# EXPANDING OUR FOOTPRINT

## TO OPTIMIZE GROWTH OPPORTUNITIES

Eton Properties Philippines, Inc.

BUILDING WHAT YOU BELIEVE IN

# CONTENTS

# FINANCIAL HIGHLIGHTS

Eton Properties Philippines, Inc. reported record growth in 2015. With the resumption of our marketing activities, we returned to the growth path, driven largely by our leasing activities.

Your Company reported gross revenues of Php2.48 billion in 2015, 9.0% higher than its 2014 revenues of Php2.28 billion. Sustained strong demand for business spaces from the business process outsourcing (BPO) industry pushed rental income by 58% year-on-year to Php1.17 billion, or 47% of revenues. Real Estate sales accounted for Php1.31 billion or 53% of revenues, a 15% drop from 2014.

The Company ended 2015 with a net income of Php313.25 million, a 161% increase from its 2014 net income of Php119.86 million - a growth pace that we hope to sustain in 2016.

Our 2016 prospects are positive. With the Philippines' economic fundamentals remaining robust, Eton is confident that take-up of its projects, including new ones to be launched this year, will be strong and will sustain revenue growth.

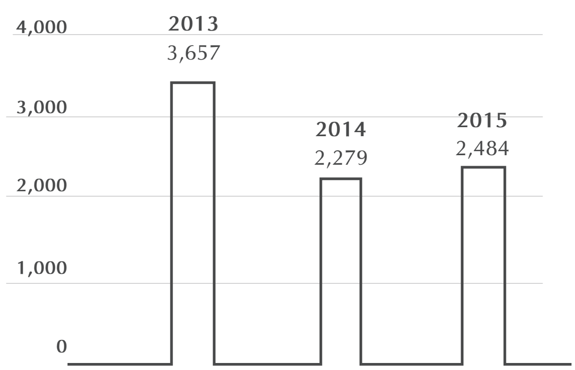
## CONSOLIDATED STATEMENTS OF INCOME

| (In Million Pesos) | 2015 | 2014 |
| --- | --- | --- |
| Revenue | 2,484.45 | 2,278.60 |
| Cost and Expenses | 1,810.25 | 2,165.06 |
| Other Income (Charges) | (110.59) | 88.45 |
| Income Before Income Tax | 563.61 | 201.99 |
| Provisions For Income Tax | 250.36 | 82.13 |
| Net Income | 313.25 | 119.86 |

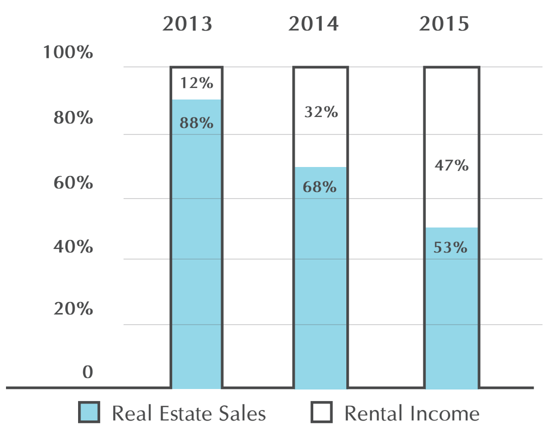
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| (In Million Pesos) | 2015 | 2014 |
| --- | --- | --- |
| Current Assets | 14,803.96 | 14,717.72 |
| Non Current Assets | 11,293.22 | 8,975.90 |
| Total Assets | 26,097.18 | 23,693.62 |
| Current Liabilities | 7,046.02 | 12,925.81 |
| Non current Liabilities | 3,122.30 | 2,686.22 |
| Total Liabilities | 10,168.31 | 15,612.03 |
| Equity | 15,928.87 | 8,081.59 |
| Total Liabilities and Equity | 26,097.18 | 23,693.62 |

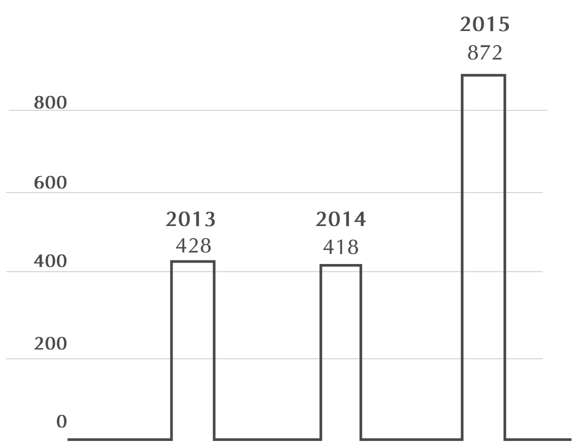
## CONSOLIDATED REVENUES (In Millions)



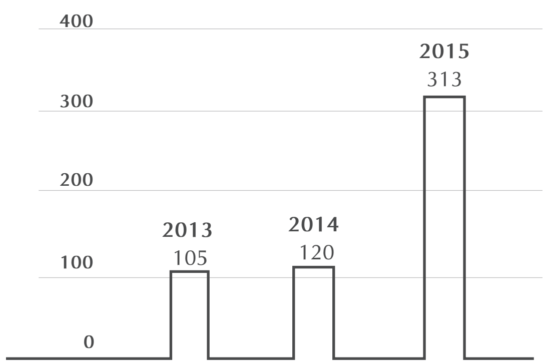

## REVENUE MIX PERCENTAGE




## EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (In Millions)




## NET INCOME (In Millions)



# CHAIRMAN'S MESSAGE

"

Every step of the way, we are committed to deliver on our word of providing only the best workplaces and communities that enhance the quality of life of our customers.

"

Riding the crest of a growth wave that started almost a decade ago, the Philippine economy once again posted solid growth in 2015, fueled by strong domestic demand and positive investor sentiment. This served as a backdrop for Eton Properties' noteworthy return to a healthy financial position last year, the result of a long-term value optimization plan laid out to ensure the sustained growth of your company.

After taking a step back in 2014 to examine our business processes and fortify our pillars of growth, Eton came back in 2015 determined to reinvigorate our business. With conviction, we strengthened every part of our operations and rallied our people to support our vision, with an eye to creating the foundation of our long-term growth.

The results have been remarkable.

Following the resumption of our marketing activities, we saw a substantial rise in our revenues, especially from our leasing activities of commercial and office spaces. In particular, we witnessed strong demand from global business process outsourcing firms, which recognized the strategic locations of our buildings and the formats that complemented the requirements of their operations.

Coinciding with this, more of our projects came on stream, further enhancing our revenue base and providing an impetus for growth. As again, we continue to strengthen our focus on customer service to ensure that our clients embrace our offerings for the value they bring.

Our renewed sales drive was propelled by maximizing margins that better reflect the value of our projects with prices that are better aligned with the market.

To ensure that our revenue streams remain strong, we have prepared a pipeline of new projects that will provide a sustained increase in our leasing portfolio, both for offices and retail.

Through all this, we take pains to live up to the Eton brand promise of stability and dependability, as spelled out in our corporate vision and mission. Every step of the way, we are committed to deliver on our word of providing only the best workplaces and communities that enhance the quality of life of our customers.

Let me take this opportunity to thank you, our dear shareholders, for believing in us throughout this endeavor, and for helping us deliver on our commitments to our clients. With your strong support, we look forward to future gains from these efforts that will ensure robust growth of your company. With your vote of confidence, I have no doubt that Eton will be able to reach new heights and remain a reliable, trustworthy developer of projects that will make the country truly proud.

Dr. Lucio C. Tan
Chairman

# PRESIDENT'S REPORT


The year 2015 demonstrated a sustained growth trajectory for Eton Properties Philippines, Inc.

Building on efforts begun in 2014 to fortify the growth pillars of our company, we converted our hard-fought gains into opportunities for greater growth this year. As a result, Eton Properties posted a record performance in 2015—a resounding validation of our long-term strategy, as well as of our ability to make our vision a reality.

Propelled by strong leasing activity, your Company reported gross revenues of Php2. 48 billion in 2015, 9.0% higher than our 2014 revenues of Php2.28 billion. Net income climbed to Php 313.25 million, a 161% jump from our 2014 net income of Php119.86 million.

Our fast-expanding footprint in the office sector provided a strong impetus for our growth. Continuing strong demand for office spaces from the business process outsourcing (BPO) industry pushed rental income by 58% year-on-year to Php1.17 billion, or 47% of revenues. Leveraging on the strategic location of our BPO offices that complement their 24/7 operations, we renewed lease contracts at higher rental rates, particularly for the Company's BPO office buildings at Eton Centris in Quezon City and Eton Cyberpod Corinthian in Ortigas Center, Pasig City.

To date, your company has seven fully leased out BPO buildings covering 125,000 square meters comprised of four buildings in Eton Centris in Quezon City and three at Eton Cyberpod Corinthian in Pasig City. Eton's BPO office buildings are currently leased to top global outsourcing companies such as Genpact, Wipro, Hewlett Packard, Expert Global Solutions, Convergys, Mondelez and Unisys Philippines at Eton Centris Quezon City; and Northgate Arinso and Sitel at Eton Cyberpod Corinthian.

> "Having witnessed the positive results of our strategic efforts, we are confident that we can expand our footprint in the next five years to further optimize our gains."

Retail properties also added to the growth in rental income, among them, the lifestyle and entertainment cluster Centris Walk, events venue Centris Elements, and commercial center Centris Station.

Real estate sales accounted for Php1.31 billion or 53% of revenues, a 15% drop from 2014, as we continued to implement our strategy of growing leasing income as a key step to ensuring sustainable growth. For residential sales, we continued to re-assess our costs and prices to maximize margins. As a result, gross margin for residential sales nearly doubled, increasing from 15% in 2014 to 27% in 2015.

We balanced this with a strong marketing drive, as we pushed sales activities of our completed residential projects, all in prime locations across Metro Manila. The list includes 68 Roces along Don A. Roces Avenue in Quezon City; 8 Adriatico in the city of Manila; Belton Place and Eton Parkview Greenbelt in Makati; the West Wing Residences at Eton City; and The Manors and West Wing Villas at North Belton Communities in Quezon City.

Providing support through all this were our dedicated employees, who embraced our new vision and mission with enthusiasm and pushed hard to ensure that our Company will live up to our ideals as an institution. Across the ranks, we saw our personnel and management team's efforts to help achieve our business goals, creating a culture of achievement and learning that I believe will endure, following our organizational development initiatives.

