city.

The First Homes brand stands for affordability and modern, fully finished compact homes with amenities to support its residents' active lifestyle. Amenities include a large clubhouse with receiving areas for guests, an adult and kiddie pool, landscaped gardens and set of retail outlets at the ground floor.



A carefully master planned one tower development, First Homes Makati is located just a few steps away from Ayala avenue at the corner of Chino Roces Avenue and Malugay Street.



# BPO OFFICES

Eton Properties' BPO offices cater to the specific requirements of outsourcing firms. Designed to support extensive IT-based operations, all of the company's BPO offices are granted special economic zone status by the Philippine Economic Zone Authority (PEZA). Strategically located and transit-oriented, these office buildings are anchored by retail stores to complement the 24/7 operations of the outsourcing trade.



Cyberpod Centris One, Cyberpod Centris Two and Cyberpod Centris Three in Eton Centris are BPO office buildings lined along EDSA. Cyberpod Centris One houses Wipro BPO Philippines Limited, Inc., Genpact Services LLC, Unisys Philippines Limited, De Janeiro Global Solutions BPO, Inc., Price Solutions Philippines Limited, Inc. and Pascual Laboratories. Cyberpod Centris Two is fully leased to Hewlett Packard. Cyberpod Centris Three is home to Expert Global Solutions and Convergys.



Eton Cyberpod Corinthian is a three-building BPO office development located at the corner of EDSA and Ortigas Avenue. The project currently houses BPO firms Startek, Northgate Arinso and Sitel.





A 1,000-hectare self-sustaining township development located along the South Luzon Expressway (SLEX) in Sta. Rosa, Laguna, Eton City features exceptional residential enclaves catering to diverse markets, vibrant commercial centers and a world-class business district.



## *South Lake Village* AT ETON CITY

Nestled at the heart of Eton City is a one-of-a-kind residential enclave that is inspired by waterfront cities only found abroad. South Lake Village has 16 exclusive islands situated in a 35-hectare man-made lake that embody a luxurious lakeside lifestyle.



Eton City's second residential project, Riverbend, is an exclusive community inspired by modern contemporary architecture. Modern amenities and underground utilities for electricity, telephone and internet facilities enable residents to enjoy a cable-free skyline.





## WEST WING RESIDENCES AT ETON CITY

West Wing Residences at Eton City features houses inspired by modern architecture. One hectare of the project is devoted to an eco park and open field, a basketball court, swimming pool and children's playground.



## TierraBela ETON CITY

A sprawling 18-hectare development, Tierra Bella offers a chance to live in harmony with nature. The project allocates a large portion of the land to lush and open spaces. Modern conveniences are at hand as TierraBella takes pride in its amenities such as underground utilities (power, internet, cable TV and telephone lines) and centralized water system.



## Village Walk @ ETON CITY

Village Walk is a modern commercial strip near South Lake Village. It will be home to a wide range of shops, boutiques, restaurants and service-oriented establishments that will address the diverse needs of the communities within Eton City.



Eton Centris is a 12-hectare mixed-use township project located along EDSA corner Quezon Avenue. It is recognized as the gateway to Quezon City's 250-hectare Triangle Park Central Business District.

The project will be a complete development integrating business, residential and recreational components in one choice setting.



Located at the heart of Eton Centris, Centris Walk is Quezon City's newest dining and lifestyle destination. The open air commercial strip features exciting events and an interesting line up of restaurants, bars and lifestyle establishments



Centris Station is a transit-oriented commercial center in Eton Centris. Anchored by SM Hypermarket and a host of specialty stores and service oriented shops, the two-level mall has direct access to the Quezon Avenue MRT Station.





Centris Elements is a modern type events venue which caters to both social events like weddings, debuts, birthdays as well as corporate functions and company events. It has two fully air conditioned halls that can each accommodate 350 guests and can be merged to hold 700 guests for bigger assemblies. Smaller function rooms are likewise available for more intimate gatherings.



Eton Centris is home to Business Process Outsourcing (BPO) office buildings Cyberpod Centris One, Cyberpod Centris Two and Cyberpod Centris Three. These offices cater to the unique requirements of outsourcing and Information Technology firms. The three BPO towers house some of the country's top corporations and multinational companies.



One Centris Place is the first residential project to rise in Eton Centris. It offers top notch amenities such as an adult and children's pool, a fitness center, children's play area and open green spaces. The ground floor will host dining establishments and retail shops. It is strategically located near the MRT through Centris Station, providing residents quick and easy access to various destinations.



# RESIDENTIAL PROJECTS

Eton's residential projects offer the best location and amenities for the modern homeowner. Strategically situated in major cities, its projects are carefully master planned to offer residents a luxurious lifestyle and a perfect haven of comfort.

## MAKATI



## QUEZON CITY





## MANILA



## ORTIGAS



# COMMERCIAL CENTERS

Eton's commercial centers are vibrant leisure destinations that provide convenience and accessibility, providing resident, tenants and visitors of surrounding communities a fully integrated lifestyle.



Located at the heart of Eton Centris, Centris Walk is Quezon City's newest dining and lifestyle destination. The open air commercial strip features exciting events and an interesting line up of restaurants, bars and lifestyle establishments.



Centris Station is a transit-oriented commercial center in Eton Centris. Anchored by SM Hypermarket and a host of specialty stores and service oriented shops, the two-level mall has direct access to the Quezon Avenue MRT Station.





E-Life is a retail hub that is part of Eton Cyberpod Corinthian, a Business Process Outsourcing (BPO) campus in the Ortigas Center. It features an interesting mix of fast food chains, specialty retail stores and service-oriented shops.



Green Podium is located at One Archer's Place, a two-tower residential condominium beside the De La Salle University along Taft Avenue in Manila. The two-level commercial center houses fast food chains, restaurants, retail stores and service oriented shops.



# BOARD OF DIRECTORS



**From top-left:**

*Dr. Lucio C. Tan*

*Harry C. Tan, Lucio K. Tan, Jr., Joseph T. Chua*

*Michael G. Tan, Juanita T. Tan Lee, Washington Z. Sycip*

*Wilfrido E. Sanchez, Antonino L. Alindogan, Jr.*

*\*Not in photo is Mr. Ramon S. Pascual*



**DR. LUCIO C. TAN****Chairman**

Director/Chairman of LT Group, Inc. (formerly Tanduay Holdings, Inc.), Philippine Airlines, Inc., Asia Brewery Inc., Fortune Tobacco Corp., PMFTC Inc., Grandspan Development Corp., Himmel Industries Inc., Lucky Travel Corp., PAL Holdings, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., The Charter House, Inc., Asian Alcohol Corp., Absolut Distillers, Inc., Progressive Farms, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., Manufacturing Services & Trade Corp., REM Development Corp., Foremost Farms, Inc., Basic Holdings Corp., Dominion Realty & Construction Corp., Shareholdings, Inc., Sipalay Trading Corp., Fortune Tobacco International Corp., Allied Bankers Insurance Corporation, Trustmarks Holdings Corp., Zuma Holdings and Management Corp., Tangent Holdings Corp., Saturn Holdings Inc., and Paramount LandEquities, Inc.; Director of Philippine National Bank and Maranaw Hotels and Resort Corporation.

**HARRY C. TAN****Director**

Director of LT Group, Inc. (formerly Tanduay Holdings, Inc.), Eton Properties Philippines, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., Lucky Travel Corp., Tanduay Distillers, Inc., and The Charter House, Inc.; Director/Vice Chairman/Treasurer of Philippine Airlines, Inc.; Director/Chairman for Tobacco Board of Fortune Tobacco Corp.; Director/President of Maranaw Hotels & Resort Corporation and Landcom Realty Corp., Director of Pan Asia Securities, Inc., Philippine National Bank, Asia Brewery Inc., Basic Holdings Corp., PAL Holdings, Inc., Himmel Industries, Inc., Asian Alcohol Corp., Absolut Distillers, Inc., Progressive Farms, Inc., Manufacturing Services & Trade Corp., PMFTC Inc., REM Development Corp., Grandspan Development Corp., Dominion Realty & Construction Corp., Fortune Tobacco International Corp., Tanduay Brands International, Inc., Tobacco Recyclers Corp., Shareholdings, Inc., and Allied Bankers Insurance Corp.

**LUCIO K. TAN, JR.****President and CEO**

Director/President of Tanduay Distillers, Inc., Director/Executive Vice President of Fortune Tobacco Corp.; Executive Director of Dynamic Holdings Limited; Director of Allied Bankers Insurance Corp., Philippine Airlines, Inc., Philippine National Bank, LT Group, Inc. (formerly Tanduay Holdings, Inc.), MacroAsia Corporation, PMFTC Inc., Foremost Farms, Inc., Eton City, Inc., First Homes, Inc., Belton Communities, Inc., PNB Remittance Center Limited (RCL); Bulawan Mining Corp.; PNB Capital & Investment Corp., PNB (Europe) Plc., PNB RCI Holding Co. Ltd., PNB Forex, Inc., Maranaw Hotels & Resort Corporation, Saturn Holdings, Inc., Paramount LandEquities, Inc., Tangent Holdings, Inc., Zuma Holdings and Management Corp., Trustmark Holdings Corporation, Lucky Travel Corporation, Progressive Farms, Inc., The Charter House, Inc., Himmel Industries, Inc., Asian Alcohol Corporation, Absolut Chemicals, Inc., PAL Holdings, Inc., Air Philippines Corporation, Tanduay Brands International, Inc.

**JOSEPH T. CHUA****Director / Officer-in-Charge**

Director/Chairman of J.F. Rubber Philippines, Watery Business Solutions Inc., Cavite Business Resources, Inc., and Eton China; Director/Chief Executive Officer of MacroAsia Corporation; Director of Bulawan

Mining; Managing Director of Goodwind Development Corporation (Guam); Director Lufthansa Technik Philippines Inc., Philippine Airlines, Bulawan Mining, and Eton China; Director/President of MacroAsia Airport Services Corporation, MacroAsia Properties Development Corporation, MacroAsia Mining Corporation, and MacroAsia Air Taxi Services

**MICHAEL G. TAN****Director**

Director/President of LT Group, Inc. (formerly Tanduay Holdings, Inc.); Director/Chief Operating Officer of Asia Brewery, Inc.; Director of Air Philippines Corp., Philippine National Bank, Allied Bankers Insurance Corp., PMFTC Inc., Grandway Construct, Inc., Lucky Travel Corp., Philippine Airlines, Inc., Philippine Airlines Foundation, Inc., PAL Holdings, Inc., Absolut Distillers, Inc., Eton City, Inc., Victorias Milling Company, Inc., Shareholdings, Inc., Tangent Holdings Corp., Maranaw Hotels & Resort Corporation, Paramount LandEquities, Inc., Saturn Holdings, Inc., Abacus Distribution Systems Philippines, Inc., and Tanduay Brands International, Inc.

**RAMON S. PASCUAL****Director**

Executive Director of Dynamic Holdings Limited and Independent Non-Executive Director of United Pacific Industries Limited

**JUANITA T. TAN LEE****Director & Treasurer**

Director of LT Group, Inc. (formerly Tanduay Holdings, Inc.), Maranaw Hotels & Resort Corp., PAL Holdings, Inc., and Air Philippines Corporation; Director/ Corporate Secretary of Asia Brewery, Inc., Fortune Tobacco Corp., Dominion Realty and Construction Corp., and Shareholdings, Inc.; Corporate Secretary of Asian Alcohol Corp., Absolut Distillers, Inc., Far East Molasses Corp., Foremost Farms, Inc., Fortune Tobacco Int'l Corp., Grandspan Development Corp., Himmel Industries, Inc., Landcom Realty Corp., PMFTC, Inc., Lucky Travel Corp., Manufacturing Services & Trade Corp., Marcuenco Realty & Development Corp., Progressive Farms, Inc., REM Development Corp., Tanduay Distillers, Inc., Tanduay Brands International Inc., Progressive Farms, Inc.; Tobacco Recyclers Corp., Total Bulk Corp., and Zebra Holdings, Inc.; Assistant Corporate Secretary of Basic Holdings Corp; Trustee of University of the East and University of the East- Ramon Magsaysay Memorial Medical Center

**WASHINGTON Z. SYCIP****Director**

Chairman Emeritus of Asian Institute of Management; Chairman of Cityland Development Corporation, Lufthansa Technik Philippines, Inc., MacroAsia Corp., State Properties Corporation, and Steag State Power, Inc.; Director of Lucio Tan Group, Philippine Airlines, Inc., and Philippine National Bank; Independent Director of Asian Eye Institute, Belle Corp., Century Properties Group, Inc., First Philippine Holdings Corp., Highlands Prime Inc., Lopez Holdings Corp., Metro Pacific Investment Corp., Philippine Equity Management Inc., Philippine Hotelier, Inc., Philamlife Inc., The PHINMA Group, Realty Investment, Inc., Commonwealth Foods, Inc., and Stateland, Inc.; Trustees of Gokongwei Brothers Foundation, PinoyMe Foundation, Tan Yan Kee Foundation and Philippine Business of Education; Board of Governors of I-Academy; Board of Trustees of Metrobank Foundation, Inc. and Synergeia Foundation, Inc.

**WILFRIDO E. SANCHEZ****Independent Director**

Tax Counsel of Quison Makalintal Barot Torres Ibarra & Sison Law Offices; Independent Director of Center for Leadership & Change, Inc., Magellan Capital Holdings, Corp., Kawasaki Motor Corp., and LT Group, Inc.; Director of Adventure International Tours, Inc., Amon Trading Corp., EEI Corporation, EMCOR, Inc., J-DEL Investment and Management Corp., Joint Research and Development Corp., Jubilee Shipping Corporation, K Servico, Inc., House of Investments, JVR Foundation, Inc., PETNET, Inc., Rizal Commercial Banking Corporation, Transnational Diversified Corp., Transnational Diversified Group, Inc., Transnational Financial Services, Inc., and Universal Rubina Corp.