Having witnessed the positive results of our strategic efforts, we are confident that we can expand our footprint in the next five years to further optimize our gains. With economic prospects remaining bright, and with demand for business space still strong from BPOs, we will continue to build and expand our market by moving into a more diverse property portfolio to include hospitality, leisure and larger district/mixed use developments. Our goal is not just to expand Eton Properties' footprint, but to make it more visible and more entrenched in the markets that truly count.

By far, we are on track to achieve this goal. Construction of the 25-storey Cyberpod Five, the fifth BPO facility in Eton Centris, will commence in 2016, further increasing our office space in bustling Quezon City. Right beside it, Centris Walk will be expanded to accommodate more retail and dining spaces, en route to making it a total lifestyle destination.

At the same time, we are strengthening our presence in emerging growth areas in the peripheries of key business districts. Recognizing the vibrant environment in the area bounded by Chino Roces, Malugay and Yakal Streets in Makati, the Company will soon break ground for Eton WestEnd Square, a mixed use development that includes two residential towers, an office building, and a boutique mall. We have also stepped into the fast-growing tourism sector via The Mini Suites in Makati, which is patterned after the Mini Hotel, Hong Kong's trendsetting chain. Set to open its doors in 2016, The Mini Suites is the first of the Company's planned projects under the Mini brand and stands to benefit from the enormous demand for high-quality, affordable rooms among local businessmen and tourists.

Ortigas remains in our radar as we prepare to add new BPO buildings to our current portfolio, with choice locations along Meralco Avenue and F. Ortigas, Jr. Avenue in Ortigas Center.

Moving forward, we will continue to seek out opportunities to offer value-laden projects that will consistently increase shareholder value. We will pursue plans to expand our footprint beyond Luzon as we add leisure and hospitality developments in our portfolio. In the days ahead, you will see a better, bigger, and stronger Eton Properties, ready to deliver on the goals we have set out for ourselves.

Allow me to thank you, our dear shareholders, for trusting us throughout this period and the years to come. Indeed, 2015 was a notable year, and it has been a distinct honor and pleasure working with the Eton Board of Directors, management team, and employees in achieving our gains.

**Lucio K. Tan, Jr.**
President and CEO

# BOARD OF DIRECTORS

from Top-left : Lucio C. Tan (Chairman); Harry C. Tan (Director); Lucio K. Tan, Jr. (Director, President); Joseph T. Chua (Director, EVP-COO); Michael G. Tan (Director); Juanita T. Tan Lee (Director, Treasurer); Washington Z. Sycip (Director); Wilfrido E. Sanchez (Independent Director); Antonino L. Alindogan, Jr. (Independent Director) Johnip G. Cua (Independent Director), Not in picture : Ramon. S. Pascual (Director)

## LUCIO C. TAN
## Chairman

Director/Chairman/President of Tangent Holdings Corp.; Director/Chairman of Asia Brewery, Inc., Fortune Tobacco Corp., PMFTC Inc., Grandspan Development Corp., Himmel Industries 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., PNB Life Insurance, Inc., PNB Savings Bank, Allied Leasing & Finance Corp., Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Basic Holdings Corp.; Chairman/CEO of Lucky Travel Corp., Philippine Airlines, Inc., LT Group, Inc. (formerly Tanduay Holdings, Inc.), PAL Holdings, Inc., Manufacturing Services & Trade Corp., REM Development Corp., Foremost Farms, Inc., Basic Holdings Corp., Dominium Realty & Construction Corp., Shareholdings, Inc., Sipalay Trading Corp., Fortune Tobacco International Corp., Allied Bankers Insurance Corp., Trustmarks Holdings Corp., Zuma Holdings and Management Corp., Tangent Holdings Corp., Saturn Holdings, Inc., Maranaw Hotels and Resort Corp., Paramount LandEquities, Inc. and Macro Asia Corporation; Director of Philippine National Bank; Chairman/President of Tan Yan Kee Foundation, Inc.; Chairman Emeritus FFCCCII

## MICHAEL G. TAN
## Director

Director/President of LT Group, Inc. (formerly Tanduay Holdings, Inc.); Director/Chief Operating Officer of Asia Brewery, Inc., Director/Treasurer of Air Philippines Corp.; Director of Philippine National Bank, Allied Bankers Insurance Corp., PMFTC Inc., Lucky Travel Corp., Philippine Airlines, Inc., Philippine Airlines Foundation, Inc., Air Philippines Corp., PAL Holdings, Inc., Absolut Distillers, Inc., Eton City, Inc., Victorias Milling Company, Inc., Shareholdings, Inc., Tangent Holdings Corp., Maranaw Hotels & Resort Corp., Paramount LandEquities, Inc., Saturn Holdings, Inc., Abacus Distribution Systems Philippines, Inc., Tanduay Brands International, Inc., Shareholdings, Inc., Allied Commercial Bank, Tangent Holdings Corp., PNB Forex Inc., PNB Global Remittance and Financial (HK) Limited, Bulawan Mining Corp., PNB Savings Bank; Chairman of PNB Holdings Corp., PNB Management & Development Corp.

## 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., The Charter House, Inc., 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., Dominium Realty & Construction Corp., Fortune Tobacco International Corp., Tanduay Brands International, Inc., Tobacco Recyclers Corp.; Shareholdings, Inc., Abacus Distribution Systems Phils., Inc. and Allied Bankers Insurance Corp.; Director/Chairman for Tobacco Board of Fortune Tobacco Corp.; Director/President of Maranaw Hotels & Resort Corp. and Landcom Realty Corp.

## 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 Corp.; Director/ Corporate Secretary of Asia Brewery, Inc., Fortune Tobacco Corp., Dominium Realty and Construction Corp., and Shareholdings, Inc.; Corporate Secretary of Asian Alcohol Corp., Absolut Distillers, Inc., Foremost Farms, Inc., Fortune Tobacco Int'l Corp., Grandspan Development Corp., Himmel Industries, Inc., Landcom Realty Corp., PMFTC, Inc., Lucky Travel 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

## LUCIO K. TAN, JR.
## President

Director/President of Tanduay Distillers, Inc.; 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 Corp., 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 Corp., Saturn Holdings, Inc., Paramount LandEquities, Inc., Tangent Holdings, Inc., Zuma Holdings and Management Corp., Trustmark Holdings Corp., Lucky Travel Corp., Progressive Farms, Inc., The Charter House, Inc., Himmel Industries, Inc., Asian Alcohol Corp., Absolut Chemicals, Inc., PAL Holdings, Inc., Air Philippines Corp., Tanduay Brands International, Inc., PNB Management & Development Corp., Victorias Milling Company, Inc., PNB Savings Bank, Basic Holdings Corp., Ford Philippines, Goldbond Printing, Inc., Silverfoil and Allied Leasing & Financial Corp.

## JOSEPH T. CHUA
## Director and EVP-COO

Director/Chairman of J.F. Rubber Philippines, Cavite Business Resources, Inc.; Director/President and Chief Executive Officer of MacroAsia Corp.; Director of Bulawan Mining, Lufthansa Technik Philippines, Inc., Philippine Airlines, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., Philippine National Bank and LT Group, Inc. (formerly Tanduay Holdings, Inc.), PNB Management & Development Corp., PNB General Insurers Co. Inc., Air Philippines Corp., PAL Holdings, Inc.; President of Goodwind Development Corp. (Guam); Director/ President of MacroAsia Airport Services Corp., MacroAsia Properties Development Corp., MacroAsia Mining Corp., and MacroAsia Air Taxi Services, MacroAsia Catering Services, Inc., Watergy Business Solutions, Inc.

## RAMON S. PASCUAL
## Director

Executive Director of Dynamic Holdings Limited; Director of Eton City, Inc., Belton Communities, Inc. and FirstHomes, Inc.

## WASHINGTON Z. SYCIP
## Director

Chairman Emeritus of Asian Institute of Management; Chairman of Cityland Development Corp., Lufthansa Technik Philippines, Inc., MacroAsia Corp., State Properties Corp., and Steag State Power, Inc.; Director of LT Group, Inc. (formerly Tanduay Holdings, Inc.), 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.; Adviser to the Board of Asian Terminals, Inc., Banco de Oro, JG Summit Holdings, Jollibee Food Corp., Metropolitan Bank & Trust Co., Philippine Long Distance Telephone Co; Senior Adviser to the Board of Investment and Capital Corp. of the Phils.

## WILFRIDO E. SANCHEZ
## Independent Director

Tax Counsel of Quiason 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. (formerly Tanduay Holdings, Inc.); Director of Adventure International Tours, Inc., Amon Trading Corp., EEI Corp., EMCOR, Inc., J-DEL Investment and Management Corp., K Servico, Inc., House of Investments, JVR Foundation, Inc., PETNET, Inc., Transnational Diversified Corp., Transnational Diversified Group, Inc., and Universal Robina 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. (formerly Tanduay Holdings, 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

## JOHNIP G. CUA
## Independent Director

Chairman of the Board of Trustees of Xavier School, Inc., P&Gers Fund Inc.; Chairman & President of Taibrews Corp.; Director of BDO Private Bank, Philippine Airlines, Inc., PAL Holdings, Inc., MacroAsia Corp., MacroAsia Catering Services, Inc., MacroAsia Airport Services Corp., MacroAsia Properties Development Corp., PhilPlans First Inc., STI Education Systems Holdings, Inc., Alpha Alleanza Manufacturing, Inc., Allied Botanical Corp., Century Pacific Food, Inc., Interbake Marketing Corp., Lartizan Corp., Teambake Marketing Corp.; Member of the Board of Trustees of Xavier School Educational & Trust Fund

# THE ETON STORY

It took us less than a decade to become a significant player in Philippine real estate, and we have not stopped growing ever since. We continue to build not only landmarks, but also value, and – most importantly – trust.

To date, Eton Properties has completed 7 high-rise condominiums, 10 mid-rise buildings, 5 residential subdivisions, 4 commercial centers, 1 events venue, and 7 office buildings.

To keep the trust of our stakeholders, Eton continually strives to deliver only projects that best enhance the quality of life of its residents and tenants. From cozy domestic spaces to ergonomic workplaces, from business centers to livable urban communities, our customer focus remains unwavering.  We take pains to deliver on our commitments and work hard to ensure that we live up to high standards of efficiency and service.

We continue to strengthen our brand equity to galvanize customers' confidence which will allow us to pursue new avenues of growth that correspond to our customers' evolving needs. By innovating, we continue to collaborate, cooperate, and find synergies with the communities we build and serve.

In all this, we draw strength from the solid track record and credibility of the Lucio Tan Group, which has given us the support and confidence to expand our horizons. As an empowered organization with a culture anchored on integrity, Eton Properties has made its mark and will continue to do so in the years ahead.

# COMMUNITY EVENTS


1-2. July 11, 2015 - Crafternoon at Belton Place; 3. October 5, 2015 - Eton Monday Brews at The Eton Residences Greenbelt; 4. November 16, 2015 - Eton Monday Brews at Cyberpod Centris; 5. October 5, 2015 - Eton Monday Brews at The Eton Residences Greenbelt; 6. September 12, 2015 - Spa Saturday at 68 Roces; 7. March 29, 2015 - Basketball tournament at The Manors at NBC; 8. April 11, 2015 - Easter Party at Belton Place.

The after-sales service in the real estate industry has many facets – from property management and housekeeping to leasing services and documentation. But Eton Properties goes the extra mile in after-sales service by sponsoring events in our communities that aim to enrich the lives of our residents and tenants.

Eton Properties focuses on value creation and fully understanding what our clients want, now and in the future. The after sales program of Eton Properties is just the beginning of many more company-initiated projects aimed at enriching the quality of life of our clients and customers.

# COMMUNITY EVENTS


**Top-Left :** Present during the MOA signing were (from left) Nathaniel Cabungcal, Eton Vice President for Property Management; Marie Angeli Samala, Eton First Vice President for Property Management and Purchasing; Neric Acosta, Secretary for Environmental Protection and LLDA General Manager; and Reena Buena, LLDA Officer-in-Charge for Community Development Division.

## ETON PROPERTIES PARTNERS WITH LAGUNA LAKE DEVELOPMENT AUTHORITY FOR GREEN INITIATIVE

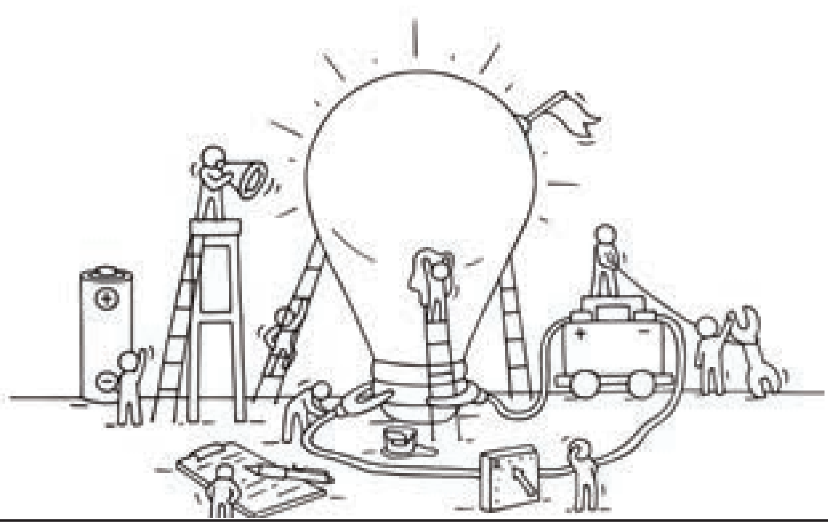
(AUG. 11, 2015)

Eton Properties signed a memorandum of agreement with the Laguna Lake Development Authority (LLDA), in line with the company's goal to promote sustainable living in the communities that it operates. Eton's greening and tree planting program in its various residential communities aims to pursue a lifestyle that seeks to reduce carbon footprint and provide a green and healthy environment for its resident.

# TRAINING & DEVELOPMENT

By providing training, learning and development opportunities for our employees, we help upgrade their skills and knowledge of the industry not only for personal and professional growth but also for the company's.

Whether conducted in-house or off-site, our employee development programs are designed to equip our people with tools that make them better employees and representatives of the company.



# OUR PROJECTS

Eton Properties has distinguished itself for developing properties in excellent locations that deliver high investment potential. Our diversified portfolio includes high-rise and mid-rise condominiums, residential subdivisions, township projects, commercial centers, and office buildings.

**MANILA**
- Eton Baypark Manila
- One Archers Place
- 8 Adriatico

**QUEZON CITY**
- 68 Roces
- Eton Centris
- North Belton Communities
- Eton Cyberpod Corinthian

**PASIG**
- Eton Emerald Lofts

**MAKATI**
- The Eton Residences Greenbelt
- Eton Parkview Greenbelt
- Belton Place
- Eton Tower Makati

**ETON CITY, LAGUNA**
- South Lake Village
- West Wing Residences at Eton City
- Tierrabela
- Riverbend

# RESIDENCES

Initially serving as its growth driver, Eton's residential developments comprise the lion's share of its portfolio, and provided it with a larger revenue share. Eton's residential developments are found in locations that are secure with easy access to commercial and business districts, and with strong potential for property appreciation. Residents of its properties enjoy amenities and lifestyle options from a selection of Eton's commercial establishments within its communities.

# RESIDENCES

## MANILA

*Top:* **One Archers Place.** Located close to Manila's top educational institutions, One Archers' Place along Taft Avenue is designed for students and young professionals. A 31-storey twin tower residential condominium, it offers competitively-priced studio and one-bedrooom flats with lifestyle amenities, and two floors of retail and dining choices. Situated near an LRT station and within easy reach of the Makati business district, it offers a prime investment opportunity with its strong leasing potential brought about by year-round tenant demand.

*Bottom:* **Eton Baypark Manila.** Offering a sweeping view of Manila Bay, the 29-storey Eton Baypark Manila stands at the corner of Roxas Boulevard and Kalaw Street, close to the historic Rizal Park and Intramuros. Featuring fully-furnished units measuring from 35 to 90 square meters, it is fitted with upscale amenities to meet its residents' lifestyle including an adult and children's pool, function room and fitness center.

# RESIDENCES
## MANILA

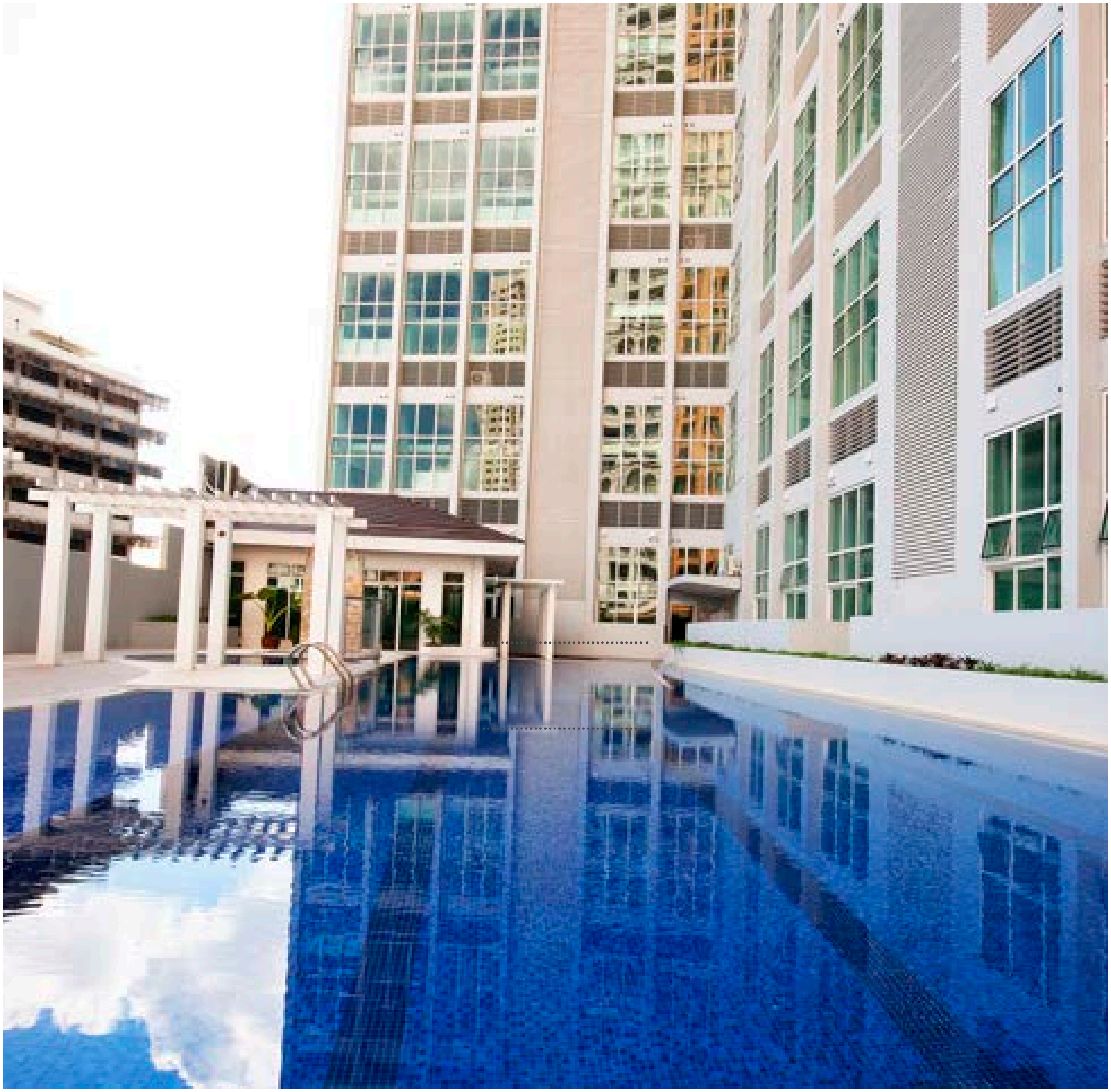
**8 Adriatico.** Located at the corner of Jorge Bocobo and Padre Faura in Manila's tourist and business district, 8 Adriatico is a 42-storey SOHO (Small office/Home office) and residential condominium that brings together the conveniences of urban living with old world charm. There are studio units for small office/home office use; and two-bedroom, one-bedroom, and studio units for residential use. Amenities include separate lobbies for residential and SOHO units, swimming pools, a fitness center, function room, and a landscaped garden.

# RESIDENCES
## QUEZON CITY

*Top:* **68 Roces.** A 3.3 hectare gated community in Quezon City, 68 Roces offers upscale single-attached luxury residences with important feng shui elements incorporated into the project design. Master planned for comfort and convenience, it is close to schools, hospitals, commercial and recreation centers. Its premium amenities include a 24-hour security (CCTV) system covering the whole development, an electric perimeter fence, clubhouse, function room, adult and kids' swimming pools, children's play area, green pathways, lush landscaping and an arcade commercial strip.