**ANTONINO L. ALINDOGAN, JR.****Independent Director**

Director/Chairman of An-Cor Holdings, Inc.; Director/Chairman/President of Landrum Holdings, Inc.; Independent Director of Philippine Airlines, Inc., Rizal Commercial Banking Corp., PAL Holdings, Inc., House of Investments, Inc., Great Life Financial Assurance Corp., and RCBC Bankard Services Corp. and LT Group, Inc.; Former President of C55, Inc.; Former Chairman of the Board of Directors of Development Bank of the Philippines (DBP); Former Consultant for Microfinance of DBP; Former Member of the Monetary Board of Bangko Sentral ng Pilipinas

# MANAGEMENT TEAM



**KARLU  
T. SAY**

GROUP HEAD FOR  
HUMAN RESOURCES

**WILFREDO  
Z. PINEDA**

CHIEF FINANCE OFFICER

**MA. IRMA B. TAN**

CHIEF RISK OFFICER / VP FOR  
CORPORATE PLANNING /  
GROUP HEAD FOR ADMINISTRATION





**BRIAN P. CUA**  
VP FOR OPERATIONS CONTROL



**CHRISTINE L. ONG**  
VP FOR TREASURY



**ALVIN C. TAN**  
VP FOR PURCHASING AND LOGISTICS



**EMMANUEL  
D. PABLO**  
HEAD FOR BROKER MANAGEMENT/  
OFFICER-IN-CHARGE FOR LEASE  
MARKETING



**SUZELYN  
F. URBANO**  
VP FOR INFORMATION  
TECHNOLOGY



**NATHANIEL  
I. CABUNGCAL**  
VP FOR PROPERTY MANAGEMENT

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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The management of Eton Properties Philippines, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated 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.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.



LUCIO C. TAN  
Chairman



LUCIO K. TAN, JR.  
President - CEO



WILFREDO Z. PINEDA  
Chief Financial Officer





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

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Eton Properties Philippines, Inc.

We have audited the accompanying consolidated financial statements of Eton Properties Philippines, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS*

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

### *AUDITOR'S RESPONSIBILITY*

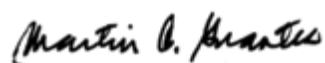
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

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

## OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eton Properties Philippines, Inc. and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



**Martin C. Guantes**

Partner

CPA Certificate No. 88494

SEC Accreditation No. 0325-AR-2 (Group A),  
March 15, 2012, valid until March 14, 2015

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2012,  
April 11, 2012, valid until April 10, 2015

PTR No. 4225178, January 2, 2014, Makati City

**March 26, 2014**



# ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2013	December 31, 2012 (as restated, Note 2)	January 1, 2012 (as restated, Note 2)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and equivalents (Notes 5 and 27)	<b>P785,780,848</b>	P720,565,330	P594,787,078
Trade and other receivables (Notes 6 and 27)	<b>1,268,881,876</b>	1,789,973,340	1,901,217,813
Real estate inventories (Note 7)	<b>5,863,733,874</b>	6,192,109,320	3,289,982,329
Other current assets (Notes 8 and 27)	<b>1,570,942,035</b>	1,551,318,782	1,106,902,957
<b>Total Current Assets</b>	<b>9,489,338,633</b>	10,253,966,772	6,892,890,177
<b>Noncurrent Assets</b>			
Receivables - net of current portion (Notes 6 and 27)	<b>2,237,215,389</b>	874,289,535	2,052,868,887
Investment properties (Note 9)	<b>7,896,402,543</b>	6,539,672,867	5,928,275,327
Property and equipment (Note 10)	<b>45,937,368</b>	68,564,601	54,252,483
Deferred income tax assets - net (Note 22)	<b>97,990,781</b>	213,656,266	147,941,100
Other noncurrent assets (Notes 11 and 27)	<b>273,305,428</b>	258,113,118	241,523,346
<b>Total Noncurrent Assets</b>	<b>10,550,851,509</b>	7,954,296,387	8,424,861,143
<b>TOTAL ASSETS</b>	<b>P20,040,190,142</b>	P18,208,263,159	P15,317,751,320

### LIABILITIES AND EQUITY

<b>Current Liabilities</b>			
Trade and other payables (Notes 12 and 27)	<b>P3,839,374,732</b>	P3,562,151,939	P3,872,137,080
Payables to related parties (Note 25)	<b>848,948,461</b>	260,669,359	614,304,617
Income tax payable	-	-	37,725,771
Customers' deposits (Note 13)	<b>2,849,146,696</b>	2,576,196,889	1,744,780,410
Current portion of:			
Loans payable (Notes 14 and 27)	<b>1,009,914,973</b>	2,734,065,576	1,447,150,795
Deposits and other current liabilities (Notes 16 and 27)	<b>54,856,499</b>	48,371,355	50,522,329
<b>Total Current Liabilities</b>	<b>8,602,241,361</b>	9,181,455,118	7,766,621,002
<b>Noncurrent Liabilities</b>			
Loans payable - net of current portion (Notes 14 and 27)	<b>1,943,559,902</b>	894,217,997	1,343,778,818
Payables to landowners (Note 15)	<b>1,296,785,000</b>	1,296,785,000	-
Other noncurrent liabilities (Notes 16 and 27)	<b>239,785,831</b>	98,659,193	85,739,399
<b>Total Noncurrent Liabilities</b>	<b>3,480,130,733</b>	2,289,662,190	1,429,518,217
<b>TOTAL LIABILITIES</b>	<b>12,082,372,094</b>	11,471,117,308	9,196,139,219

(FORWARD)

	December 31, 2013	December 31, 2012 (as restated, Note 2)	January 1, 2012 (as restated, Note 2)
<b>Equity</b>			
Capital stock - P1 par value (Note 17)			
Issued and fully paid	<b>P2,905,348,700</b>	P2,905,348,700	P723,798,267
Subscribed (net of subscription receivable amounting to nil in 2013 and 2012 and P573,657,671 in 2011)	-	-	1,607,892,762
Additional paid-in capital (Note 17)	<b>3,500,000,000</b>	2,400,000,000	2,400,000,000
Retained earnings (Note 17)	<b>1,538,495,118</b>	1,433,421,482	1,391,153,017
Accumulated remeasurements on retirement benefits (Note 2)	<b>13,982,185</b>	(1,616,376)	(1,223,990)
Treasury shares (Note 17)	<b>(7,955)</b>	(7,955)	(7,955)
<b>Total Equity</b>	<b>7,957,818,048</b>	6,737,145,851	6,121,612,101
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P20,040,190,142</b>	P18,208,263,159	P15,317,751,320

*See accompanying Notes to Consolidated Financial Statements.*



# ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31		
	2013	2012 (as restated, Note 2)	2011 (as restated, Note 2)
<b>REVENUE</b>			
Real estate sales	<b>P3,208,224,899</b>	P2,288,951,599	P4,884,774,211
Rental income (Notes 9, 16 and 23)	<b>448,720,012</b>	405,757,690	306,877,063
	<b>3,656,944,911</b>	2,694,709,289	5,191,651,274
<b>COSTS AND EXPENSES</b>			
Cost of real estate sales (Note 7)	<b>2,489,829,829</b>	1,692,201,965	3,500,504,637
Cost of rental income (Note 9)	<b>190,293,228</b>	149,777,011	111,675,885
Selling expenses (Note 19)	<b>365,764,277</b>	308,560,403	472,282,615
General and administrative expenses (Note 20)	<b>515,966,808</b>	570,561,189	498,369,852
	<b>3,561,854,142</b>	2,721,100,568	4,582,832,989
<b>OTHER INCOME (CHARGES)</b>			
Interest income (Notes 6 and 18)	<b>42,833,325</b>	54,221,553	40,746,477
Finance charges (Note 18)	<b>(35,735,909)</b>	(72,353,764)	(9,486,336)
Foreign exchange gains - net	<b>3,852,792</b>	12,358,405	36,922
Other income (Note 24)	<b>159,607,900</b>	141,786,750	212,030,753
	<b>170,558,108</b>	136,012,944	243,327,816
<b>INCOME BEFORE INCOME TAX</b>	<b>265,648,877</b>	109,621,665	852,146,101
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)</b>			
Current	<b>51,594,854</b>	132,900,200	144,255,434
Deferred	<b>108,980,387</b>	(65,547,000)	(25,610,275)
	<b>160,575,241</b>	67,353,200	118,645,159
<b>NET INCOME</b>	<b>P105,073,636</b>	P42,268,465	P733,500,942
<b>BASIC EARNINGS PER SHARE (Note 30)</b>	<b>P.0362</b>	P0.0145	P0.3720
<b>DILUTED EARNINGS PER SHARE (Note 30)</b>	<b>P.0362</b>	P0.0145	P0.2525

See accompanying Notes to Consolidated Financial Statements.

# ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

### YEARS ENDED DECEMBER 31

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
<b>NET INCOME</b>	<b>P105,073,636</b>	P42,268,465	P733,500,942
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (Note 2):			
Remeasurement gains (losses on defined benefit plans)	<b>22,283,659</b>	(560,552)	(1,748,557)
Income tax effect	<b>(6,685,098)</b>	168,166	524,567
	<b>15,598,561</b>	(392,386)	(1,223,990)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P120,672,197</b>	P41,876,079	P732,276,952

*See accompanying Notes to Consolidated Financial Statements.*



# ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Capital Stock - P1 Par Value (Note 17)					Additional Paid in Capital (Note 17)	Deposit for Future Stock Subscription (Note 17)	Retained Earnings (Deficit) (Note 17)	net of Deferred Income Tax Effect (Note 2)	Treasury Shares (Note 17)	TOTAL
	Issued	Subscribed		Net							
		Total	Receivable								
<b>BALANCES AS AT JANUARY 1, 2011,</b>											
<b>AS PREVIOUSLY REPORTED</b>	P723,798,267	P581,550,433	(P573,657,671)	P7,892,762	-	P3,953,169,000	P663,299,393	-	-	(P7,955)	P5,348,151,467
Effect of adoption of Revised PAS 19 (Note 2)	-	-	-	-	-	-	(5,647,318)	(1,223,990)	-	-	(6,871,308)
<b>BALANCES AS AT JANUARY 1, 2011,</b>											
<b>AS RESTATED</b>	723,798,267	581,550,433	(573,657,671)	7,892,762	-	3,953,169,000	657,652,075	(1,223,990)	(7,955)	5,341,280,159	
Net income for the year, as previously reported	-	-	-	-	-	-	733,291,148	-	-	-	733,291,148
Effect of adoption of Revised PAS 19 (Note 2)	-	-	-	-	-	-	209,794	-	-	-	209,794
Net income for the year, as restated	-	-	-	-	-	-	733,500,942	-	-	-	733,500,942
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	733,500,942	-	-	-	733,500,942
Adjustment to land acquired through issuance of shares	-	-	-	-	-	46,831,000	-	-	-	-	46,831,000
Reclassification of deposit for future stock subscription to subscribed capital stock (Note 17)	-	1,600,000,000	-	1,600,000,000	2,400,000,000	(4,000,000,000)	-	-	-	-	-
<b>BALANCES AS AT DECEMBER 31, 2011,</b>											
<b>AS RESTATED</b>	P723,798,267	P2,181,550,433	(P573,657,671)	P1,607,892,762	P2,400,000,000	P-	P1,391,153,017	(P1,223,990)	(P7,955)	P6,121,612,101	
<b>BALANCES AS AT JANUARY 1, 2012,</b>											
<b>AS PREVIOUSLY REPORTED</b>	P723,798,267	P2,181,550,433	(P573,657,671)	P1,607,892,762	P2,400,000,000	P-	P1,396,590,541	-	(P7,955)	P6,128,273,615	
Effect of adoption of Revised PAS 19 (Note 2)	-	-	-	-	-	-	(5,437,524)	(1,223,990)	-	(6,661,514)	
<b>BALANCES AS AT JANUARY 1, 2012,</b>											
<b>AS RESTATED</b>	723,798,267	2,181,550,433	(573,657,671)	1,607,892,762	2,400,000,000	-	1,391,153,017	(1,223,990)	(7,955)	6,121,612,101	
Net income for the year, as previously reported	-	-	-	-	-	-	42,036,981	-	-	-	42,036,981
Effect of adoption of Revised PAS 19 (Note 2)	-	-	-	-	-	-	231,484	-	-	-	231,484
Net income for the year, as restated	-	-	-	-	-	-	42,268,465	-	-	-	42,268,465
Other comprehensive loss	-	-	-	-	-	-	-	(392,386)	-	(392,386)	-
Total comprehensive income, as restated	-	-	-	-	-	-	42,268,465	(392,386)	-	-	41,876,079
(FORWARD)											

**ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**

	Capital Stock - P1 Par Value (Note 17)				Additional Paid in Capital (Note 17)	Deposit for Future Stock Subscription (Note 17)	Retained Earnings (Deficit) (Note 17)	Deferred Income Tax Effect (Note 2)	Treasury Shares (Note 17)	TOTAL
	Issued	Total	Receivable	Subscribed						
Issuance of shares of stock	2,181,550,433	(2,181,550,433)	-	(2,181,550,433)	-	-	-	-	-	-
Collection of subscription receivable	-	-	573,657,671	573,657,671	-	-	-	-	-	573,657,671
<b>BALANCES AS AT DECEMBER 31, 2012,</b>										
<b>AS RESTATED</b>	<b>2,905,348,700</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P2,400,000,000</b>	<b>-</b>	<b>P1,433,421,482</b>	<b>P0,616,376</b>	<b>(P7,955)</b>	<b>P6,737,145,851</b>
<b>BALANCES AS AT DECEMBER 31, 2012,</b>										
<b>AS PREVIOUSLY REPORTED</b>	<b>2,905,348,700</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P2,400,000,000</b>	<b>-</b>	<b>P1,438,627,523</b>	<b>P-</b>	<b>(P7,955)</b>	<b>P6,743,968,268</b>
Effect of adoption of Revised PAS 19 (Note 2)	-	-	-	-	-	-	(5,206,041)	(1,616,376)	-	(6,822,417)
<b>BALANCES AS AT DECEMBER 31, 2012,</b>										
<b>AS RESTATED</b>	<b>2,905,348,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,400,000,000</b>	<b>-</b>	<b>1,433,421,482</b>	<b>(1,616,376)</b>	<b>(7,955)</b>	<b>6,737,145,851</b>
Net income for the year	-	-	-	-	-	-	105,073,636	-	-	105,073,636
Other comprehensive income	-	-	-	-	-	-	-	15,598,561	-	15,598,561
Total comprehensive income	-	-	-	-	-	-	105,073,636	15,598,561	-	120,672,197
Conversion of advances to additional paid-in capital	-	-	-	-	1100,000,000	-	-	-	-	1100,000,000
<b>BALANCES AS AT DECEMBER 31, 2013</b>	<b>2,905,348,700</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P3,500,000,000</b>	<b>P-</b>	<b>P1,538,495,118</b>	<b>P13,982,185</b>	<b>(P7,955)</b>	<b>P7,957,818,048</b>

See accompanying Notes to Consolidated Financial Statements.



# ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

### YEARS ENDED DECEMBER 31

	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	265,648,877	109,621,665	852,146,101
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 11 and 20)	132,432,984	115,057,289	102,230,436
Interest Income (Notes 6 and 18)	(42,833,325)	(54,221,553)	(40,746,477)
Interest Expense (Notes 14 and 16)	33,633,315	63,680,156	8,704,953
Retirement benefits cost (Notes 21 and 26)	19,070,970	12,865,068	5,948,095
Unrealized foreign exchange losses (gains)	(3,540,698)	4,910,812	113,956
Gain on disposal of property and equipment	(36,689)	(79,670)	-
Operating income before working capital changes	404,375,434	251,833,767	928,397,064
Decrease (increase) in:			
Trade and other receivables	(841,834,390)	1,260,730,305	(1,707,549,939)
Real estate inventories (Notes 25 and 32)	515,095,446	(1,663,325,541)	(89,644,218)
Other current assets	57,259,926	(405,503,757)	(279,967,308)
Increase (decrease) in:			
Trade and other payables	277,222,793	(309,985,141)	1,745,706,601
Payables to related parties (Notes 25 and 32)	144,279,102	(459,385,258)	(10,583,295)
Deposits and other current liabilities	150,824,471	(5,084,654)	(50,138,816)
Customers' deposits	272,949,807	831,416,479	(87,108,518)
Cash generated from (used in) operations	980,172,589	(499,303,800)	449,111,571
Income taxes paid, including creditable withholding taxes	(128,478,033)	(209,538,039)	(235,741,818)
Interest received	42,833,325	54,221,553	23,786,704
Interest paid	(30,838,540)	(61,252,303)	(6,634,163)
Net cash from (used in) operating activities	863,689,341	(715,872,589)	230,522,294
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Investment properties (Notes 9 and 32)	(1,193,672,923)	(532,800,264)	(550,498,919)
Property and equipment (Notes 10 and 32)	(10,746,278)	(40,040,306)	(22,832,600)
Software (Note 11)	(1,143,879)	(2,718,728)	(7,589,877)
Other noncurrent assets	(19,225,772)	(18,600,763)	(140,263,035)
Proceeds from disposal of property and equipment	377,804	616,561	-
Net cash used in investing activities	(1,224,411,048)	(593,543,500)	(721,184,431)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from avilment of loans (Note 14)	2,487,325,000	1,865,575,748	1,309,980,533
Payment of loans payable (Note 14)	(3,164,928,473)	(999,128,267)	(594,500,000)
Advances from parent company converted to equity (Note 25)	1,100,000,000	-	-
Proceeds from collection of subscription receivable (Note 17)	-	573,657,672	-
Net cash from financing activities	422,396,527	1,440,105,153	715,480,533
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	3,540,698	(4,910,812)	(113,956)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>65,215,518</b>	<b>125,778,252</b>	<b>224,704,440</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>720,565,330</b>	<b>594,787,078</b>	<b>370,082,638</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 5 and 32)</b>	<b>P785,780,848</b>	<b>P720,565,330</b>	<b>P594,787,078</b>

See accompanying Notes to Consolidated Financial Statements.

# ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Eton Properties Philippines, Inc. ("Eton" or "the Parent 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 Parent Company's registration and licensing as a listed company was approved by the SEC.

On August 19, 1996, the Parent Company's Articles of Incorporation (the Articles) was amended to: (a) change the Parent 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 Parent Company's Board of Directors (BOD) 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; (c) increase the number of directors from 11 to 15; and, (d) change of financial year-end from April 30 to December 31.

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

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of P3,953.17 million, owned by Paramount Landequities, Inc. (Paramount), where the Eton Centris projects are situated in exchange for the issuance of 1.60 billion shares to Paramount at P2.50 per share. On October 22, 2009, the Parent Company and Paramount executed the Deed of Conveyance pertaining to the asset-for-share swap (see Note 17). As approved by SEC in July 2011, the property was recognized by the Parent Company at the value of P4.00 billion (see Notes 7, 9 and 17).

Prior to restructuring in 2012, Paramount and Saturn Holdings, Inc. (Saturn) have ownership interest of 55.07% and 42.39%, respectively, in Eton, a listed company incorporated and registered with the Philippine SEC and is primarily engaged in real estate development.

On September 17, 2012, LT Group, Inc. (LTG)'s BOD approved the assumption by LTG of certain liabilities of Paramount from Step Dragon Co. Ltd. and Billinge Investments Ltd., BVI-based companies, and Saturn from Penick Group Ltd., also a BVI-based company, amounting to P1,350.8 million and P521.3 million, respectively. LTG is a publicly listed company incorporated and domiciled in the Philippines.

On September 25 and September 26, 2012, LTG subscribed to 1,350,819,487 common shares of Paramount and 490,000,000 common shares of Saturn, respectively, with a par value of P1.00 per share and will be issued to LTG out of an increase in Paramount's and Saturn's authorized capital stock. LTG paid the subscription in full by way of conversion into equity of LTG's advances to Paramount and Saturn amounting to P1,350.80 million and P490.00 million, respectively. On the same dates, Paramount and Saturn filed its application for increase in authorized capital with the Philippine SEC in order to accommodate LTG's investment.

Upon SEC's approval on October 10, 2012, Paramount and Saturn became subsidiaries of LTG with 98.18% and 98.99% ownership interests, respectively, thus, giving LTG a 98.00% effective ownership in Eton.

On October 30, 2012, LTG entered into deeds of sale of shares with the Controlling Shareholders of Paramount and Saturn for the remaining issued and outstanding shares of the said companies. Thus, Paramount and Saturn became wholly owned subsidiaries of LTG.

On October 22, 2012, the Parent Company's BOD approved to voluntarily delist the Parent Company from the Philippine Stock Exchange (PSE) in light of the Parent Company's inability to comply with the minimum public ownership requirement of PSE within the allowed grace period. On December 8, 2012, Paramount made a tender offer to buy back shares of Eton traded in the PSE resulting in the increase in its ownership interest from 55.07% to 56.86%, thus, increasing LTG's effective ownership interest in Eton to 99.30%. The delisting of the Parent Company became effective on January 2, 2013.

As of December 31, 2013 and 2012, Eton is 56.86%-owned by Paramount. Eton's ultimate parent company is Tangent Holdings Corporation, a company incorporated and domiciled in the Philippines.

The Parent Company's registered business address is 8th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City.

Below are the Parent Company's ownership interests in its subsidiaries:

<b>Subsidiaries</b>	<b>Percentage of Ownership</b>
Belton Communities, Inc. (BCI)	100%
Eton City, Inc. (ECI)	100%
FirstHomes, Inc. (FHI)	100%
Eton Properties Management Corporation (EPMC)	100%

BCI was incorporated and registered with the SEC on November 5, 2007. On February 18, 2008, the BOD of BCI approved the increase of BCI's capital stock from 20,000 shares to 100,000,000 shares at P1.00 par value per share and the subscription of the Parent Company to 24,995,000 shares, which, in addition to the 5,000 shares originally subscribed, would equal to 25% of the authorized capital stock; 75% of BCI's capital stock still is unsubscribed. As of December 31, 2013, BCI has not yet filed an application to the SEC for an increase in authorized capital stock.

ECI was incorporated and registered with the SEC on October 8, 2008.

On October 15, 2010, FHI was incorporated and registered with Philippine SEC as a wholly owned subsidiary of the Parent Company with a total subscribed capital stock amounting to P1.25 million.

EPMC was incorporated and registered with the SEC on September 29, 2011 to manage, operate, lease, in whole or in part, real estate of all kinds, including buildings, house, apartments and other structures. EPMC has not yet started its operations as of December 31, 2013.

All subsidiaries, except for EPMC, are engaged in real estate development. All subsidiaries' registered business address is 8th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City.

#### Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements of Eton Properties Philippines, Inc. and its Subsidiaries (the Group) as of December 31, 2013 and 2012 and January 1, 2012 and for each of the three years in the period then ended December 31, 2013 were authorized for issuance by the BOD on March 26, 2014.

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

### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis and are presented in Philippine peso (Peso), which is the Parent Company's functional and presentation currency. All values are rounded to the nearest Peso except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of previous periods. In addition, the Group presents an additional consolidated statement of financial position as at the beginning of the preceding period when so required as a result of the retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional consolidated statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies. The amounts in the consolidated statement of



financial position as at January 1, 2012 are the same as at December 31, 2011, as adjusted for the effects of the adoption of new and amended accounting standards effective January 1, 2013 (see Note 26).

#### Statement of Compliance

The consolidated financial statements of the Group 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 financial year except that the Group has adopted the following amended standards which became effective January 1, 2013:

- Amendments to PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, Financial Instruments: Presentation. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  - a.) The gross amounts of those recognized financial assets and recognized financial liabilities;
  - b.) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  - c.) The net amounts presented in the statement of financial position;
  - d.) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    - ii. Amounts related to financial collateral (including cash collateral); and
  - e.) The net amount after deducting the amounts in (d) from the amounts in (c) above.

As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment did not have an impact on the Group's consolidated financial statements.

- PFRS 10, Consolidated Financial Statements, replaced the portion of PAS 27, Consolidated and Separate Financial Statements, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, Consolidation - Special Purpose Entities. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of PFRS 10 had no impact on the Group's consolidated financial statements.
- PFRS 11, Joint Arrangements, replaced PAS 31, Interests in Joint Ventures, and SIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of the PFRS 11 had no impact on the Group's consolidated financial statements.
- PFRS 12, Disclosure of Interests in Other Entities, sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has no unconsolidated structured entities. Management also assessed that there are no subsidiaries with non-controlling interests that are individually material to the Group.

- PFRS 13, Fair Value Measurement, establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when the fair value is required or permitted. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures. The adoption of PFRS 13 had no significant impact on the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.
- Amendments to PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI), introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The Group has modified the presentation of items of other comprehensive income in the statements of comprehensive income. The amendments had no impact on the Group's financial position or performance.
- Amendments to PAS 19, Employee Benefits, require all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the defined benefit obligation. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and past service costs, if any, in profit or loss in the period they occur.

The Group has applied the amendments retrospectively. The effects of adoption of Revised PAS 19 are detailed below (see Note 26):

	As at <b>December 31</b>	As at December 31	As at January 1
	<b>2013</b>	2012	2012
<b>Consolidated Statements of Financial Position</b>			
Increase (decrease) in:			
Retirement benefits liability	<b>(P12,818,270)</b>	P9,746,310	P9,516,449
Deferred income tax asset	<b>(3,845,481)</b>	2,923,893	2,854,935
Other comprehensive income	<b>13,982,185</b>	(1,616,376)	(1,223,990)
Retained earnings	<b>(5,009,396)</b>	(5,206,041)	(5,437,524)
	For the years ended December 31		
	<b>2013</b>	2012	2011
<b>Consolidated Statements of Income</b>			
Increase (decrease) in:			
Retirement benefit cost	<b>(P280,921)</b>	(P330,691)	(P299,706)
Provision for income tax	<b>(84,276)</b>	(99,207)	(89,912)
Net income	<b>196,645</b>	231,484	209,794
<b>Consolidated Statements of Comprehensive Income</b>			
Increase (decrease) in:			
Increase (decrease) in:			
Remeasurements on retirement benefits	<b>P22,283,659</b>	(P560,552)	(P1,748,557)
Income tax effect of remeasurements	<b>(6,685,098)</b>	168,166	524,567
Other comprehensive income (loss) for the year, net of tax	<b>15,598,561</b>	(392,386)	(1,223,990)

- Amendments to PAS 27, *Separate Financial Statements*. As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the Group's consolidated financial statements.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures*. As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 had no significant impact on the Group's consolidated financial statements.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

#### *Annual Improvements to PFRSs (2009-2011 cycle)*

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

- PFRS 1, *First-time Adoption of PFRSs - Borrowing Costs*, clarifies that, upon adoption of PFRSs, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRSs, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRSs.
- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*, clarifies the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendment affects disclosures only and have no impact on the Group's financial position or performance.
- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment did not have any significant impact on the Group's financial position or performance.
- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment had no impact on the Group's financial position or performance.
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.



## Summary of Significant Accounting Policies

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2013 and 2012 and for the years then ended. The financial statements of the subsidiaries are prepared for the same financial reporting year as the Parent Company, using consistent accounting policies.

A subsidiary is an entity over which the Parent Company has control. Control is manifested by the Parent Company's power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Generally, control is present when an entity holds an interest of more than one-half of the voting rights of another entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company or the Group obtains control, and continues to be consolidated until the date that such control ceases. A subsidiary is deconsolidated from the date on which control ceases.

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

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction.

### 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 insignificant risk of change in value and are acquired three months or less before their maturity.

### Financial Instruments

#### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

#### *Initial recognition and classification of financial instruments*

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments includes transaction cost, except for those designated at fair value through profit or loss (FVPL).

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As of December 31, 2013 and 2012, the Group's financial assets and financial liabilities consist of loans and receivables, and other financial liabilities.

#### *Day 1 difference*

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in consolidated statement of income, unless it qualifies for recognition as some other type of assets. In cases where the data to be used is not observable, the difference between the transaction price and model value is only recognized in consolidated statements of income when the inputs become observable or

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

#### *Loans and receivables*

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

As of December 31, 2013 and 2012, the Group's loans and receivables include cash and cash equivalents, trade and other receivables, deposits in escrow bank and refundable deposits.

#### *Other financial liabilities*

Other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As of December 31, 2013 and 2012, the Group's other financial liabilities include trade and other payables (except those non-contractual liabilities and liabilities to government agencies), payables to related parties, loans payable, payables to landowners, security deposits and advance rentals.

#### Impairment of Financial Assets

The Group assesses at each financial reporting date whether there is objective evidence that a financial asset or a 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 have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the contracted parties or a group of contracted parties are/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.

#### *Loans and receivables*

The Group first assesses whether 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 there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income.

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 the group of financial assets with similar credit risk and 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 consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a “pass-through” arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### *Financial liabilities*

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

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

### Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group.

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

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

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



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

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

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

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

#### Real Estate Inventories

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

Cost includes:

- land cost;
- amounts paid to contractors for construction; and
- borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

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

#### Advances to Contractors

Advances to contractors pertain to advance payments made to contractors at the start of each contract packages. This is recouped every progress billing payment based on the percentage of accomplishment of each contract package.

#### Value-added tax (VAT)

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets", "Other noncurrent assets", or "Trade and other payables" accounts in the consolidated statement of financial position.

#### Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and are not occupied by the Group.

Investments properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at acquisition cost less any impairment in value. The cost of an investment property, except for land, includes its construction costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Additions, betterments and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant asset is completed or put into operational use.

Depreciation of investment properties commences once these are available for use and is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

	YEARS
Buildings	25 to 40
Residential Unit	5

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

The useful lives and depreciation method are reviewed annually based on expected asset utilization to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the investment properties.

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

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Investment property is derecognized when either it has been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The cost of property and equipment is comprised of construction cost, including borrowing costs, or purchase price plus any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment is available for use and is computed on a straight-line basis over their estimated useful lives as follows:

	YEARS
Transportation equipment	5
Furniture, fixtures and equipment	3 to 5
Leasehold improvements	5 or term of the lease, whichever is shorter

Depreciation and amortization ceases at the earlier of the date that the item is classified as held for sale or included in a disposal group that is classified as held for sale in accordance with PFRS 5 and the date the asset is derecognized.

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.

When a property and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from consolidated statement of financial position and any resulting gain or loss is recognized in consolidated statement of income.

#### Software

Software, which is included under "Other noncurrent assets" in the consolidated statement of financial position, is measured at cost on initial recognition. Subsequently, software is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the software's estimated useful life of five years.

#### Impairment of Noncurrent Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its noncurrent nonfinancial assets, which include investment properties, property and equipment, and software, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in consolidated statement of income.

An assessment is made at each financial reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statement of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

#### Customers' Deposits including Excess of Collections over Recognized Receivables

Customers' deposits represent payments from buyers which will be applied against the related contracts receivables. This account also includes the excess of collections over the recognized contracts receivables, which is determined based on the revenue recognition policy of the Group.

#### Security Deposits

Security deposits, included in the "Other current liabilities" and "Other noncurrent liabilities" in the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

The difference between the cash received and the fair value of the amount to be refunded to tenants is deferred, included in the "Deferred credits" account in the consolidated statements of financial position, and amortized using the straight-line method under the "Rental income" account in the consolidated statement of income.



### Deposit for Future Stock Subscription

Deposit for future stock subscription represents the amount received which will be applied as payment in exchange for a fixed number of the Group's own equity instruments. It is classified as an equity item if there is sufficient unissued authorized capital stock, or if in case the unissued authorized capital stock is insufficient to cover the amount of deposit, (1) the BOD and stockholders have approved a proposed increase in authorized capital stock for which a deposit was received, and (2) the proposed increase was filed with the SEC; otherwise, the deposit is classified as a liability.

### Capital Stock and Additional Paid-In Capital

Capital stock is measured at par value for all shares subscribed and/or issued. Subscribed capital stock is the portion of the authorized capital stock that has been subscribed but not yet fully paid and therefore still unissued. The subscribed capital stock is reported net of the subscription receivable.

When the shares are subscribed or sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the liability settled or fair value of the shares issued or, whichever is more reliably determinable. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

### Treasury Shares

Treasury shares are carried at cost and are presented as deduction from equity. No gain or loss is recognized in consolidated statement of income on the purchase, sale, reissuance or cancellation of treasury shares. Any difference between the carrying amount and the consideration on the reissuance of treasury shares is recognized as additional paid-in capital.

### Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted, and therefore, not available for dividend declaration.

### Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

#### *Real estate sales*

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

When a sale of real estate does not meet the requirements for income recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventory continues to be reported in the Group's consolidated statement of financial position as part of real estate inventories and the deposit as part of "Customers' deposits" account.

*Cost of real estate sales*

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

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

*Rental income*

Rental income under noncancellable leases of investment properties is recognized in consolidated statement of income on a straight-line basis over the lease term, while rental income under cancellable leases is recognized based on the terms of the lease contract or based on a certain percentage of the gross revenue of the tenants, as applicable.

*Charges and expenses recoverable from tenants*

Income arising from expenses recharged to tenants recorded as "Rental dues" in Other income account is recognized in the period in which the compensation becomes receivable.

*Cost of rental income*

Cost of rental income is recognized in relation to the leasing activities of the Group. This includes general administrative and selling expenses allocated to the leasing activities, rental expense on the property leased to tenants and depreciation of the investment properties.

*Interest income*

Interest income is recognized as it accrues.

Expense Recognition

Expenses are recognized when there is a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Operating expenses, which consist of selling, and general and administrative expenses are recognized when incurred.

Commissions

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are initially deferred and recorded as prepaid commissions when recovery is reasonably expected and charged to expense in the period in which the related revenue is earned. Accordingly, when the percentage-of-completion method is used, commissions are recognized in consolidated statement of income in the period the related revenue is recognized.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of development costs (included in "Real estate inventories" or "Investment properties" accounts in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

Basic/Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted earnings per share is computed in the same manner, with the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

### Retirement Benefits Cost

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

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

Defined benefit costs comprise the following:

- a) Service cost; and
- b) Net interest on the net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursements is virtually certain.

### Income Taxes

#### *Current income tax*

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

#### *Deferred income tax*

Deferred income tax is determined at the financial reporting date using the balance sheet liability method on all temporary differences 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, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT] and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, excess MCIT and unused NOLCO can be utilized before their expiration.

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

Deferred income tax assets and liabilities are measured at the tax rate that is 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 financial reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged or credited to the income for the period.



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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

#### Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

#### Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the exchange rate at the financial reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in consolidated statement of income, any exchange component of that gain or loss shall be recognized in consolidated statement of income.

#### 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).

#### *The Group as lessor*

Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments for noncancellable lease are recognized in consolidated statement of income on a straight-line basis over the lease term. Any difference between the calculated rental income and amount actually received or to be received is recognized as deferred rent in the consolidated statement of financial position. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Variable rent is recognized as income based on the terms of the lease contract.

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 under "Other income" account in the consolidated statement of income.

#### *The Group as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments for noncancellable lease are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term while the variable rent is recognized as an expense based on terms of the lease contract.

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

### Contingencies

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements. Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

### Events After the Financial Reporting Date

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

### Future Changes in Accounting Policies

The following are the new and revised accounting standards and interpretations that will become effective subsequent to December 31, 2013. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have any significant impact on its financial statements.

#### *Effective in 2014*

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments have no potential impact to the Group as there are no contributions from employees or third parties to the plan.
- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments are to be applied retrospectively.
- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*, remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*, provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The standard is not applicable as the Group has no derivative instruments.
- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*, provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments are not relevant to the Group.

#### Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- Amendment to PFRS 2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment does not have an impact to the Group's financial position or performance.
- Amendment to PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations, if any.
- Amendments to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Group's financial position or performance.
- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of,

provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- Amendments to PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

#### Annual Improvements to PFRSs (2011-2013 cycle)

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

- Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.
- Amendment to PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.
- Amendment to PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.
- Amendment to PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

#### *No mandatory effective date*

- PFRS 9, *Financial Instruments - Classification and Measurement*, introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial



asset is measured at amortized cost of fair value, replacing the many different rules in PAS 39. The approach in this new standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. It also requires a single impairment method to be used, replacing the many different impairment methods in PAS 39. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

#### *Deferred effectivity*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The Group is continuously assessing the impact of the above new and amended accounting standards and interpretations effective subsequent to December 31, 2013. Additional disclosures required by these standards and interpretations will be included in the consolidated financial statements when these standards and interpretations are adopted.

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

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to exercise judgments and use accounting estimates that affect the amounts and disclosures presented in the consolidated financial statements.

Significant judgments and accounting estimates used in the preparation of the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the consolidated 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 consolidated financial statements as they become reasonably determinable.

#### Judgments

In the process of applying the Group'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 consolidated financial statements:

#### *Revenue recognition*

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others, the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and stage of completion of the project. Based on the judgment of the Group, the percentage-of-completion method is appropriate in recognizing revenue on real estate sale transactions in 2013, 2012 and 2011.

#### *Classification of financial instruments*

The Group classifies a financial instrument or its component 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 consolidated statements of financial position (see Note 27).

*Operating lease commitments - the Group as lessor*

The Group has entered into commercial property leases of its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases. Rental income recognized by the Group amounted to P448.72 million, P405.76 million and P306.88 million in 2013, 2012 and 2011, respectively (see Note 23).

*Operating lease commitments - the Group as lessee*

Currently, the Group has land lease agreements with several non-related parties and office lease agreement with a related party. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessors. Thus, the Group considers these lease agreements as operating leases. Rental expense recognized by the Group included under "Outside services" amounted to P11.14 million in 2013, P10.98 million in 2012 and P7.99 million in 2011 (see Notes 20 and 23). Additional rental expense was recognized in 2013 and 2012 related to the lease of a parcel of land where one of the Parent Company's project is located.

In determining whether a lease contract is cancellable or not, either acting as a lessor or a lessee, the Group considered, among others, the probability of the cancellation and the significance of the penalty, including economic consequences, to the Group.

*Classification of properties*

The Group determines whether a property is classified as investment property or real estate inventory as follows:

- Investment properties comprise land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.
- Real estate inventory comprises of property that is held for sale in the ordinary course of business. Principally, this is a residential property that the Group develops and intends to sell before or on completion of construction.

The carrying values of the Group's investment properties and real estate inventories amounted to P7,896.40 million and P5,863.73 million, respectively, as of December 31, 2013 and P6,539.67 million and P6,192.11 million, respectively, as of December 31, 2012 (see Notes 7 and 9).

*Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flow largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately as of the financial reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The carrying values of the Group's investment properties, and property and equipment amounted to P7,896.40 million and P45.94 million, respectively, as of December 31, 2013 and P6,539.67 million and P68.56 million, respectively, as of December 31, 2012 (see Notes 9 and 10).

Accounting Estimates and Assumptions

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

*Revenue and cost recognition*

The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost of real estate sales is recognized based on the percentage-of-completion which is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Real estate sales and cost of real estate sales amounted to P3,208.22 million and P2,489.83 million, respectively, in 2013 and P2,288.95 million, P1,692.20 million, respectively, in 2012 and P4,884.77 million and P3,500.50 million, respectively, in 2011.

#### *Estimation of allowance for loans and receivables*

The Group maintains allowance for impairment losses at a level based on the results of the specific and collective assessments under PAS 39. Under the specific assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to stratify its receivables based on the credit risk characteristics of the customers. Impairment loss is then determined based on historical loss experience of the receivables stratified per credit risk profile.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology, and assumptions used for the individual and collective assessments are based on management's judgments and estimates. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2013 and 2012, the Group did not recognize any allowance for impairment on its loans and receivables (see Note 27).

#### *Measurement of net realizable value of real estate inventories*

The Group adjusts the cost of its real estate inventories to net realizable value (NRV) based on its assessment of the recoverability of cost of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2013 and 2012, real estate inventories, which are carried at cost, amounted to P5,863.73 million and P6,192.11 million, respectively (see Note 7).

#### *Estimation of useful lives of investment properties, property and equipment excluding land, construction in progress, and software*

The Group estimates the useful lives of its investment properties, property and equipment, and software based on the period over which the assets are expected to be available for use. The estimated useful lives of the investment properties, property and equipment and software are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of investment properties, property and equipment and software would increase depreciation and amortization expense and decrease noncurrent assets.

The carrying values of the Group's investment properties (excluding land and construction in progress), property and equipment (excluding construction in progress) and software amounted to P3,352.23 million, P45.94 million and P10.65 million, respectively, as of December 31, 2013 and P3,278.23 million, P61.98 million and P14.68 million, respectively, as of December 31, 2012 (see Notes 9, 10 and 11).

#### *Evaluation of impairment of noncurrent nonfinancial assets*

The Group evaluates its nonfinancial assets for any impairment in value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the asset's fair value less costs to sell and value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group did not identify any indications of impairment, thus, it believes that the carrying amounts of its noncurrent nonfinancial assets approximate their recoverable amounts as of December 31, 2013, 2012 and 2011.

#### *Recognition of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets at each financial reporting date and makes adjustments to it to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profits to allow all or part of the deferred income tax assets to be utilized. The Group looks at its projected financial performance in assessing the sufficiency of future taxable income.

As of December 31, 2013 and 2012, the Group recognized deferred income tax assets amounting to P169.29 million and P238.44 million, respectively (see Note 22).

#### *Estimation of retirement benefits costs and liability*

The determination of the Group's retirement benefit costs and obligation is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions will materially affect retirement benefits obligations.

As of December 31, 2013 and 2012, retirement benefits liability amounted to P29.65 million and P32.87 million, respectively. Retirement benefits cost recognized in 2013, 2012 and 2011 amounted to P19.07 million, P12.87 million and P5.95 million, respectively (see Notes 2 and 26).

#### *Determination of fair value of financial instruments*

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets information if possible, but where this is not feasible, estimates are used in establishing fair values (see Note 27).

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## **4. Segment Information**

Operating segments are components of the Group: (a) that engage in business activities from which the Group may earn revenues and incur loss and expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available. The Group's CODM is the Parent Company's BOD. The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with those in the consolidated statements of income. Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments.

Further, the measurement of the segment assets are the same as those described in the summary of significant accounting and financial reporting policies.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenue is recognized to the extent that it is probable those economic benefits will flow to the Group and that the revenue can be reliably measured. The Group does not have revenue from transaction with a single external customer, which amount to 10% or more of the Group's revenues.



Segment expenses are those directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses such as direct costs and expenses and general and administrative expenses.

The business segments where the Group operates follow:

- Residential developments - sale of residential lots and condominium units; and,
- Leasing activities - development of Business Process Outsourcing (BPO) buildings and commercial spaces for lease.

Considering the nature of the business segments, there were no intersegment revenues generated for all years.