*Bottom:* **North Belton Communities.** Located in northern Quezon City, North Belton Communities offers the advantages of city living in a suburban environment. It is composed of The Manors, West Wing Residences and West Wing Villas. The project is 10 minutes away from major commercial centers and is readily accessible through main thoroughfares such as EDSA, Quirino Highway, Mindanao Avenue, Tandang Sora, MRT Hub, and the North Luzon expressway via Mindanao Avenue.

# RESIDENCES
## ORTIGAS



**Eton Emerald Lofts.** Located at the corners of F. Ortigas, Jr. and Garnet Avenues, Eton Emerald Lofts offers residents the conveniences of being right at the heart of the Ortigas business district, which offers a wide array of retail, dining, and entertainment options. It is close to major malls as well as key cities through the MRT. Eton Emerald Lofts also offers retail shops at the ground floor. Rising 36 storeys, it offers one bedroom and two bedroom lofts.

# RESIDENCES

## SOUTH - ETON CITY

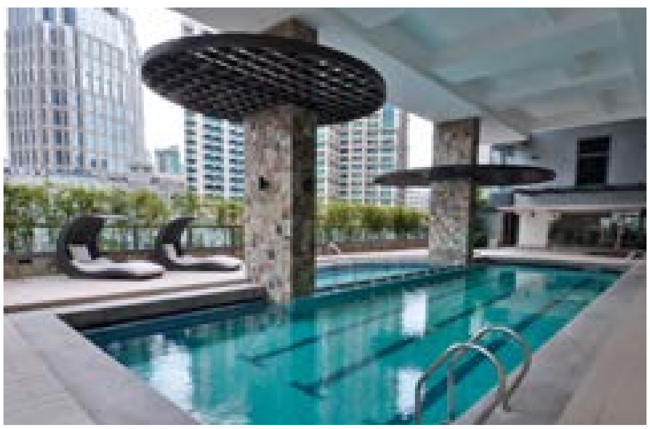
*Top Left:* **West Wing Residences.** Located in bustling Sta. Rosa, Laguna, West Wing Residences offers two-storey modern residential homes and expansive outdoor spaces. Inspired by contemporary American architecture within a self-contained community within Eton City, it has a wide range of lifestyle amenities for growing families such as a clubhouse, swimming pool, landscaped gardens, children's playground, barbecue areas and a multi-purpose court. This village is also near the future site of the University of the East Sta. Rosa campus.

*Bottom Left:* **South Lake Village.** A high-end, first-of-its kind island lot development, South Lake Village at Eton City is a 78-hectare residential enclave made up of distinct island lots surrounded by a 35-hectare man-made lake. It embodies Eton Properties' vision to create high-value developments that match the lifestyle aspirations of its target market.

*Top Right:* **Tierrabela.** The latest addition to Eton City, TierraBela is an 8.7 hectare residential development decked with community amenities and greenery. It features lot areas starting at 200 square meters, and is themed as an Italian-Mediterranean community. It is easily accessible from the emerging business district in the South, many recreational and educational facilities, retail and leisure destinations.

*Bottom Right:* **RiverBend.** A residential community with neighborhood elements integrated into its modern contemporary design, its features and amenities include a clubhouse, swimming pool, basketball court, 24-hour security, and a water reservoir. Conveniently located close to the Eton City Exit, this community sits right beside the future University of Sto. Tomas Sta. Rosa campus.

# RESIDENCES
## MAKATI



*Top Left:* **Belton Place.** A 39-storey residence between the major thoroughfares of Ayala and Buendia, Belton Place meets the high demand for residential accommodation among start-up families and young professionals. A self-contained condominium with competitively-priced studio and one-bedroom units, it has amenities that urban dwellers demand such as a function room, fitness center, swimming pools, meditation pockets and children's play area.

*Bottom Left:* **The Eton Residences Greenbelt.** Rising 39 storeys with two basements, The Eton Residences Greenbelt features well-appointed one-bedroom, two-bedroom and three-bedroom loft units. With wide bedroom and living room windows, it offers a good view of the Makati Skyline and Greenbelt Park.

*Top Right:* **Eton Parkview Greenbelt.** Strategically located at the center of the Makati business district, the 33-storey Eton Parkview Greenbelt offers residents a taste of the high life with a view of Makati's lush parks. It offers spacious one-bedroom and two-bedroom loft units with wide living spaces, high ceilings, and picture windows. Its world class amenities include a reception lobby, landscaped gardens, swimming pool, function room, fitness center, and a children's play area.

*Bottom Right:* **Eton Tower Makati.** Rising at the corner of Dela Rosa and V. A. Rufino streets, the 41-storey Eton Tower Makati opens its doors in 2016. The development offers studio, one-bedroom, and two-bedroom residential and small-office-home-office (SOHO) units. It will also house the soon-to-open serviced residences of Eton Properties, the Mini Suites. Thoughtfully designed for efficiency and to ensure the privacy of residents, Eton Tower Makati has separate lift lobbies for its residential, SOHO, and serviced residences. Residents will enjoy amenities that include tower gardens, a function room, and a fully-equipped gym. The first two floors of the development will serve as a commercial and retail center, presenting an exceptional mix of shopping, dining, and other recreational choices. The high-rise is also the first to have direct access to Makati's elevated walkways, making it easier for residents and tenants to reach their preferred restaurants, fitness centers, malls, and other important Makati destinations.

# RESIDENCES
## MAKATI

**The Mini Suites.** Located within Eton Tower Makati is The Mini Suites, which takes design and style inspiration from Eton Hong Kong's trendsetting, minimalist Mini Hotel brand. The Mini Suites occupies the sixth to twelfth floor of Eton Tower Makati, offering 340 single or double rooms and 28 family rooms. Best suited for frequent business travelers, it offers easy access to Makati's business, lifestyle, and cultural destinations at pocket-friendly rates while offering all the comforts of a top-notch accommodation. To better serve its tenants' needs, it features a gym, medical clinic, restaurants, meeting room, business center facilities, nonsmoking areas, parking, housekeeping services, frontdesk assistance, and free Wi-Fi in all rooms and public areas. The Mini Suites opens its doors in the second half of 2016, expanding options for affordable yet chic hotel accommodations in Makati.

# RESIDENCES

**UPCOMING RESIDENTIAL PROJECTS**

**Blakes Tower** is a 46-storey residential tower within **Eton WestEnd Square,** a one-hectare mixed-use development inspired by the boroughs of London. It is the second residential condominium in the project, next to the now-finished and occupied Belton Place. Bordered by Chino Roces Avenue, Yakal and Malugay Streets in Makati, Blakes Tower has a central location that is accessible to the main draws of the business district. Its neighborhood, Eton WestEnd Square, will be its own self-sustaining mini-city providing dwellers with opportunities to work, shop, eat, and enjoy themselves without leaving the complex.

Within Eton WestEnd Square are two residential buildings, BPO offices, and a compact but comprehensive boutique mall, all aesthetically designed to complement each other.

# RESIDENCES

### UPCOMING RESIDENTIAL PROJECTS

**"Aurora Heights"** Currently undergoing replanning and redesign, Aurora Heights is envisioned to be an exclusive residential community strategically located near the country's foremost universities. Tucked away and a few steps from Aurora Boulevard in Loyola Heights, Quezon City, it is very near the LRT-2 Katipunan Station, making it very accessible to all points across Metro Manila. Occupying 4,800 square meters, it will be built with amenities and features to create an atmosphere conducive to studying.

**Corta Maisonettes** is a modern, upmarket residential townhouse project occupying a 5,407 square meter property on Corta Street, Addition Hills, San Juan, near the Greenhills commercial district. It has close proximity to schools, commercial establishments, hospitals and other institutions. A low-density project, it will offer security features, upscale amenities, and will have green building features.

# COMMERCIAL DEVELOPMENTS

Complementing Eton Properties' residential and office developments are retail elements that ensure sustainability by providing customers with dining, shopping, entertainment, and other lifestyle choices. Located in vibrant, high-growth communities, these properties come in a variety of formats and have become lifestyle destinations in themselves.

# COMMERCIAL DEVELOPMENTS


**Eton Centris** is a mixed-use complex featuring office blocks on which Eton Properties' BPO office buildings are built, surrounded by a wide range of retail outlets. A fully integrated and self-contained community when completed, it will feature central open spaces for outdoor activities and events. Easily accessible through public and private transportation, its strategic location at the corner of EDSA and Quezon Avenue makes it a convenient destination for office workers and families.

*Top:* **Centris Walk** is a lifestyle, dining and entertainment destination. Clustered around BPO centers, it offers a unique mix of dining outlets, family-oriented activities and specialty shops. The wide open areas make it conducive for outdoor recreation and play for families with children, as well as an ideal venue for relaxation and sports activities, especially for those who work in the area.

*Bottom Left:* **Centris Station** is a one-stop-shop two-level commercial center. With a direct link to the Quezon Avenue MRT Station, and with a transportation hub next to it, it is easily accessible to commuters from different parts of Metro Manila. It hosts a wide array of restaurants and retail stores, including a hypermart, to serve commuters.

*Bottom Right:* **Elements** is a modern events venue for social events and corporate functions of BPOs and the corporate market. Covering approximately 2,000 sqm, the event space offers two air-conditioned halls, two suites, and ample parking space set amidst landscaped gardens. With its strategic location and quality amenities, Elements has become the go-to venue for weddings, big parties, concerts, and other activities in the Quezon City area.

# COMMERCIAL DEVELOPMENTS

**UPCOMING COMMERCIAL PROJECTS**

*Top:* **Centris Walk Expansion.** Expanding the leisure and relaxation options in Eton Centris, the extension of Centris Walk is a social space where people can converge. It features a mix of entertainment, dining, recreation and shopping options for families and BPO workers. Surrounded by greenery and wide open spaces, it complements existing developments in the area with its low rise retail structures.

*Bottom:* **eWestMall.** The boutique mall of Eton WestEnd Square in Makati, Eton WestEnd Square has two floors worth of retail and commercial units offering dining, entertainment, and shopping options that serve as the area's neighborhood center.

# OFFICE SPACES


Providing a steady source of recurring income and allowing the company to ride on the strength of the business process outsourcing industry, Eton's office developments are strategically located in dynamic centers across the city, equipped with robust infrastructure for uninterrupted operations. Easily accessible by MRT and other forms of public transportation, these offices are adjacent to commercial establishments that support the needs of locators.