## 2013

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P3,208,224,899	P448,720,012	P-	P3,656,944,911
Direct costs	(2,489,829,829)	(190,293,228)	-	(2,680,123,057)
<b>Operating profit</b>	<b>718,395,070</b>	<b>258,426,784</b>	<b>-</b>	<b>976,821,854</b>
Interest income	39,384,723	-	3,448,602	42,833,325
Other income	-	132,890,850	30,569,842	163,460,692
Finance charges	-	-	(35,735,909)	(35,735,909)
Selling, general and administrative expenses	-	-	(881,731,085)	(881,731,085)
Provision for income tax	-	-	(160,575,241)	(160,575,241)
<b>Net income</b>	<b>P757,779,793</b>	<b>P391,317,634</b>	<b>(P1,044,023,791)</b>	<b>P105,073,636</b>

## Other information

Segment assets	P10,585,925,128	P8,130,589,436	P1,225,684,797	P19,942,199,361
Deferred income tax assets - net	-	-	97,990,781	97,990,781
<b>Total segment assets</b>	<b>P10,585,925,128</b>	<b>P8,130,589,436</b>	<b>P1,323,675,578</b>	<b>P20,040,190,142</b>
<b>Segment liabilities</b>	<b>P4,702,241,939</b>	<b>P620,784,929</b>	<b>P6,759,345,226</b>	<b>P12,082,372,094</b>
<b>Segment additions to property and equipment, and investment properties</b>	<b>P11,890,157</b>	<b>P1,450,952,923</b>	<b>P-</b>	<b>P1,462,843,080</b>
<b>Depreciation and amortization</b>	<b>P38,209,737</b>	<b>P94,223,247</b>	<b>P-</b>	<b>P132,432,984</b>

## 2012 (As restated, Note 2)

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P2,288,951,599	P405,757,690	P-	P2,694,709,289
Direct costs	(1,692,201,965)	(149,777,011)	-	(1,841,978,976)
Operating profit	596,749,634	255,980,679	-	852,730,313
Interest income	50,331,313	-	3,890,240	54,221,553
Other income	-	77,659,015	76,486,140	154,145,155
Finance charges	-	-	(72,353,764)	(72,353,764)
Selling, general and administrative expenses	-	-	(879,121,592)	(879,121,592)
Provision for income tax	-	-	(67,353,200)	(67,353,200)
<b>Net income</b>	<b>P647,080,947</b>	<b>P333,639,694</b>	<b>(P938,452,176)</b>	<b>P42,268,465</b>

## 2012 (As restated, Note 2)

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Other information				
Segment assets	P9,942,408,475	P6,666,194,762	P1,386,003,656	P17,994,606,893
Deferred income tax assets - net	-	-	213,656,266	213,656,266
Total segment assets	P9,942,408,475	P6,666,194,762	P1,599,659,922	P18,208,263,159
Segment liabilities	P2,407,139,805	P114,569,746	P8,949,407,757	P11,471,117,308
Segment additions to property and equipment, and investment properties	P42,759,034	P532,800,264	P-	P575,559,298
Depreciation and amortization	P36,505,250	P78,552,039	P-	P115,057,289

## 2011 (As restated, Note 2)

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P4,884,774,211	P306,877,063	-	P5,191,651,274
Direct costs	(3,500,504,637)	(111,675,885)	-	(3,612,180,522)
<b>Operating profit</b>	1,384,269,574	195,201,178	-	1,579,470,752
Interest income	37,437,876	-	3,308,601	40,746,477
Other income	-	72,455,225	139,612,450	212,067,675
Finance charges	-	-	(9,486,336)	(9,486,336)
Selling, general and administrative expenses	-	-	(970,652,467)	(970,652,467)
Provision for income tax	-	-	(118,645,159)	(118,645,159)
<b>Net income</b>	P1,421,707,450	P267,656,403	(P955,862,911)	P733,500,942
<b>Other information</b>				
Segment assets	P8,179,455,832	P6,027,696,922	P962,657,466	P15,169,810,220
Deferred income tax assets - net	-	-	147,941,100	147,941,100
<b>Total segment assets</b>	P8,179,455,832	P6,027,696,922	P1,110,598,566	P15,317,751,320
<b>Segment liabilities</b>	P5,041,125,946	P139,155,728	P4,015,857,545	P9,196,139,219
<b>Segment additions to property and equipment, and investment properties</b>	P30,422,477	P550,498,919	P-	P580,921,396
<b>Depreciation and amortization</b>	P33,168,078	P69,062,358	P-	P102,230,436

## 5. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	<b>P523,448,271</b>	P649,119,554
Cash equivalents	<b>262,332,577</b>	71,445,776
	<b>P785,780,848</b>	P720,565,330

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates ranging from 0.25 to 2.15% in 2013 and 0.80% to 3.30% in 2012, respectively (see Note 18).

## 6. Trade and Other Receivables

	2013	2012
Contracts receivables	<b>P2,946,845,731</b>	P2,475,769,156
Lease receivables (Note 23)	<b>49,858,177</b>	46,442,945
Receivables from tenants	<b>26,911,305</b>	107,897,108
Others	<b>482,482,052</b>	34,153,666
	<b>3,506,097,265</b>	2,664,262,875
Less noncurrent portion of contracts receivables	<b>2,237,215,389</b>	874,289,535
	<b>P1,268,881,876</b>	P1,789,973,340

Contracts receivables consist of revenues recognized to date based on the percentage-of-completion less collections received from the respective buyers.

The Group assigned certain contracts receivables to Banco de Oro Unibank, Inc. (BDO) on a with recourse basis (see Note 14). The total assigned contracts receivables amounted to P367.30 million and P438.34 million as of December 31, 2013 and 2012, respectively.

Other receivables are due and demandable and include accrued interest receivable pertaining to interest earned from cash equivalents. Included also in other receivables are the advances to officers and employees, which pertain to unliquidated cash advances that are due within one year and unpaid utility charges to tenants. Advances to officers and employees are recoverable through direct salary deduction.

## 7. Real Estate Inventories

	2013	2012
Condominium and residential units	<b>P2,933,431,325</b>	P3,310,838,233
Land held for future development	<b>578,388,295</b>	269,521,994
Subdivision projects under development	<b>2,351,914,254</b>	2,611,749,093
	<b>P5,863,733,874</b>	P6,192,109,320

- a. A summary of the movements in real estate inventories is set out below:

	2013	2012
Beginning of year	<b>P6,192,109,320</b>	P3,289,982,329
Land acquired during the year (Notes 15 and 25)	<b>342,720,000</b>	2,010,084,400
Development costs incurred	<b>1,627,658,201</b>	2,633,963,060
Borrowing costs capitalized (Note 18)	<b>191,076,182</b>	114,015,046
Disposals recognized as cost of sales	<b>(2,489,829,829)</b>	(1,692,201,965)
Transfers to investment property (Note 9)	-	(163,733,550)
End of year	<b>P5,863,733,874</b>	P6,192,109,320

- b. The Group acquired parcels of land from related parties (see Note 25) and third party amounting to P342.72 million and P2,010.08 million in 2013 and 2012, respectively, which will be used for development of condominium units and subdivision projects for sale.

In 2009, the Parent Company acquired parcels of land through an asset-for-share swap agreement. The land with a total appraised value of P3,953.17 million was transferred to the Parent Company in exchange for the issuance of 1.60 billion common shares (see Note 17). A portion of the land where the Group's buildings held for lease are situated, with an allocated cost of P658.86 million, was recognized as investment property in 2009. The remaining portion of the land, with an allocated cost of P3,294.31 million, was considered as real estate inventory. In 2010, the Parent Company reclassified a portion of the land, which was previously recognized as real estate inventory as of December 31, 2009 with cost amounting to P2,187.42 million, to investment property in view of management's plan to develop thereon additional buildings to be held for lease (see Note 9). On July 21, 2011, the SEC approved the valuation of the land acquired through the asset-for-share swap agreement at P4.00 billion, thereby, resulting to an increase in the recorded value of the land by P46.83 million.

Real estate inventories recognized as part of cost of real estate sales in 2013, 2012 and 2011 amounted to P2,489.83 million, P1,692.20 million and P3,500.50 million, respectively.

## 8. Other Current Assets

	2013	2012
Advances to contractors	<b>P404,347,312</b>	P639,654,746
Input VAT	<b>344,027,129</b>	235,684,431
Creditable withholding taxes	<b>267,177,353</b>	190,294,174
Prepayments	<b>493,151,287</b>	387,649,098
Deferred rent (Note 23)	<b>54,544,364</b>	66,739,759
Deposits in escrow bank (Note 27)	<b>6,001,833</b>	6,001,833
Others	<b>1,692,757</b>	25,294,741
	<b>P1,570,942,035</b>	P1,551,318,782

- a. Advances to contractors are recouped every progress billing payment based on the percentage of accomplishment of each contract package. The activities related to these advances will be completed within the Group's normal operating cycle.
- b. Prepayments consist of prepaid insurance, taxes and licenses and commission. Prepaid commission pertains to payments to agents and brokers which will be charged to the parent company statements of income in the period in which the related revenue is recognized.



- c. Deposits in escrow bank pertain to the escrow funds required by several Escrow Agreements entered into by the Group with the Housing and Land Use Regulatory Board pursuant to the provisions of the temporary licenses to sell issued by the latter to the Group for some of its projects. The Escrow Agreements include, among others, the opening of an escrow account with Allied Banking Corporation (ABC), an entity under common control, where sales proceeds from projects to which the temporary licenses to sell pertain shall be deposited. Such escrow accounts shall only be released upon the Group's compliance with all the requirements for the issuance of a Certificate of License to Sell and Certificate of Registration of the projects.

## 9. Investment Properties

As of December 31, 2013:

	Land	Buildings	Residential Unit	Construction in Progress	Total
<b>Cost</b>					
Beginning of year	P2,956,113,506	P3,480,019,715	P7,620,000	P305,327,207	P6,749,080,428
Additions (Note 18)	257,280,000	166,672,107	-	1,027,000,816	1,450,952,923
Reclassification	-	1,546,655	-	(1,546,655)	-
End of year	3,213,393,506	3,648,238,477	7,620,000	1,330,781,368	8,200,033,351
<b>Accumulated Depreciation</b>					
Beginning of year	-	201,787,561	7,620,000	-	209,407,561
Depreciation for the year	-	94,223,247	-	-	94,223,247
End of year	-	296,010,808	7,620,000	-	303,630,808
<b>Net Book Values</b>	<b>P3,213,393,506</b>	<b>P3,352,227,669</b>	<b>P-</b>	<b>P1,330,781,368</b>	<b>P7,896,402,543</b>

As of December 31, 2012:

	Land	Buildings	Residential Unit	Construction in Progress	Total
<b>Cost</b>					
Beginning of year	P2,951,158,695	P2,739,279,747	P7,620,000	P361,072,406	P6,059,130,848
Additions (Note 18)	4,954,811	222,518,246	-	305,327,207	532,800,264
Transfer	-	361,072,406	-	(361,072,406)	-
Reclassification (Notes 7 and 9)	-	157,149,316	7,620,000	-	157,149,316
End of year	2,956,113,506	3,480,019,715	7,620,000	305,327,207	6,749,080,428
<b>Accumulated Depreciation</b>					
Beginning of year	-	123,235,522	-	-	130,855,522
Depreciation for the year	-	78,552,039	7,620,000	-	78,552,039
End of year	-	201,787,561	-	-	209,407,561
<b>Net Book Values</b>	<b>P2,956,113,506</b>	<b>P3,278,232,154</b>	<b>P-</b>	<b>P305,327,207</b>	<b>P6,539,672,867</b>

- a. In December 2013, the Parent Company reclassified the cost of completed buildings intended for leasing amounting to P1.55 million from construction in progress to buildings.

The addition to land in 2013 pertains to cost allocated to a parcel of land acquired from a related party amounting to P257.28 million which will be used for future development (see Note 25).

In December 2012, the Parent Company reclassified the cost of completed buildings intended for leasing amounting to P163.73 million from real estate inventory to investment properties. In addition, the Parent Company also reclassified the construction cost of showroom amounting to P6.58 million from investment property to property and equipment.

- b. Rental income and direct operating expenses arising from the investment properties amounted to P448.72 million and P190.29 million, respectively, in 2013, P405.76 million and P149.78 million, respectively, in 2012 and P306.88 million and P111.68 million, respectively, in 2011.

Depreciation of investment properties amounting to P94.22 million, P78.55 million and P69.06 million were recognized as part of cost of rental income in 2013, 2012 and 2011, respectively.

- c. The estimated fair value of the investment properties as of December 31, 2012, the latest valuation date, amounted to P17.24 billion. The fair value has been determined based on inputs that are not directly observable but are corroborated by observable market data (Level 2) and unobservable inputs (Level 3) and using Market Data and Cost Approach. Market Data Approach is based on comparables which were selected because they are considered the most recent listings/transactions comparable to the subject property. The Cost Approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the costs of an equally desirable alternative.

Property	Approach	Level	Fair Value
Land	Market Data	2	P14,525,283,532
Building For Lease	Cost Approach	3	2,712,100,000
			P17,237,383,532

The valuations were performed by an independent professional appraiser. The valuation model in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13.

Management believes that the fair value of the investment properties as of the latest valuation date is substantially the same as fair value as of December 31, 2013.

## 10. Property and Equipment

As of December 31, 2013:

	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>					
Beginning of year	P61,947,774	P100,794,313	P17,504,797	P6,584,234	P186,831,118
Additions	4,746,801	4,098,416	1,901,061	-	10,746,278
Reclassification	-	-	6,584,234	(6,584,234)	-
Disposals	(2,782,911)	-	-	-	(2,782,911)
End of year	63,911,664	104,892,729	25,990,092	-	194,794,485
<b>Accumulated Depreciation and Amortization</b>					
Beginning of year	42,570,093	67,185,983	8,510,441	-	118,266,517
Depreciation and amortization for the year (Note 20)	7,422,798	21,726,723	3,882,875	-	33,032,396
Disposals	(2,441,796)	-	-	-	(2,441,796)
End of year	47,551,095	88,912,706	12,393,316	-	148,857,117
<b>Net Book Values</b>	<b>P16,360,569</b>	<b>P15,980,023</b>	<b>P13,596,776</b>	<b>P-</b>	<b>P45,937,368</b>

As of December 31, 2012:

	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>					
Beginning of year	57,504,740	74,585,108	9,123,401	–	141,213,249
Additions	5,449,705	26,209,205	8,381,396	–	40,040,306
Reclassification	–	–	–	6,584,234	6,584,234
Disposals	(1,006,671)	–	–	–	(1,006,671)
End of year	61,947,774	100,794,313	17,504,797	6,584,234	186,831,118
<b>Accumulated Depreciation and Amortization</b>					
Beginning of year	33,250,014	49,198,573	4,512,179	–	86,960,766
Depreciation and amortization for the year (Note 20)	9,789,859	17,987,410	3,998,262	–	31,775,531
Disposals	(469,780)	–	–	–	(469,780)
End of year	42,570,093	67,185,983	8,510,441	–	118,266,517
<b>Net Book Values</b>	<b>19,377,681</b>	<b>33,608,330</b>	<b>8,994,356</b>	<b>6,584,234</b>	<b>68,564,601</b>

The Company has fully depreciated property and equipment that are still in use with gross carrying amount of P48.47 million and P44.31 million in 2013 and 2012, respectively.