# OFFICE SPACES

*Top:* **Centris Cyberpod in Eton Centris** serves some of the biggest BPO companies, including top names in the contact center, software services, and finance industries. Its central location along EDSA corner Quezon Avenue, amenities, as well as the diverse dining, retail, and entertainment establishments within the vicinity, have made it a top choice for companies seeking office spaces, as well as workers looking out for employment opportunities. With ample parking space and large open spaces, it provides a setting that is conducive for work-life balance.

*Bottom:* **Eton Cyberpod Corinthian** is strategically located at the crossroads of Quezon City, Pasig, and Mandaluyong. It is comprised of three low-rise buildings to serve the needs of BPOs. Spacious and accessible, it is designed to ensure the efficient and uninterrupted flow of business. On its ground floor are retail spaces for shops and restaurants. Close by are some of Metro Manila's largest commercial complexes, providing plenty of dining and entertainment options for its tenants. Easily reachable by public transportation, it is right next to the MRT Station, ensuring quick access to the area 24/7.

# OFFICE SPACES

**UPCOMING OFFICE PROJECTS**

*Left:* **Centris Cyberpod Five** is the fifth BPO facility in Eton Centris, one of the largest BPO communities in Quezon City. Boasting of large floor spaces to meet the needs of BPOs, it offers the same robust amenities and conveniences found in the first four buildings, such as sufficient elevators, telephone and data conduits, emergency backup power, full security system, and ample parking space. Easily accessible through the MRT and other forms of public transportation, it is both a career hub and lifestyle central offering a mix of dining, entertainment, and shopping destinations.

*Middle:* **eWestPod** is the BPO building in Eton WestEnd Square in Makati. It has four floors of office spaces for BPO companies. With its sleek architecture and modern interiors, it helps create a dynamic vibe that complements the lifestyle of the BPO employees.

*Right:* **Sunrise Ortigas** is an upcoming BPO high-rise building located along Meralco Avenue at Pasig City, a thriving business district. Located close to some of Metro Manila's largest malls and lifestyle destinations, it allows employees to enjoy numerous conveniences that would help them become more productive in their jobs while maintaining work-life balance.

**Emerald Ruby Project** is a BPO office building to rise in Ortigas Center that will offer larger office spaces for BPOs and local businesses. It is a 33-storey building designed to ensure the productivity and uninterrupted business operations of the outsourcing trade.

# FINANCIAL STATEMENT

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

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. 2015 and 2014, 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 .

Dr. Lucio C. Tan
Chairman

Lucio K. Tan, Jr.
President

Wilfredo Z. Pineda
Chief Financial Officer

Signed this 7th day of March 2016

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRe Reg. No. 0001.
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012~FR~4 (Group A),
November 10,2015, valid until November 9, 2018

**INDEPENDENT AUDITORS' 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, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, 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.

***Auditors' 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 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Josephine H. Estomo
Partner
CPA Certificate No. 46349
SEC Accreditation No. 0078-AR-3 (Group A),
February 14, 2013, valid until April 30, 2016
Tax Identification No. 102-086-208
BIR Accreditation No. 08-001998-18-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321634, January 4, 2016, Makati City

March 7, 2016

## ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2015** | 2014 |
| ASSETS | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 5 and 17) | **P2,093,151,673** | P1,959,365,647 |
| Trade and other receivables (Notes 6, 14 and 27) | **3,050,988,883** | 3,953,590,866 |
| Real estate inventories (Note 7) | **8,357,108,226** | 7,456,687,729 |
| Other current assets (Note 8) | **1,302,708,164** | 1,348,079,142 |
| **Total Current Assets** | **14,803,956,946** | 14,717,723,384 |
| **Noncurrent Assets** | | |
| Receivables - net of current portion (Note 6) | **352,317,631** | 608,117,854 |
| Investment properties (Note 9) | **10,643,783,726** | 8,010,382,780 |
| Property and equipment (Note 10) | **42,940,317** | 28,082,975 |
| Deferred income tax assets - net (Note 24) | **54,052,774** | 73,926,008 |
| Other noncurrent assets (Note 11) | **200,129,973** | 255,392,095 |
| **Total Noncurrent Assets** | **11,293,224,421** | 8,975,901,712 |
| TOTAL ASSETS | **P26,097,181,367** | P23,693,625,096 |
| LIABILITIES AND EQUITY | | |
| **Current Liabilities** | | |
| Trade and other payables (Note 12) | **P3,517,211,520** | P2,524,872,424 |
| Income tax payable | **6,463,999** | – |
| Payables to related parties (Note 17) | **583,669,830** | 986,752,411 |
| Customers' deposits (Note 13) | **1,426,649,037** | 2,017,397,769 |
| Current portion of: | | |
| Loans payable (Note 14) | **476,014,679** | 508,114,380 |
| Payables to landowners (Notes 15 and 17) | **875,695,891** | 1,296,785,000 |
| Deposits and other current liabilities (Note 16) | **160,312,708** | 91,886,979 |
| Deposit for future stock subscription (Notes 17 and 25) | – | 5,500,000,000 |
| **Total Current Liabilities** | **7,046,017,664** | 12,925,808,963 |
| **Noncurrent Liabilities** | | |
| Loans payable - net of current portion (Note 14) | **720,003,831** | 1,321,823,065 |
| Payables to landowners - net of current portion (Notes 15 and 17) | **1,920,573,339** | 992,922,528 |
| Other noncurrent liabilities (Notes 16 and 23) | **481,718,407** | 371,483,567 |
| **Total Noncurrent Liabilities** | **3,122,295,577** | 2,686,229,160 |
| **Total Liabilities** | **10,168,313,241** | 15,612,038,123 |
| **Equity** (Note 25) | | |
| Capital stock - P1 par value | **5,723,017,872** | 2,905,348,700 |
| Additional paid-in capital | **8,206,662,618** | 3,500,000,000 |
| Accumulated remeasurements on retirement benefits (Note 23) | **27,581,004** | 17,886,450 |
| Retained earnings | **1,971,614,587** | 1,658,359,778 |
| Treasury shares | **(7,955)** | (7,955) |
| **Total Equity** | **15,928,868,126** | 8,081,586,973 |
| TOTAL LIABILITIES AND EQUITY | **P26,097,181,367** | P23,693,625,096 |

*See accompanying Notes to Consolidated Financial Statements.*

## ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **REVENUE** | | | |
| Real estate sales | **P1,311,913,267** | P1,538,260,541 | P3,208,224,899 |
| Rental income (Notes 9 and 27) | **1,172,539,294** | 740,339,594 | 448,720,012 |
| | **2,484,452,561** | 2,278,600,135 | 3,656,944,911 |
| **COSTS AND EXPENSES** | | | |
| Cost of real estate sales (Note 7) | **952,661,153** | 1,303,734,258 | 2,489,829,829 |
| Cost of rental income (Notes 9 and 10) | **226,887,628** | 280,707,826 | 190,293,228 |
| Selling expenses (Note 19) | **42,381,793** | 155,051,518 | 365,764,277 |
| General and administrative expenses (Note 20) | **588,318,105** | 425,564,790 | 515,966,808 |
| | **1,810,248,679** | 2,165,058,392 | 3,561,854,142 |
| **OTHER INCOME (CHARGES)** | | | |
| Interest income (Note 18) | **50,830,169** | 42,037,214 | 42,833,325 |
| Finance charges (Note 18) | **(175,786,705)** | (49,316,716) | (35,735,909) |
| Foreign exchange gains (losses) - net | **3,745,550** | (1,153,946) | 3,852,792 |
| Other income - net (Note 22) | **10,619,858** | 96,881,591 | 159,607,900 |
| | **(110,591,128)** | 88,448,143 | 170,558,108 |
| **INCOME BEFORE INCOME TAX** | **563,612,754** | 201,989,886 | 265,648,877 |
| **PROVISION FOR INCOME TAX (Note 24)** | | | |
| Current | **234,639,520** | 59,733,710 | 51,594,854 |
| Deferred | **15,718,425** | 22,391,516 | 108,980,387 |
| | **250,357,945** | 82,125,226 | 160,575,241 |
| **NET INCOME** | **P313,254,809** | P119,864,660 | P105,073,636 |
| **BASIC/DILUTED EARNINGS PER SHARE (Note 26)** | **P0.0547** | P0.0413 | P0.0362 |

*See accompanying Notes to Consolidated Financial Statements.*

## ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **NET INCOME** | **P313,254,809** | P119,864,660 | P105,073,636 |
| | | | |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | |
| Remeasurement gains on defined benefit obligations (Note 23) | **13,849,363** | 5,577,522 | 22,283,659 |
| Deferred income tax effect | **(4,154,809)** | (1,673,257) | (6,685,098) |
| | **9,694,554** | 3,904,265 | 15,598,561 |
| | | | |
| TOTAL COMPREHENSIVE INCOME | **P322,949,363** | P123,768,925 | P120,672,197 |

*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, 2015, 2014 AND 2013

| | Capital stock- P1 par value (Note 25) | Additional Paid-in Capital (Note 25) | Accumulated Remeasurements on Retirement Benefits, net of Deferred Income Tax Effect (Note 23) | Retained Earnings (Note 25) | Treasury Shares (Note 25) | Total |
|---|---|---|---|---|---|---|
| **BALANCES AS AT DECEMBER 31, 2012** | **P2,905,348,700** | **P2,400,000,000** | **(P1,616,376)** | **P1,433,421,482** | **(P7,955)** | **P6,737,145,851** |
| Net income for the year | – | – | – | 105,073,636 | – | 105,073,636 |
| Other comprehensive income | – | – | 15,598,561 | – | – | 15,598,561 |
| Total comprehensive income | – | – | 15,598,561 | 105,073,636 | – | 120,672,197 |
| Conversion of advances to capital stock | – | 1,100,000,000 | – | – | – | 1,100,000,000 |
| **BALANCES AS AT DECEMBER 31, 2013** | **2,905,348,700** | **3,500,000,000** | **13,982,185** | **1,538,495,118** | **(7,955)** | **7,957,818,048** |
| Net income for the year | – | – | – | 119,864,660 | – | 119,864,660 |
| Other comprehensive income | – | – | 3,904,265 | – | – | 3,904,265 |
| Total comprehensive income | – | – | 3,904,265 | 119,864,660 | – | 123,768,925 |
| **BALANCES AS AT DECEMBER 31, 2014** | **2,905,348,700** | **3,500,000,000** | **17,886,450** | **1,658,359,778** | **(7,955)** | **8,081,586,973** |
| Net income for the year | – | – | – | 313,254,809 | – | 313,254,809 |
| Other comprehensive income | – | – | 9,694,554 | – | – | 9,694,554 |
| Total comprehensive income | – | – | 9,694,554 | 313,254,809 | – | 322,949,363 |
| Conversion of advances to capital stock | 2,067,669,172 | 3,432,330,828 | – | – | – | 5,500,000,000 |
| Issuance of capital stock | 750,000,000 | 1,290,000,000 | – | – | – | 2,040,000,000 |
| Stock issue costs | – | (15,668,210) | – | – | – | (15,668,210) |
| **BALANCES AS AT DECEMBER 31, 2015** | **P5,723,017,872** | **P8,206,662,618** | **P27,581,004** | **P1,971,614,587** | **(P7,955)** | **P15,928,868,126** |

*See accompanying Notes to Consolidated Financial Statements.*

# ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2015** | 2014 | 2013 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **P563,612,754** | P201,989,886 | P265,648,877 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 9, 10, 11 and 20) | **151,693,041** | 181,457,877 | 132,432,984 |
| Loss (gain) on disposal of property and equipment | – | 1,981,481 | (36,689) |
| Interest income (Notes 6 and 18) | **(50,830,169)** | (42,037,214) | (42,833,325) |
| Interest expense (Notes 14 and 18) | **145,361,929** | 34,075,174 | 33,633,315 |
| Unrealized foreign exchange losses (gains) - net | **(3,686,179)** | 1,153,946 | (3,540,698) |
| Retirement benefits cost (Notes 21 and 23) | **22,398,566** | 14,316,049 | 19,070,970 |
| Operating income before working capital changes | **828,549,942** | 392,937,199 | 404,375,434 |
| Decrease (increase) in: | | | |
| Trade and other receivables | **1,159,155,951** | (1,054,165,320) | (841,834,390) |
| Real estate inventories | **(2,172,338,728)** | (600,031,327) | 515,095,446 |
| Other assets | **(29,664,762)** | 246,361,987 | 38,034,154 |
| Increase (decrease) in: | | | |
| Trade and other payables | **944,564,162** | (1,310,521,967) | 277,222,793 |
| Payables to related parties | **(403,060,684)** | 137,803,950 | 144,279,102 |
| Customers' deposits | **(590,748,732)** | (831,748,927) | 272,949,807 |
| Deposits and other liabilities | **165,956,557** | 159,989,689 | 150,824,471 |
| Cash generated from (used in) operations | **(97,586,294)** | (2,859,374,716) | 960,946,817 |
| Interest received | **50,076,424** | 41,324,579 | 42,833,325 |
| Interest paid | **(141,457,016)** | (34,004,570) | (30,838,540) |
| Income taxes paid, including creditable withholding taxes | **(91,812,802)** | (57,111,052) | (128,478,033) |
| Net cash from (used in) operating activities | **(280,779,688)** | (2,909,165,759) | 844,463,569 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to: | | | |
| Investment properties (Notes 9 and 33) | **(382,712,615)** | (253,046,019) | (1,193,672,923) |
| Property and equipment (Notes 10 and 33) | **(31,551,676)** | (16,397,166) | (10,746,278) |
| Software (Note 11) | **(8,484,029)** | (19,063,936) | (1,143,879) |
| Proceeds from disposal of property and equipment (Note 9) | - | - | 377,804 |
| Net cash used in investing activities | **(422,748,320)** | (288,507,121) | (1,205,185,276) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from availment of loans (Note 14) | – | 500,000,000 | 2,487,325,000 |
| Payment of loans payable (Note 14) | **(633,918,935)** | (1,627,588,375) | (3,164,928,473) |
| Payment to landowners (Note 15) | **(556,785,000)** | – | – |
| Advances from parent company (Notes 17 and 25) | – | – | 1,100,000,000 |
| Proceeds from deposit for future stock subscription (Note 17) | – | 5,500,000,000 | – |
| Proceeds from issuance of capital stock (Note 17) | **2,040,000,000** | – | – |
| Payment of stock issue costs (Note 17) | **(15,668,210)** | – | – |
| Net cash from financing activities | **833,627,855** | 4,372,411,625 | 422,396,527 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **3,686,179** | (1,153,946) | 3,540,698 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **133,786,026** | 1,173,584,799 | 65,215,518 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **1,959,365,647** | 785,780,848 | 720,565,330 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 5 and 33)** | **P2,093,151,673** | P1,959,365,647 | P785,780,848 |

*See accompanying Notes to Consolidated Financial Statements.*

# ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate Information

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 SEC approved the Parent Company's registration and licensing as a listed company.

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 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 P3,953.2 million, owned by Paramount Landequities, Inc. (Paramount), where the Eton Centris projects are situated in exchange for the issuance of 1.6 billion shares to Paramount at P2.5 per share. On October 22, 2009, the Parent Company and Paramount executed a 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 P4.0 billion (see Notes 7, 9 and 17).

Prior to restructuring in 2012, Paramount and Saturn Holdings, Inc. (Saturn) had ownership interest of 55.07% and 42.39%, respectively, in Eton.

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., British Virgin Island (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, which were issued to LTG from the increase in Paramount's and Saturn's authorized capital stock. LTG paid for the subscription in full by way of conversion into equity of LTG's advances to Paramount and Saturn amounting to P1,350.8 million and P490.0 million, respectively. On the same dates, Paramount and Saturn filed their 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 the Parent Company 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.

On March 2, 2015, the Parent Company's BOD approved the increase of its authorized capital stock from P5.0 billion divided into 5.0 billion common shares with a par value of P1.0 per share to P8.0 billion divided into 8.0 billion common shares with a par value of P1.0 per share. On September 28, 2015, Eton filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on September 30, 2015. Out of the increase of 3.0 billion common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of P2.72 per share.

As of December 31, 2015, Eton is 56.88%-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, Metro Manila.

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

| Subsidiaries | Percentage of Ownership |
|---|---|
| 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 its 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 for 24,995,000 shares, which, in addition to 5,000 common shares originally subscribed, would equal to 25% of the authorized capital stock.

On October 15, 2014, the BOD of BCI approved the increase of its authorized capital stock from P20,000 divided into 20,000 common shares with a par value of P1.0 per share to P800,000,000 divided into 800,000,000 common shares with a par value of P1.0 per share. On December 23, 2014, BCI filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on January 7, 2015. Out of the increase in authorized capital stock, 199.995 million common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

ECI was incorporated and registered with the SEC on October 8, 2008. On October 15, 2014, the BOD of ECI approved the increase of its authorized capital stock from P100,000,000 divided into 100,000,000 common shares with a par value of P1.0 per share to P1,000,000,000 divided into 1,000,000,000 common shares with a par value of P1.0 per share. On December 23, 2014, ECI filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on January 6, 2015. Out of the increase in authorized capital stock, 225.0 million common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

On October 15, 2010, FHI was incorporated and registered with the Philippine SEC as a wholly owned subsidiary of the Parent Company with a total subscribed capital stock of P1.3 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, 2015.

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, Metro Manila.

Authorization for Issuance of the Consolidated Financial Statements
The consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the Group) as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issuance by the BOD on March 7, 2016.

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

Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared under the 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 of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015. 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 achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and,
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and,
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

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 new accounting pronouncements starting January 1, 2015. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

The nature and impact of each new standard and amendment are described below:

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*, require an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are not relevant to the Group.

*Annual Improvements to PFRS (2010-2012 cycle)*

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these financial statements. Unless otherwise stated, these amendments have no impact on the consolidated financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*, is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- Amendment to PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39, *Financial Instruments: Recognition and Measurement*.

- 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*, are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- Amendment to PAS 16, *Property, Plant and Equipment,* and PAS 38*, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*, is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel*, is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

*Annual Improvements to PFRS (2011-2013 cycle)*
These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these financial statements. Unless otherwise stated, these amendments have no impact on the consolidated financial statements. They include:

- Amendment to PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- Amendment to PFRS 13, *Fair Value Measurement - Portfolio Exception*, is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, if early adopted).

- Amendment to PAS 40, *Investment Property*, is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

New Accounting Standards, Interpretations and Amendments to
<u>Existing Standards Effective Subsequent to December 31, 2015</u>
The Group will adopt the standards and interpretations enumerated below when these become effective. The Group continues to assess the impact of the following new and amended accounting standards and interpretations. The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2015 are disclosed below.

*Deferred*

- 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. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the 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 currently assessing the impact of adopting this interpretation.

- Amendments to PFRS 10 and PAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. These amendments are not expected to have any impact on the consolidated financial statements.

*Effective in 2016*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities*: *Applying the Consolidation Exception*, clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the consolidated financial statements.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the consolidated financial statements.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests*, require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*, are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - that entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - that specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated
  - that entities have flexibility as to the order in which they present the notes to financial statements
  - that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its financial statements.

- PFRS 14, *Regulatory Deferral Accounts*, is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*, change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

- Amendments to PAS 16, *Property, Plant and Equipmen*t, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that it has not used a revenue-based method to depreciate its noncurrent assets.

*Annual Improvements to PFRS (2012-2014 cycle)*
The Annual Improvements to PFRS (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to the Group.

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- Amendment to PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, applies retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*, is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report*', is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Effective in 2018*

- PFRS 9, *Financial Instruments (2014 or final version),* reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue

- The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once locally adopted.

*Effective in 2019*

- IFRS 16, *Leases* was issued in January 2016 and replaces IAS 17, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

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

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

**Summary of Significant Accounting Policies**

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 consolidated 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 consolidated 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.

Current versus Non-Current Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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, 2015 and 2014, 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 statement 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, 2015 and 2014, the Group's loans and receivables include cash and cash equivalents, trade and other receivables 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, 2015 and 2014, 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 and security deposits.

<u>Impairment of Financial Assets</u>
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.

<u>Offsetting of Financial Instruments</u>
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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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 has 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.

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 cost to sell.

Advances to Contractors

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

Creditable Withholding Taxes (CWT)

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

Value-added Tax (VAT)

VAT is equal to 12% of the purchase or selling price of the VATable goods and services. VAT imposed on purchases is called input VAT while VAT imposed on sales is called output VAT. Input VAT and output VAT are presented at 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 or 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.

Investment 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 |
| Land improvements | 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 comprised 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, *Non-current Assets Held for Sale and Discontinued Operations*, 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.