#### 11. Other Noncurrent Assets

	2013	2012
Refundable deposits (Note 27)	<b>167,546,621</b>	124,958,732
Deferred input VAT	<b>95,089,483</b>	118,451,600
Software	<b>10,646,494</b>	14,679,956
Others	<b>22,830</b>	22,830
	<b>273,305,428</b>	258,113,118

- a. Refundable deposits consist principally of amounts paid to utility providers for service applications and guarantee deposit to Makati Commercial Estate Association for plans processing, monitoring fee and development charge of the Group's projects. Refundable deposits will be refunded upon termination of the service contract and completion of the projects' construction.

- b. The roll forward analysis of the Group's software follows:

	2013	2012
<b>Cost</b>		
Beginning of year	<b>24,145,078</b>	21,426,350
Additions	<b>1,143,879</b>	2,718,728
End of year	<b>25,288,957</b>	24,145,078
<b>Accumulated Amortization</b>		
Beginning of year	<b>9,465,122</b>	4,735,403
Amortization (Note 20)	<b>5,177,341</b>	4,729,719
End of year	<b>14,642,463</b>	9,465,122
<b>Net Book Values</b>	<b>10,646,494</b>	14,679,956

## 12. Trade and Other Payables

	2013	2012
Accounts payable	<b>P345,975,634</b>	P316,843,897
Retentions payable (Note 25)	<b>731,493,025</b>	706,980,115
Accrued real estate development costs	<b>2,006,540,627</b>	2,000,530,247
Other accrued expenses	<b>755,365,446</b>	537,797,680
	<b>P3,839,374,732</b>	P3,562,151,939

Accounts payable and retentions payable are normally settled within the Group's normal operating cycle. Other accrued expenses consist primarily of accrued commission expenses and withholding taxes.

## 13. Customers' Deposits

Customers' deposits represent payments from buyers of residential units that will be applied against the corresponding contracts receivables which are recognized based on the revenue recognition policy of the Group. This account also includes the excess of collections over the recognized receivables amounting to P670.04 million and P1,366.80 million as of December 31, 2013 and 2012.

As of December 31, 2013 and 2012, customers' deposits amounted to P2,849.15 million and P2,576.20 million, respectively.

## 14. Loans Payable

This account consists of:

	2013	2012
Bank loans	<b>P1,990,119,775</b>	P2,453,500,000
Notes payable	<b>963,355,100</b>	1,174,783,573
Less current portion	<b>2,953,474,875</b>	3,628,283,573
Noncurrent portion	<b>1,009,914,973</b>	2,734,065,576
	<b>P1,943,559,902</b>	P894,217,997

### Bank loans

On January 28, 2013, the Parent Company entered into an unsecured term loan agreement with BDO to finance the construction of the Parent Company's projects. The term loan, which has a face value of P2,000.00 million, was availed of by the Parent Company at a discount for total proceeds amounting to P1,987.33 million. The term loan bears a nominal interest rate of 5.53% and will mature on January 26, 2018. Principal repayments will start one year from the date of availment and are due quarterly while interest payments are due quarterly starting April 28, 2014.

### Notes payable

Notes payable includes various notes from BDO which arose from assigning the Groups' contracts receivables on a with recourse basis in 2013 and 2012 (see Note 6). These notes bear interest based on Philippine Dealing System Treasury Fixing (PDSTF) rate for one year plus 1.5% net of gross receipts tax, which ranges from 5.22% to 6.00% and 6.00% to 6.66% in 2013 and 2012, respectively, subject to annual repricing. Interest is due monthly in arrears during the first two years of the term and thereafter, interest shall be collected with the principal covering the term of three years or the term of the contracts to sell, whichever comes first (see Note 18).



## 15. Payables to Landowners

In September 2012, the Parent Company executed a P556.78 million promissory note to a landowner in relation to its purchase of land located at the corner of Dela Rosa and V.A. Rufino Sts., Legaspi Village, Makati City with total purchase price of P742.38 million. In November 2012, the Parent Company again executed a promissory note to a landowner amounting to P740.00 million in relation to its purchase of land located at Don Alejandro Roces Avenue, Barangay Obrero, Quezon City with total purchase P1,000.00 million.

The details of the notes payable are presented below:

Interest Date	Due Date	Principal Amount
PDSTF 3 years + 1.00%	3 years from execution of note	P556,785,000
PDSTF 3 years + 0.50%	3 years from execution of note	740,000,000
		P1,296,785,000

## 16. Other Noncurrent Liabilities

	2013	2012
Security deposits	<b>P161,600,879</b>	P80,003,825
Advance rentals	<b>98,658,136</b>	29,430,719
Deferred credits	<b>4,730,149</b>	4,730,149
Retirement benefits liability (Note 26)	<b>29,653,166</b>	32,865,855
	<b>294,642,330</b>	147,030,548
Less current portion of:		
Security deposits	<b>53,348,407</b>	46,863,263
Deferred credits	<b>1,508,092</b>	1,508,092
	<b>54,856,499</b>	48,371,355
	<b>P239,785,831</b>	P98,659,193

Security deposits pertain to the amounts paid by the tenants at the inception of the lease which is refundable at the end of the lease term.

Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term depending on the lease contract.

## 17. Equity

### Capital Stock

Information on the number of shares of the Parent Company's capital stock as of December 31, 2013 and 2012 are as follows:

	Number of Shares	
	2013	2012
Authorized	<b>5,000,000,000</b>	5,000,000,000
Issued	<b>2,905,348,700</b>	2,905,348,700
Treasury	<b>(10,000)</b>	(10,000)
Outstanding	<b>2,905,338,700</b>	2,905,338,700

On May 12, 1988, the SEC approved the registration and licensing of the 30.00 billion authorized capital stock of the Parent Company with a total par value of P300.00 million divided into 18 billion Class "A" shares with par value of P0.01 per share and 12.00 billion Class "B" shares with par value of P0.01 per share. The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On May 12, 1988, the SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the P300.00 million worth of shares of the latter and issuance of certificates of stock for the shares already subscribed and paid for.

On February 21, 1994, the SEC approved the increase in the authorized capital stock of the Parent Company from P300.00 million to P1.00 billion divided into 60.00 billion Class "A" shares with par value of P0.01 per share and 40.00 billion Class "B" shares with par value of P0.01 per share. The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On March 11, 1994, the SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the latter's shares.

On June 25, 1996, by majority vote of the BOD and stockholder representing at least two-thirds votes of the outstanding capital stock, an amendment on the articles of incorporation of the Parent Company was adopted. The amendment among others includes the changing of the par value of the authorized capital stock of the Parent Company from P0.01 per share to P1.00 per share. The amendment was approved by the SEC on August 12, 1997.

In the stockholders meeting held on January 14, 2003, a quasi re-organization was approved which includes a reduction in the authorized capital stock of the Parent Company from P1.00 billion to P73.80 million and subsequently, an increase in the authorized capital stock of the Parent Company, after decrease is effected, to P5.00 billion divided into 5.00 billion shares having a par value of P1.00 per share.

On October 8, 2003, the SEC approved the decrease in the total authorized capital stock of the Parent Company from P1.00 billion to P73.80 million consisting of 73.80 million shares with par value of P1.00 per share. On the same day, the SEC approved the increase in the total authorized capital stock of the Parent Company from P73.80 million to P5.00 billion consisting of 5.00 billion shares with par value of P1.00 per share. Out of the P4,926.20 million increase in the authorized capital stock, P1,231.55 million has been subscribed by Saturn.

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of P3,953.17 million, owned by Paramount where the Eton Centris projects are situated in exchange for the issuance of 1.60 billion shares to Paramount at P2.50 per share. On October 22, 2009, the Parent Company and Paramount executed the Deed of Conveyance pertaining to the asset-for-share swap. In 2011, the property and the deposit for future stock subscription were adjusted by the Parent Company to reflect the amount equal to P4.00 billion as approved by SEC. Accordingly, the Parent Company reclassified the deposit for future stock subscription into subscribed capital stock and additional paid-in capital amounting to P1.60 billion and P2.40 billion, respectively. The subscribed capital stock was issued as of December 31, 2012.

In 2012, subscription receivable from Paramount amounting to P573.66 million was collected. The corresponding subscribed shares were issued as of December 31, 2012.

	Number of Shares	
	2013	2012
Issued shares - P1 par value:		
At January 1	<b>2,905,348,700</b>	723,798,267
Issuance of subscribed shares	-	2,181,550,433
At December 31	<b>2,905,348,700</b>	2,905,348,700

Movement in the issued shares of the Parent Company follows:

The issued and outstanding registered shares are held by 1,656 and 1,536 stockholders as of December 31, 2013 and 2012, respectively.

#### Additional Paid in Capital

In 2013, the Group received cash from Paramount amounting to P1,100.00 million which was converted to equity and recorded under "Additional paid-in capital" account.

### Retained Earnings

The retained earnings is restricted for payment of dividends to the extent of the amount of treasury shares amounting to P7,955.

The undistributed earnings of subsidiaries amounting to P248.34 million and P112.62 million as of December 31, 2013 and 2012, respectively, which are included in retained earnings, are not available for declaration as dividend until declared by the subsidiaries.

## **18. Interest Income and Finance Charges**

	2013	2012	2011
<i>Interest income:</i>			
Contracts receivables	<b>P39,384,723</b>	P50,331,313	P37,437,876
Cash and cash equivalents	<b>3,448,602</b>	3,890,240	3,308,601
	<b>P42,833,325</b>	P54,221,553	P40,746,477
<i>Finance charges:</i>			
Interest expense on:			
Loans payable (Note 14)	<b>P164,103,661</b>	P125,536,964	P71,868,229
Notes payable (Notes 14 and 15)	<b>95,290,408</b>	67,937,118	53,038,316
	<b>259,394,069</b>	193,474,082	124,906,545
Capitalized interest in:			
Real estate inventories (Note 7)	<b>(191,076,182)</b>	(114,015,046)	(94,960,000)
Investment properties (Note 9)	<b>(34,684,572)</b>	(15,778,880)	(21,241,592)
	<b>(225,760,754)</b>	(129,793,926)	(116,201,592)
	<b>33,633,315</b>	63,680,156	8,704,953
Bank charges and others	<b>2,102,594</b>	8,673,608	781,383
	<b>P35,735,909</b>	P72,353,764	P9,486,336

Others include penalties and surcharges which are individually not material as to amounts.

Capitalization rates for borrowing costs in 2013, 2012 and 2011 were 4.51%, 5.30% and 5.74%, respectively.

## **19. Selling Expenses**

	2013	2012	2011
Commissions	<b>P305,200,755</b>	P199,952,422	P351,468,556
Advertising and promotions	<b>60,563,522</b>	108,607,981	120,814,059
	<b>P365,764,277</b>	P308,560,403	P472,282,615

**20. General and Administrative Expenses**

	2013	2012	2011
Personnel costs (Note 21)	<b>P139,797,495</b>	P134,893,778	P95,758,654
Outside services (Note 25)	<b>124,949,500</b>	153,299,289	125,485,218
Taxes and licenses	<b>85,842,330</b>	109,713,930	60,561,238
Communication, light and water	<b>42,915,145</b>	46,232,764	39,494,785
Depreciation and amortization (Notes 10 and 11)	<b>38,209,738</b>	36,505,250	33,168,078
Travel and transportation	<b>19,081,168</b>	21,088,996	11,365,559
Entertainment, amusement and recreation	<b>15,378,366</b>	16,673,602	16,649,550
Professional fees	<b>13,578,185</b>	20,852,967	28,702,103
Repairs and maintenance	<b>13,205,821</b>	6,704,512	10,375,541
Office supplies	<b>7,408,577</b>	8,725,811	11,069,077
General and motor insurance	<b>8,686,560</b>	6,465,758	-
Provision for (reversal of) probable loss	-	(26,352,371)	44,308,508
Others	<b>6,913,923</b>	35,756,903	21,431,541
	<b>P515,966,808</b>	P570,561,189	P498,369,852

Others include expenditures training and seminar fees, membership fees and research and development costs which are individually not material.