Security Deposits

Security deposits, included in the "Deposits and 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.

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 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.

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

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 real estate sales recognized in consolidated statement of income 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 depreciation of the investment properties being leased out, rental expense on the land where the property for lease is located, real property taxes and other directly attributable costs.

*Interest income*
Interest income is recognized as it accrues.

*Other income and other expenses*
Other income and other expenses pertain to the gain or loss, respectively, arising from forfeiture or cancellation of prior years’ real estate sales.

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.

*Selling and general and administrative expenses*
Selling expenses are costs incurred to sell real estate inventories of the Group, which includes commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business. Selling and general

and administrative expenses are expensed as incurred.

Commissions

Commission paid to sales marketing agents on the sale of real estate units are nonrefundable and are expensed as incurred.

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.

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.

Retirement benefits costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of 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 consolidated statement of income. 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 consolidated statement of income.

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 consolidated statement of income 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 the consolidated statement of income. 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 that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

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.

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 rental income” 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 and Contingencies

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.

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. 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.

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.

## 3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 parent company financial statements. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effect of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

*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 2015, 2014 and 2013.

*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 28).

*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 P1,172.5 million, P740.3 million and P448.7 million in 2015, 2014 and 2013, respectively (see Note 27).

*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 included under "Outside services" amounted to P11.1 million in 2015, 2014 and 2013 (see Notes 20 and 27). Additional rental expense amounting to P39.3 million included under

"Cost of rental income" was recognized in 2015, 2014 and 2013 related to the lease of a parcel of land where one of the Parent Company's projects 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 property comprises 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 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 P10,643.8 million and P8,357.1 million as of December 31, 2015 and P8,010.4 million and P7,456.7 million as of December 31, 2014, respectively (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 P10,643.8 million and P42.9 million as of December 31, 2015 and P8,010.4 million and P28.1 million as of December 31, 2014, respectively (see Notes 9 and 10).

*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 28).

*Provisions and contingencies*
The Group is currently involved in legal proceedings. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings. The Group did not recognize provision in 2015 and 2014.

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 P1,311.9 million and P952.7 million in 2015, P1,538.3 million and P1,303.7 million in 2014 and P3,208.2 million and P2,489.8 million in 2013, respectively.

*Estimation of allowance for loans and receivables*
The level of allowance for loans and receivables is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior and known

market factors that affect the collectability of the accounts. As of December 31, 2015 and 2014, the Group did not recognize any allowance for impairment on its loans and receivables (see Note 28).

*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, 2015 and 2014, real estate inventories, which are carried at cost, amounted to P8,357.1 million and P7,456.7 million, respectively (see Note 7).

*Estimation of useful lives of investment properties, and property and equipment excluding land and 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.

There were no changes in the estimated useful life of depreciable investment properties, property and equipment and software in 2015 and 2014. The carrying values of the Group's investment properties (excluding land and construction in progress), property and equipment and software amounted to P4,641.5 million, P42.9 million and P20.8 million, respectively, as of December 31, 2015 and P4,658.0 million, P28.1 million and P18.9 million, respectively, as of December 31, 2014 (see Notes 9, 10 and 11).

*Assessment of impairment of noncurrent nonfinancial assets and estimation of recoverable amount*
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, 2015 and 2014.

*Estimation of retirement benefits costs and liability*
The determination of the Group's retirement benefits costs and liability is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 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, 2015 and 2014, retirement benefits liability amounted to P46.9 million and P38.4 million, respectively. Retirement benefits cost amounted to P22.4 million, P14.3 million, and P19.1 million in 2015, 2014 and 2013, respectively (see Notes 16 and 23).

*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, 2015 and 2014, the Group recognized deferred income tax assets amounting to P156.2 million and P145.4 million, respectively (see Note 24).

## 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 losses 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 revenues 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 that 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.

2015

| | Residential Developments | Leasing Activities | Unallocated Corporate Balance | Consolidated |
|---|---|---|---|---|
| Revenue from external customers | P1,311,913,267 | P1,172,539,294 | P– | P2,484,452,561 |
| Direct costs | (952,661,153) | (226,887,628) | – | (1,179,548,781) |
| **Gross profit** | 359,252,114 | 945,651,666 | – | 1,304,903,780 |
| Selling, general and administrative expenses | (22,730,412) | – | (607,969,486) | (630,699,898) |
| **Operating income** | 336,521,702 | 945,651,666 | (607,969,486) | 674,203,882 |
| Interest income | 34,618,423 | – | 16,211,746 | 50,830,169 |
| Other income (charges) | (202,813,489) | 197,746,518 | 19,432,379 | 14,365,408 |
| Finance charges | – | – | (175,786,705) | (175,786,705) |
| Provision for income tax | – | – | (250,357,945) | (250,357,945) |
| **Segment profit** | P168,326,636 | P1,143,398,184 | (P998,470,011) | P313,254,809 |
| | | | | |
| **Other information** | | | | |
| Segment assets | P11,763,578,537 | P10,862,943,950 | P3,416,606,106 | P26,043,128,593 |
| Deferred income tax assets - net | – | – | 54,052,774 | 54,052,774 |
| **Total segment assets** | P11,763,578,537 | P10,862,943,950 | P3,470,658,880 | P26,097,181,367 |
| | | | | |
| **Segment liabilities** | P4,231,119,056 | P698,803,665 | P5,238,390,520 | P10,168,313,241 |
| | | | | |
| **Segment additions to property and equipment, investment properties and software** | P40,035,705 | P1,446,059,317 | P– | P1,486,095,022 |
| | | | | |
| **Depreciation and amortization** | 23,268,315 | 128,424,726 | – | 151,693,041 |

2014

| | Residential Developments | Leasing Activities | Unallocated Corporate Balance | Consolidated |
|---|---|---|---|---|
| Revenue from external customers | P1,538,260,541 | P740,339,594 | P– | P2,278,600,135 |
| Direct costs | (1,303,734,258) | (280,707,826) | – | (1,584,442,084) |
| Gross profit | 234,526,283 | 459,631,768 | – | 694,158,051 |
| Selling, general and administrative expenses | (137,023,098) | – | (443,593,210) | (580,616,308) |
| Operating income | 97,503,185 | 459,631,768 | (443,593,210) | 113,541,743 |
| Interest income | 37,500,147 | – | 4,537,067 | 42,037,214 |
| Other income (charges) | (64,756,337) | 152,690,348 | 7,793,634 | 95,727,645 |
| Finance charges | – | – | (49,316,716) | (49,316,716) |
| Provision for income tax | – | – | (82,125,226) | (82,125,226) |
| Segment profit | P70,246,995 | P612,322,116 | (P562,704,451) | P119,864,660 |
| Other information | | | | |
| Segment assets | P12,901,196,446 | P8,349,265,218 | P2,369,237,424 | P23,619,699,088 |
| Deferred income tax assets - net | – | – | 73,926,008 | 73,926,008 |
| Total segment assets | P12,901,196,446 | P8,349,265,218 | P2,443,163,432 | P23,693,625,096 |
| Segment liabilities | P5,114,691,771 | P395,016,546 | P10,102,329,806 | P15,612,038,123 |
| Segment additions to property and equipment, investment properties and software | P35,461,102 | P253,046,019 | P– | P288,507,121 |
| Depreciation and amortization | 35,777,503 | 145,680,374 | – | 181,457,877 |

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) |
| Gross profit | 718,395,070 | 258,426,784 | – | 976,821,854 |
| Selling, general and administrative expenses | (305,200,755) | – | (576,530,330) | (881,731,085) |
| Operating income | 413,194,315 | 258,426,784 | (576,530,330) | 95,090,769 |
| Interest income | 39,384,723 | – | 3,448,602 | 42,833,325 |
| Other income (charges) | – | 132,890,850 | 30,569,842 | 163,460,692 |
| Finance charges | – | – | (35,735,909) | (35,735,909) |
| Provision for income tax | – | – | (160,575,241) | (160,575,241) |
| Segment profit | P452,579,038 | P391,317,634 | (P738,823,036) | P105,073,636 |
| 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 |
| Total segment assets | P10,585,925,128 | P8,130,589,436 | P1,323,675,578 | P20,040,190,142 |
| Segment liabilities | P4,702,241,939 | P620,784,929 | P6,759,345,226 | P12,082,372,094 |
| Segment additions to property and equipment, investment properties and software | P11,890,157 | P1,193,672,923 | P– | P1,205,563,080 |
| Depreciation and amortization | 38,209,737 | 94,223,247 | – | 132,432,984 |

## 5. Cash and Cash Equivalents

| | 2015 | 2014 |
|---|---|---|
| Cash on hand and in banks | **P434,506,136** | P593,158,039 |
| Cash equivalents | **1,658,645,537** | 1,366,207,608 |
| | **P2,093,151,673** | P1,959,365,647 |

Cash in banks earn interest at the prevailing bank deposit rates (see Note 17). 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 2.0% in 2015 and 0.13% to 1.5% in 2014, respectively.

Interest income from cash and cash equivalents amounted to P16.2 million, P4.5 million and P3.4 million in 2015, 2014 and 2013, respectively (see Note 18).

## 6. Trade and Other Receivables

| | 2015 | 2014 |
|---|---|---|
| Contract receivables | **P2,875,514,044** | P3,566,569,797 |
| Lease receivables (Note 27) | **29,331,547** | 190,467,377 |
| Receivables from buyers | **317,882,545** | 323,901,922 |
| Receivables from tenants | **23,603,282** | 56,481,004 |
| Others | **156,975,096** | 424,288,620 |
| | **3,403,306,514** | 4,561,708,720 |
| Less noncurrent portion of contracts receivables | **(352,317,631)** | (608,117,854) |
| | **P3,050,988,883** | P3,953,590,866 |

a. 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. The total assigned contracts receivables amounted to P133.4 million and P257.6 million as of December 31, 2015 and 2014, respectively (see Note 14).

   Interest from contracts receivables amounted to P34.6 million, P37.5 million and P39.4 million in 2015, 2014 and 2013, respectively (see Note 18).

b. Receivables from buyers include receivables relating to registration of titles and turnover fees whereas receivables from tenants represent charges to tenants for utilities normally collectible within a year.

c. Other receivables include accrued interest receivable pertaining to interest earned from cash and cash equivalents and contracts receivables. Included also in other receivables are the advances to officers and employees which pertain to unliquidated cash advances that are due within one year. Unliquidated cash advances to officers and employees are recoverable through salary deduction.