**21. Personnel Costs**

	2013	2012	2011
Salaries and wages	<b>P101,519,234</b>	P100,695,484	P71,534,991
Employee benefits	<b>19,207,291</b>	21,333,226	18,275,568
Retirement benefits cost (Note 26)	<b>19,070,970</b>	12,865,068	5,948,095
	<b>P139,797,495</b>	P134,893,778	P95,758,654

**22. Income Tax**

a. The details of the Group's provision for current income tax follow:

	2013	2012	2011
RCIT	<b>P49,290,931</b>	P128,199,512	P143,722,338
MCIT	<b>1,646,106</b>	1,227,638	-
Final	<b>657,817</b>	758,385	533,096
Deficiency income tax	-	2,714,665	-
	<b>P51,594,854</b>	P132,900,200	P144,255,434



b. The Group's recognized net deferred income tax assets as of December 31, 2013 and 2012 are as follows:

	2013	2012
Deferred income taxes directly recognized in profit or loss:		
Deferred income tax assets on:		
Difference between tax basis and book basis of accounting for real estate transactions		
Deferred rent expense	<b>P104,789,375</b>	P198,490,733
Retirement benefits liability	<b>27,808,053</b>	15,579,150
Provision for probable losses	<b>15,581,048</b>	9,859,757
NOLCO	<b>5,442,672</b>	5,386,841
Accrued expenses	<b>1,696,703</b>	5,493,599
	<b>13,972,845</b>	3,634,149
Deferred income tax liabilities on:	<b>169,292,696</b>	238,444,229
Difference between tax basis and book basis of accounting for real estate transactions		
Deferred rental income	<b>(52,321,654)</b>	(14,335,549)
Unrealized foreign exchange gain - net	<b>(11,232,954)</b>	(10,452,414)
	<b>(1,062,209)</b>	-
	<b>(71,301,915)</b>	(24,787,963)
Deferred income tax liability from gains arising from hanges in actuarial assumptions directly recognized in equity	<b>104,675,879</b>	213,656,266
	<b>(6,685,098)</b>	-
	<b>P97,990,781</b>	P213,656,266

As of December 31, 2013 and 2012, FHI did not recognize any deferred income tax assets related to NOLCO amounting to P46.05 million and P12.09 million, respectively, and other deductible temporary differences amounting to nil and P15.04 million, respectively. As of December 31, 2011, ECI did not recognize deferred income tax assets related to NOLCO amounting to P50.52 million and other deductible temporary differences amounting to P9.13 million. The NOLCO can be claimed by ECI and FHI as a deduction from future taxable income until 2015.

c. A reconciliation of the provision for income tax at the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of income follows:

	2013	2012	2011
Provision for income tax at the statutory income tax rate	<b>P79,694,663</b>	P32,886,500	P255,643,830
Adjustments for:			
Deductible temporary difference for which no deferred income tax assets were recognized in prior years	<b>59,147,419</b>	(15,890,801)	-
NOLCO and other deductible temporary differences for which no deferred income tax assets were recognized in current year	<b>17,751,386</b>	8,139,534	28,071,578
Nondeductible expenses	<b>4,358,537</b>	2,513,606	25,431,393
Interest income subjected to final tax	<b>(376,764)</b>	(408,687)	(465,424)

(Forward)

	2013	2012	2011
Loss (income) from real estate projects entitled to income tax holiday (Note 31)	P-	P40,857,841	(P195,505,017)
Nontaxable interest income	-	(3,459,458)	-
Nondeductible deficiency income tax paid pertaining to taxable year 2010	-	2,714,665	-
Derecognition of deferred income tax assets deemed to be worthless	-	-	5,468,799
Provision for income tax	<b>P160,575,241</b>	P67,353,200	P118,645,159

### 23. Operating Leases

#### *The Group as lessor*

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The Group records rental income on a straight-line basis over the base, non-cancellable lease term.

Future minimum rentals receivables under noncancellable operating leases as of December 31 follow:

	2013	2012
Within one year	<b>P453,373,012</b>	P464,342,439
After one year but not more than five years	<b>685,932,701</b>	1,051,055,066
More than five years	<b>433,423,492</b>	459,944,362
	<b>P1,572,729,205</b>	P1,975,341,867

#### *The Group as lessee*

The Group entered into a renewable cancellable lease agreements with ABC, which generally provides for a fixed monthly rent for the Group's office spaces (see Note 25).

The Parent Company also entered into a lease agreement with third parties for the lease of parcels of land where one of the Parent Company's projects is located. The lease agreement shall be for the period of 20 years commencing on January 1, 2011 renewable for another 20 years at the option of the lessee, the Parent Company, with lease payment subject to 5% escalation annually.

Future minimum rentals payables as of December 31, 2013 follow:

	2013	2012
Within one year	<b>P15,066,721</b>	P14,349,258
After one year but not more than five years	<b>68,186,423</b>	64,939,450
More than five years	<b>1,447,949,660</b>	1,466,263,353
	<b>P1,531,202,804</b>	P1,545,552,061

**24. Other Income**

	2013	2012	2011
Rental dues	<b>P140,866,944</b>	P132,646,967	P107,205,695
Commission income (Note 25)	-	-	27,368,617
Others	<b>18,740,956</b>	9,139,783	77,456,441
	<b>P159,607,900</b>	P141,786,750	P212,030,753

Others include forfeiture income on sales cancellation and marketing fee (see Note 25).

**25. Related Party Transactions**

The Parent Company has transacted with its subsidiaries and other related parties as follows:

**Parent Company, Intermediate Parent Company  
and Subsidiaries****Entities Under Common Control**

*Parent Company*

ABC\*

LT Group, Inc. (LTG)

PNB\*

*Intermediate Parent Company*

Paramount

Basic Holdings, Corporation (BHC)

Grandway Konstruct, Inc. (Grandway)

Grandspan Development Corporation (Grandspan)

Asia Brewery, Inc. (ABI)

*Subsidiaries*

Belton Communities, Inc.

Eton City, Inc.

FirstHomes, Inc.

Eton Properties Management Corporation

*\*On February 9, 2013, PNB completed its planned merger with ABC.*

The consolidated statement of income include the following costs and other expenses related account balances arising from transactions with related parties:

	<b>Financial Statement Account</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Entities Under Common Control	Management fee	<b>(P42,000,000)</b>	(P77,200,000)	(P62,500,000)
	Rent expense	<b>(11,140,368)</b>	(10,983,528)	(7,986,360)
	Marketing fee	-	-	30,650,000
	Commission income	-	-	27,368,617
Key Management	Short-term benefits	<b>(10,196,956)</b>	(36,498,890)	(35,570,880)
	Post-employment benefits	<b>(5,711,782)</b>	(3,847,953)	(2,355,969)

The consolidated statement of financial position include the following account balances as of December 31 with related parties:

	Financial Statement Account	Terms and Conditions	2013	2012
Parent Company	Due to related parties	Long term debt; interest bearing	<b>P400,000,000</b>	P150,000,000
Entities Under Common Control	Cash and cash equivalents	Deposits and placements; interest bearing	<b>707,662,207</b>	381,888,318
	Other current assets	Advances to contractors; non-interest bearing	<b>1,164,268</b>	105,653,638
	Trade and other payables	Short-term debt; non-interest bearing	<b>105,750,000</b>	-
	Trade and other payables	Retentions payable; non-interest bearing	-	128,391,153
	Due to related parties	Long-term debt; interest bearing	<b>444,000,000</b>	-
	Due to related parties	Management fee; non-interest bearing	<b>4,103,100</b>	4,074,000
	Due to related parties	Cash advance; non-interest bearing	<b>845,361</b>	845,361
	Due to related parties	Short-term debt; non-interest bearing	-	105,750,000

As of December 31, 2013 and 2012, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

#### *Transactions with LTG*

The Parent Company obtained a loan from LTG amounting to P250.00 million and P150.00 million in 2013 and 2012, respectively.

#### *Transactions with Entities under Common Control*

- Portion of the Group's "Cash and cash equivalents" are deposited with PNB. As of December 31, 2013 and 2012, the outstanding balances of these accounts amounted to P707.66 million and P381.89 million.
- The Group has a lease agreement with PNB for the use of the latter's common area as office space of the former. Total rental expense recognized by the Group included under "Outside services" amounted to P11.14 million in 2013, P10.98 million in 2012 and P7.99 million in 2011.
- On October 1, 2013, the Group purchased a parcel of land from ABI with total lot area of 10,000 square meters for P600.00 million. Of this amount, the Group paid P156.00 million as downpayment and issued a promissory note for the remaining balance with a 0.5% interest rate per annum. The outstanding balance is payable within four years from the execution of promissory note.
- In 2012, the Parent Company purchased for an amount of P141.00 million certain parcels of land owned by PNB where one of the Parent Company's projects is located. Total outstanding payable amounting to P105.75 million was recorded under "Due to related parties" as of December 31, 2012 (see Note 7). In 2013, the outstanding balance was transferred to "Trade and other payables".



- In 2012, the Group purchased a parcel of land from Trustmark amounting to P69.17 million. The Group paid the purchase price in cash also in 2012 (see Note 7).
- The Group has outstanding balances to Grandway and Grandspan pertaining to the development of the Group's projects. These outstanding balances pertain to advances to contractors, included as part of "Other current assets" account, and retentions payable presented as part of "Trade and other payables" account in the parent company statement of financial position. In 2013, all advances to Grandway were collected and all retentions payable were settled due to the dissolution of Grandway.
- In 2011, the Group entered into a management contract agreement with BHC. Total management fee recognized by the Group included in "Outside services" amounted to P42.00 million and P77.20 million in 2013 and 2012, respectively. In 2013 and 2012, total amount of management fee paid by the Group to BHC amounted to P37.57 million and P73.13 million, respectively. Accrued management fee amounting to P4.10 million and P4.07 million are included in "Payable to related parties" as of December 31, 2013 and 2012, respectively.
- The following are the transactions and balances among related parties which are eliminated in the consolidated statement of financial position:

Amounts owed to:	Amounts owed by:	Terms and Conditions	2013	2012
EPPI	BCI	Advances; noninterest bearing	<b>P201,981,757</b>	P796,608,190
	ECI	-do-	<b>129,842,011</b>	796,608,190
BCI	FHI	-do-	<b>217,353,211</b>	-
	EPPI	-do-	<b>128,830,254</b>	447,687,262
	ECI	-do-	<b>2,918,821</b>	526,868
	FHI	-do-	<b>542,701</b>	-
ECI	EPPI	-do-	<b>274,832,327</b>	-
	BCI	-do-	<b>8,280,675</b>	-
	FHI	-do-	<b>138,258</b>	-
FHI	EPPI	-do-	<b>31,745,440</b>	20,463,357
	BCI	-do-	<b>10,223</b>	191,066
	ECI	-do-	<b>36,573</b>	73,011

## 26. Retirement Benefits

The Group has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees. The Company's retirement benefits is equivalent to seventeen-and-a-half (17.50) days final basic salary for every year of service with a fraction of six months considered as one year. As of December 31, 2013 and 2012, The Company is in compliance with Article 287 of the Labor Code, as amended by Republic Act No. 7641.

The components of retirement benefits cost (included in "Personnel costs" under general and administrative expenses) in the Group's consolidated statements of income are as follows:

	2013	2012	2011
	(As restated Note 2)	(As restated Note 2)	(As restated Note 2)
Current service cost	<b>P17,325,793</b>	P11,721,982	P5,083,767
Interest cost on defined benefits obligation	<b>1,745,177</b>	1,143,086	864,328
	<b>P19,070,970</b>	P12,865,068	P5,948,095

The retirement benefits liabilities recognized as part of "Other noncurrent liabilities" in the consolidated statements of financial position consist of:

	2013	2012	2011
	(As restated Note 2)	(As restated Note 2)	(As restated Note 2)
Present value of defined benefits obligation	<b>P29,653,166</b>	P32,865,855	P19,440,235

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

	2013	2012	2011
	(As restated Note 2)	(As restated Note 2)	(As restated Note 2)
Beginning of year	<b>P32,865,855</b>	P19,440,235	P11,743,583
Retirement benefits cost in profit or loss:			
Current service cost	<b>17,325,793</b>	11,721,982	5,083,767
Interest cost on defined benefits obligation	<b>1,745,177</b>	1,143,086	864,328
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Experience adjustments	<b>(26,236,155)</b>	3,645,142	4,537,022
Financial assumptions	<b>3,952,496</b>	(3,084,590)	(2,788,465)
End of year	<b>P29,653,166</b>	P32,865,855	P19,440,235

The principal assumptions used in determining retirement benefits cost for the Group in 2013, 2012 and 2011 follow:

	January 1		
	2013	2012	2011
Discount rate	<b>4.68%</b>	5.31%	5.88%
Salary increase rate	<b>10.00%</b>	10.00%	10.00%
Average future working years of service	<b>23</b>	23	23

The latest actuarial valuation is as of December 31, 2013. The discount rate used was 4.68%.

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

	Discount Rate		Salary Increase Rate	
	+0.5%	-0.5%	+1.0%	-1.0%
Effect on present value of				
defined benefit obligation	(P3,190,781)	P3,654,875	P7,177,738	(P5,665,919)

- A 0.5% increase in the discount rate would lead to a decrease of 10.76% while a 0.5% decrease in the discount rate would lead to an increase of 12.33% in the present value of defined benefit obligation.
- A 1% increase in the salary increase rate would lead to an increase of 24.21% in the present value of defined benefits obligation while a 1% decrease in the salary increase rate would lead to a decrease of 19.11% in the present value of defined benefits obligation.

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

	2013	2012
Less than 1 year	<b>P670,982</b>	P-
More than 1 year up to 5 years	<b>2,723,149</b>	4,125,228
More than 5 years up to 10 years	<b>3,854,964</b>	16,151,118
More than 10 years up to 15 years	<b>68,970,943</b>	76,018,272
More than 15 years up to 20 years	<b>64,544,434</b>	232,044,622
More than 20 years	<b>2,086,006,317</b>	3,391,201,549

## 27. Financial Instruments

### Fair Value Information

Presented below is the comparison of the carrying values and fair values of the Group's financial instruments that are presented in the consolidated statements of financial position.

	December 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash on hand	<b>P704,059</b>	<b>P704,059</b>	P905,110	P905,110
Loans and receivables:				
Cash in banks and cash equivalents	<b>785,076,789</b>	<b>785,076,789</b>	719,660,220	719,660,220
Trade and other receivables:				
Contracts receivables	<b>2,946,845,731</b>	<b>2,946,845,731</b>	2,475,769,156	2,475,769,156
Lease receivables	<b>49,858,177</b>	<b>49,858,177</b>	46,442,945	46,442,945
Receivable from tenants	<b>26,911,305</b>	<b>26,911,305</b>	107,897,108	107,897,108
Others	<b>482,482,052</b>	<b>482,482,052</b>	34,153,666	34,153,666
Deposits in escrow bank*	<b>6,001,833</b>	<b>6,001,833</b>	6,001,833	6,001,833
Refundable deposits**	<b>167,546,621</b>	<b>167,546,621</b>	124,958,732	124,958,732
	<b>P4,465,426,567</b>	<b>P4,465,426,567</b>	P3,515,788,770	P3,515,788,770
<b>Financial Liabilities</b>				
Other financial liabilities:				
Trade and other payables:				
Accounts payable	<b>P345,975,634</b>	<b>P345,975,634</b>	P316,843,897	P316,843,897
Retentions payable	<b>731,493,025</b>	<b>731,493,025</b>	706,980,115	706,980,115
Accrued expenses and others	<b>1,925,859,335</b>	<b>1,925,859,335</b>	1,763,328,357	1,763,328,357
Payables to related parties	<b>848,948,461</b>	<b>848,948,461</b>	260,669,359	260,669,359
Loans payable	<b>2,953,474,875</b>	<b>2,988,916,574</b>	3,628,283,573	3,671,822,976
Payable to landowners	<b>1,296,785,000</b>	<b>1,312,839,442</b>	1,296,785,000	1,321,178,140
Security deposits***	<b>161,600,879</b>	<b>150,851,603</b>	80,003,825	74,484,180
Advance rentals***	<b>98,658,136</b>	<b>94,594,053</b>	29,430,719	27,588,711
	<b>P8,362,795,345</b>	<b>P8,399,478,127</b>	P8,082,324,845	P8,142,895,735

\*Presented as part of "Other current assets" account.

\*\*Presented as part of "Other noncurrent assets" account.

\*\*\*Presented as part of "Deposits and other liabilities" and "Other noncurrent liabilities" accounts.

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

*Cash and cash equivalents, trade and other receivables, deposits in escrow bank, trade and other payables, and payables to related parties*

The carrying values of cash and cash equivalents, trade and other receivables (except for the noncurrent portion of contracts receivables), deposits in escrow bank, trade and other payables, and payables to related parties approximate their fair values due to the short-term nature of these financial instruments.

*Refundable deposits*

The carrying value of deposits is the best estimate of its fair value since the related contracts and agreements pertaining to these deposits have indeterminable terms.

*Loans payable, security deposits and advance rentals*

The fair values of loans payable, security deposits and advance rentals are estimated using the discounted cash flow method based on the discounted value of future cash flows using the applicable risk-free rates for similar types of instruments. The discount rates used range from 2.13% to 6.57% and 3.28% to 6.57% as of December 31, 2013 and 2012, respectively.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- quoted prices in active markets for identical assets (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- those inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

As of December 31, 2013 and 2012, there are no financial instruments measured at fair value under Levels 1, 2 and 3. There was no transfer between hierarchies in 2013 and 2012.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments are cash and cash equivalents, payables to related parties and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets and financial liabilities such as trade and other receivables, deposits in escrow bank, refundable deposits, security deposits, and trade and other payables, which arise directly from its operations.

It is the Group's policy that no trading of financial instruments shall be undertaken. Management closely monitors the cash fund and financial transactions of the Group. Cash funds are normally deposited with banks considered as related parties, and financial transactions are normally dealt with related parties. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to credit, liquidity, interest rate, and foreign currency risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are: (a) to identify and monitor such risks on an ongoing basis, (b) to minimize and mitigate such risks, and (c) to provide a degree of certainty about costs.

The BOD reviews and approves the policies for managing these risks which are described below.

*Credit risk*

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group's credit risks are primarily attributable to contracts receivables and other financial assets.

Credit risk is managed primarily through analysis of receivables on a continuous basis. In addition, the credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The carrying amount of cash in banks and cash equivalents, trade and other receivables, deposits in escrow bank and refundable deposits represent the Group's maximum exposure to credit risk.



The tables below show the credit quality of the Group's financial assets:

As of December 31, 2013:

	Neither past due nor impaired			Total
	High Grade	Medium Grade	Low Grade	
Cash in banks and cash equivalents	<b>P785,076,789</b>	<b>P-</b>	<b>P-</b>	<b>P785,076,789</b>
Trade and other receivables:				
Contracts receivables	-	<b>2,801,166,929</b>	<b>145,678,802</b>	<b>2,946,845,731</b>
Lease receivables	-	<b>49,243,928</b>	<b>614,249</b>	<b>49,858,177</b>
Receivables from tenants	-	<b>26,911,305</b>	-	<b>26,911,305</b>
Others	-	<b>482,482,052</b>	-	<b>482,482,052</b>
Deposits in escrow bank	-	<b>6,001,833</b>	-	<b>6,001,833</b>
Refundable deposits	-	<b>167,546,621</b>	-	<b>167,546,621</b>
	<b>P785,076,789</b>	<b>P3,533,352,668</b>	<b>P146,293,051</b>	<b>P4,464,722,508</b>

As of December 31, 2012:

	Neither past due nor impaired			Total
	High Grade	Medium Grade	Low Grade	
Cash in banks and cash equivalents	P719,660,220	P-	P-	P719,660,220
Trade and other receivables:				
Contracts receivables	-	2,475,769,156	-	2,475,769,156
Lease receivables	-	46,442,945	-	46,442,945
Receivables from related parties	-	-	-	-
Receivables from tenants	-	107,897,108	-	107,897,108
Others	-	34,153,666	-	34,153,666
Deposits in escrow bank	-	6,001,833	-	6,001,833
Refundable deposits	-	124,958,732	-	124,958,732
	P719,660,220	P2,795,223,440	-	P3,514,883,660

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

- High grade - pertains to cash in banks and cash equivalents that are deposited or invested in reputable banks.
- Medium grade - pertains to financial instruments wherein counter parties have a minimal likelihood of default and have consistently exhibited good paying habits. These financial assets are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.
- Low grade - pertains to financial instruments with probability of impairment based on historical trend. Contracts receivables under this credit quality classification show propensity to default in payment despite regular follow up actions and extended payment terms.

The table below shows an aging analysis of financial assets that are past due but not impaired as of December 31, 2013:

	Less than 30 days	30-60 days	More than 60 days	Total
Loans and receivables:				
Trade and other receivables:				
Contracts receivables	P7,280,906	P9,101,133	P129,296,763	P145,678,802
Lease receivables	-	-	614,249	614,249
	P7,280,906	P9,101,133	P129,911,012	P146,293,051

#### Liquidity risk

Liquidity risk is defined as risk that the Group would not be able to settle or meet its obligations on time. The Group maintains sufficient cash in order to fund its operations.

In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets and develops viable funding alternatives through its customers' deposits arising from the Group's pre-selling activities.

The following tables show the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as well as the undiscounted cash flows from financial assets used for liquidity management.

As of December 31, 2013:

	< 1 year	>1 to < 5 years	> 5 years	Total
<b>Financial liabilities:</b>				
Trade and other payables:				
Accounts payables	P345,975,634	P-	P-	P345,975,634
Retentions payable	731,493,025	-	-	731,493,025
Accrued expenses and others	1,925,859,335	-	-	1,925,859,335
Payables to related parties	848,948,461	-	-	848,948,461
Loans payable	1,009,914,973	1,943,559,902	-	2,953,474,875
Payable to landowners	59,558,839	1,356,343,839	-	1,415,902,678
Security deposits	52,448,407	75,973,139	33,179,333	161,600,879
Advance rentals	-	98,658,136	-	98,658,136
	P4,974,198,674	P3,474,535,016	P33,179,333	P8,481,913,023
<b>Financial assets:</b>				
Cash in banks and cash equivalents	P785,076,789	P-	P-	P785,076,789
Trade and other receivables*	759,488,519	1,789,772,311	447,443,078	2,996,703,908
	P1,544,565,308	P1,789,772,311	P447,443,078	P3,781,780,697

As of December 31, 2012

	< 1 year	>1 to < 5 years	> 5 years	Total
<b>Financial liabilities:</b>				
Trade and other payables:				
Accounts payables	P316,843,897	P–	P–	P316,843,897
Retentions payable	706,980,115	–	–	706,980,115
Accrued expenses and others	1,763,328,357	–	–	1,763,328,357
Payables to related parties	260,669,359	–	–	260,669,359
Loans payable	2,768,754,132	933,443,330	–	3,702,197,463
Payable to landowners	59,558,839	1,415,902,678	–	1,475,461,516
Security deposits	46,863,263	30,682,462	2,458,100	80,003,825
Advance rentals	–	29,430,719	–	29,430,719
	P5,922,997,962	P2,409,459,189	P2,458,100	P8,334,915,251
Financial assets:				
Cash in banks and cash equivalents	P719,660,220	P–	P–	P720,565,330
Trade and other receivables*	1,647,922,566	510,134,645	364,154,890	2,522,212,101
	P2,367,582,786	P510,134,645	P364,154,890	P3,241,872,321

\*Excluding other receivables amounting to P142,050,774

#### Interest rate risk

The Group's exposure to interest rate risk arises from the Parent Company's loans payable. The Group's policy is to manage its interest cost using a mix of fixed and variable rate loans.

The table below demonstrates the possible increase (decrease) in the Group's income before income tax as a result of reasonably possible changes in interest rate as of December 31, 2013 and 2012, with all other variables held constant.

	Changes in basis points	2013	2012
Notes payable	+100	<b>(P9,633,551)</b>	(P11,747,836)
	-100	<b>9,633,551</b>	11,747,836
Bank loans	+100	<b>(19,901,198)</b>	(24,535,000)
	-100	<b>19,901,198</b>	24,535,000

*Foreign currency risk*

Foreign exchange risk is the risk on volatility of earnings or capital arising from changes in foreign exchange rates, mainly US Dollar to Peso exchange rate. The Group's exposure to foreign currency risk arises from US Dollar-denominated cash and cash equivalents, and payables arising from related party transactions.

The following table shows the Group's foreign currency-denominated monetary assets and its peso equivalents as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	US Dollar Value	Peso Equivalent	US Dollar Value	Peso Equivalent
Cash and cash equivalents	<b>\$1,979,387</b>	<b>P87,874,873</b>	\$1,886,018	P77,421,038

The exchange rate used as of December 31, 2013 and 2012 is P44.40 to US\$1.00 and P41.05 to US\$1.00, respectively. The Group recognized net foreign exchange gain amounting to P3.85 million in 2013 and P12.36 million in 2012, respectively.

The following tables represent the impact on the Group's income before income tax as a result of about a reasonably possible change in US Dollar to Peso exchange rate with all other variables held constant as of December 31, 2013 and 2012.

As of December 31, 2013:

US\$ Appreciates (Depreciates)	Increase (decrease) in income before income tax
6.20%	<b>P5,448,243</b>
(6.20%)	<b>(5,448,243)</b>

As of December 31, 2012:

US\$ Appreciates (Depreciates)	Increase (decrease) in income before income tax
6.20%	P4,800,104
(6.20%)	(4,800,104)

## 28. Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2013 and 2012. Also, the Group is not subject to externally imposed capital requirements. The Group had been able to meet its capital management objectives as of December 31, 2013 and 2012.

The table below summarizes the total capital considered by the Group:

	<b>2013</b>	2012 (As restated, Note 2)
Capital stock	<b>P2,905,348,700</b>	P2,905,348,700
Additional paid-in capital	<b>3,500,000,000</b>	2,400,000,000
Retained earnings	<b>1,538,495,118</b>	1,433,421,482
	<b>P7,943,843,818</b>	6,738,770,182

## 29. Registration with Philippine Economic Zone Authority (PEZA)

The Group's projects namely, Eton Cyberpod Corinthian and Eton Centris, were registered with PEZA on August 27, 2008 and September 19, 2008, respectively, as non-pioneer "ecozone developer/operator". The locations are created and designated as Information Technology Park.



### 30. Earnings Per Share

Basic earnings per share:

		2012	2011
	2013	(As restated Note 2)	(As restated Note 2)
Net income	<b>P105,073,636</b>	P42,268,465	P733,500,942
Divided by weighted average			
number of common shares	<b>2,905,358,700</b>	2,905,338,700	1,972,005,368
Basic earnings per share	<b>P0.0362</b>	P0.0145	P0.3720

Diluted earnings per share:

		2012	2011
	2013	(As restated Note 2)	(As restated Note 2)
Net income	<b>P105,073,636</b>	P42,268,465	P733,500,942
Divided by weighted average			
number of common shares			
adjusted for the effect of			
asset-for-share swap	<b>2,905,358,700</b>	2,905,338,700	2,905,338,700
Diluted earnings per share	<b>P0.0362</b>	P0.0145	P0.2525

Weighted average number of

common shares for basic			
earnings per share	<b>2,905,338,700</b>	2,905,338,700	1,972,005,368
Effect of asset-for-share swap	-	-	933,333,332

Weighted average number of

common shares adjusted for			
the effect of asset-for-share swap	<b>2,905,338,700</b>	2,905,338,700	2,905,338,700

The Parent Company has considered the effect of its potentially dilutive common shares from the asset-for-share swap (see Note 17) for the year ended December 31, 2011.

In 2013 and 2012, there are no potential common shares, and thus, basic and diluted earnings per share are the same.

### 31. Registration with Board of Investments (BOI)

The Group has three BOI-registered projects namely, Belton Place (BP), Eton Emerald Lofts (EEL) and One Archers Place (OAP).

BP is registered with BOI as a new developer of low-cost housing project on a Non-Pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226) on September 15, 2008. This registration entitles the Group to four years ITH from November 2008 or actual commercial operations or selling, whichever is earlier but in no case earlier than the date of registration. The ITH shall be limited only to the revenue generated from this project. Revenue with selling price exceeding P3.00 million shall not be covered by ITH.

Likewise, on September 23, 2008, two other projects of the Group namely, OAP and EEL, were registered with the BOI as a new developer of low-cost housing project on a Non-Pioneer status. These two projects shall enjoy the same benefits as BP.

The Group availed of the tax incentives amounting to nil in 2013 and P47.0 million in 2012.

### 32. Notes to Consolidated Statements of Cash Flows


The principal non-cash investing and financing activities of the Group follow:

#### Investing

- In October 2013, the Group purchased parcels of land with total amount of P600.00 million, which were partially financed through promissory notes totaling to P444.00 million. Of the total amount, P342.72 million was capitalized as real estate inventories and the remaining P257.28 million was capitalized as investment properties which will be used by the Parent Company for future project developments (see Notes 7 and 25).
- In December 2012, the Parent Company reclassified the cost of completed buildings intended for leasing amounting to P163.73 million from real estate inventory to investment properties. In addition, the Parent Company also reclassified the construction cost of showroom amounting to P6.58 million from investment property to property and equipment.
- In September and November 2012, the Group purchased parcels of land with total amount of P1,742.38 million, which were partially financed through promissory notes totaling to P1,296.79 million (see Note 15).
- In July 2011, the SEC approved the valuation of the land acquired through an asset-for-share swap agreement at P4.00 billion, thereby, resulting to an increase in the value of the land by P46.83 million (see Note 7).

#### Financing

- In 2011, the Group reclassified the deposit for future stock subscription to subscribed capital stock and additional paid-in capital amounting to P1.60 billion and P2.40 billion, respectively, in view of the SEC's approval of the valuation of the property relating to asset-for-share agreement (see Note 17).



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