## 7. Real Estate Inventories

| | 2015 | 2014 |
|---|---|---|
| Condominium and residential units | **P2,833,124,000** | P2,801,096,784 |
| Land held for development | **1,275,316,437** | 3,365,859,585 |
| Subdivision projects under development | **4,248,667,789** | 1,289,731,360 |
| | **P8,357,108,226** | P7,456,687,729 |

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

| | 2015 | 2014 |
|---|---|---|
| Beginning of year | **P7,456,687,729** | P5,863,733,884 |
| Land acquisitions and development costs incurred (Notes 15 and 17) | **3,106,991,719** | 2,733,294,524 |
| Transfer to investment properties (Note 9) | **(1,315,766,355)** | – |
| Borrowing costs capitalized (Note 18) | **61,856,286** | 163,393,579 |
| Disposals recognized as cost of sales | **(952,661,153)** | (1,303,734,258) |
| End of year | **P8,357,108,226** | P7,456,687,729 |

b. In 2014, the Group acquired parcels of land from related parties (see Note 17) and third parties 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 P3,953.2 million, was transferred to the Parent Company in exchange for the issuance of 1.60 billion common shares. A portion of the land where the Group's buildings held for lease is situated, with an allocated cost of P658.9 million, was recognized as investment property in 2009. The remaining portion of the land, with an allocated cost of P3,294.3 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 P2,187.4 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 P4.0 billion, thereby, resulting to an increase in the recorded value of the land by P46.8 million.

c. Real estate inventories recognized as part of cost of real estate sales amounted to P952.7 million, P1,303.7 million and P2,489.8 million in 2015, 2014 and 2013, respectively.

d. Borrowing cost capitalized as cost of real estate inventories amounted to P61.9 million, P163.4 million and P191.1 million in 2015, 2014 and 2013, respectively. Capitalization rates for borrowing costs in 2015, 2014 and 2013 were 4.5%, 5.00% and 4.51%, respectively (Note 18).

## 8. Other Current Assets

| | 2015 | 2014 |
|---|---|---|
| Advances to contractors (Note 17) | **P326,187,541** | P367,220,936 |
| Input VAT | **695,492,525** | 600,709,380 |
| Creditable withholding taxes | **55,751,365** | 192,114,085 |
| Deferred rent (Note 27) | **161,592,388** | 90,700,540 |
| Deposits in escrow | – | 6,129,223 |
| Prepayments | **63,684,345** | 91,204,978 |
| | **P1,302,708,164** | P1,348,079,142 |

a. Advances to contractors are diminished every settlement of progress billings based on percentage of accomplishment of each contract package. The activities related to these advances will be completed within the Group's normal operating cycle.

b. Deposits in escrow pertain to the escrow funds required by several Escrow Agreements entered into by the Group with the Housing and Land Use Regulatory Board (HLURB) 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 stipulate, among others, the opening of an escrow account with Philippine National Bank (PNB), an entity under common control, where sales proceeds from projects with temporary licenses to sell shall be deposited. Such escrow accounts shall only be released to the Group upon compliance with all the requirements for the issuance of a Certificate of License to Sell and Certificate of Registration of the projects.

In August 2015, the escrow accounts were released to the Group upon issuance of the Certificate of License to Sell by the HLURB.

c. Prepayments consist of prepaid insurance, taxes and licenses and other prepaid expenses. Prepaid taxes and licenses consist of unamortized portion of taxes and licenses such as business permit and real estate taxes.

## 9. Investment Properties

As of December 2015:

| | Land | Land Improvements and Buildings | Residential Unit | Construction in Progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Beginning of year | P3,213,445,836 | P5,085,014,563 | P7,620,000 | P138,978,941 | P8,445,059,340 |
| Additions | 1,394,000,000 | 8,621,609 | – | 43,437,708 | 1,446,059,317 |
| Transfer from real estate inventories (Note 7) | 1,106,887,320 | 103,337,869 | – | 105,541,166 | 1,315,766,355 |
| End of year | 5,714,333,156 | 5,196,974,041 | 7,620,000 | 287,957,815 | 11,206,885,012 |
| **Accumulated Depreciation** | | | | | |
| Beginning of year | – | 427,056,560 | 7,620,000 | – | 434,676,560 |
| Depreciation for the year (Note 20) | – | 128,424,726 | – | – | 128,424,726 |
| End of year | – | 555,481,286 | 7,620,000 | – | 563,101,286 |
| **Net Book Values** | P5,714,333,156 | P4,641,492,755 | P– | P287,957,815 | P10,643,783,726 |

As of December 2014:

| | Land | Land Improvements and Buildings | Residential Unit | Construction in Progress | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Beginning of year | P3,213,393,506 | P3,648,238,477 | P7,620,000 | P1,330,781,368 | P8,200,033,351 |
| Additions (Note 18) | 52,330 | 226,168,776 | – | 26,824,913 | 253,046,019 |
| Disposal | – | (15,564,622) | – | – | (15,564,622) |
| Transfer from property and equipment (Note 10) | – | 7,544,592 | – | – | 7,544,592 |
| Reclassification | – | 1,218,627,340 | – | (1,218,627,340) | – |
| End of year | 3,213,445,836 | 5,085,014,563 | 7,620,000 | 138,978,941 | 8,445,059,340 |
| **Accumulated Depreciation** | | | | | |
| Beginning of year | – | 296,010,808 | 7,620,000 | – | 303,630,808 |
| Depreciation for the year (Note 20) | – | 145,680,374 | – | – | 145,680,374 |
| Disposal | – | (15,564,622) | – | – | (15,564,622) |
| Reclassification | – | 930,000 | – | – | 930,000 |
| End of year | – | 427,056,560 | 7,620,000 | – | 434,676,560 |
| **Net Book Values** | P3,213,445,836 | P4,657,958,003 | P– | P138,978,941 | P8,010,382,780 |

a. In 2015, the Parent Company reclassified cost of land, which was previously recognized as real estate inventory amounting to P1,106.9 million, to investment property. Management plans to develop thereon additional buildings to be held for lease (see Note 7).

   The addition to land in 2015 pertains to parcels of land acquired from a related party amounting to P1,394.0 million. It will be used for future development (see Note 15).

   Construction costs of building intended for leasing amounting to P105.5 million under real estate inventory. The project, which will be completed in 2016, is transferred to investment properties.

b. In 2014, the Parent Company reclassified the cost of completed buildings intended for leasing amounting to P1,218.6 million from construction in progress to buildings.

   Borrowing cost capitalized as cost of investment properties amounted to nil, P30.0 million and P34.7 million in 2015, 2014 and 2013, respectively. Capitalization rates for borrowing costs in 2015, 2014 and 2013 were 4.5%, 5.00% and 4.51%, respectively (Note 18).

c. Rental income and direct operating expenses arising from the investment properties amounted to P1,172.5 million and P226.9 million in 2015, and P740.3 million and P280.7 million in 2014 and P448.7 million and P190.3 million in 2013, respectively.

   Depreciation of investment properties amounting to P128.4 million, P145.7 million and P94.22 million were recognized as part of cost of rental income in 2015, 2014 and 2013, respectively.

d. The estimated fair value of the investment properties as of December 31, 2014, the latest valuation date, amounted to P22.7 billion. The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. For the replaceable fixed assets valuation, the Cost Approach method of valuation is used. It considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based physical wear and tear, and obsolescence. In estimating the cost of replacement of the new building and other land improvements, the Modified Quantity Survey Method is adopted.

| Property | Approach | Fair Value |
|---|---|---|
| Land | Market data | P15,812,676,000 |
| Building for lease | Cost approach | 6,890,541,000 |
| | | P22,703,217,000 |

The valuations were performed by SEC accredited and independent valuer. The valuation model used 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, 2015.

## 10. Property and Equipment

As of December 31, 2015:

| | Transportation Equipment | Furniture, Fixtures and Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Beginning of year | **P49,938,294** | **P116,015,956** | **P20,346,037** | **P186,300,287** |
| Additions | **10,408,786** | **20,808,069** | **334,821** | **31,551,676** |
| Retirement | **(1,549,107)** | **(6,250)** | – | **(1,555,357)** |
| End of year | **58,797,973** | **136,817,775** | **20,680,858** | **216,296,606** |
| **Accumulated Depreciation and Amortization** | | | | |
| Beginning of year | **39,242,133** | **105,202,312** | **13,772,867** | **158,217,312** |
| Depreciation and amortization (Note 20) | **6,245,105** | **8,137,687** | **2,311,542** | **16,694,334** |
| Retirement | **(1,549,107)** | **(6,250)** | – | **(1,555,357)** |
| End of year | **43,938,131** | **113,333,749** | **16,084,409** | **173,356,289** |
| **Net Book Values** | **P14,859,842** | **P23,484,026** | **P4,596,449** | **P42,940,317** |

As of December 31, 2014:

| | Transportation Equipment | Furniture, Fixtures and Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Beginning of year | P63,911,664 | P104,892,729 | P25,990,092 | P194,794,485 |
| Additions | 2,333,398 | 13,157,357 | 906,411 | 16,397,166 |
| Transfer to investment properties (Note 9) | – | (994,126) | (6,550,466) | (7,544,592) |
| Reclassification | (2,862,060) | 2,862,060 | – | – |
| Disposals | (13,444,708) | (3,902,064) | – | (17,346,772) |
| End of year | 49,938,294 | 116,015,956 | 20,346,037 | 186,300,287 |
| **Accumulated Depreciation and Amortization** | | | | |
| Beginning of year | 47,551,095 | 88,912,706 | 12,393,316 | 148,857,117 |
| Depreciation and amortization (Note 20) | 6,395,157 | 17,147,278 | 1,379,551 | 24,921,986 |
| Reclassification | (2,611,877) | 1,681,877 | – | (930,000) |
| Disposals | (12,092,242) | (2,539,549) | – | (14,631,791) |
| End of year | 39,242,133 | 105,202,312 | 13,772,867 | 158,217,312 |
| **Net Book Values** | P10,696,161 | P10,813,644 | P6,573,170 | P28,082,975 |

The Group has fully depreciated property and equipment that are still in use with cost of P138.5 million and P129.3 million as of December 31, 2015 and 2014, respectively.

In 2015 and 2014, the Group recognized as part of "Cost of rental income" the depreciation of equipment used in leasing activities amounting to P2.1 million and P9.3 million, respectively.

## 11. Other Noncurrent Assets

| | 2015 | 2014 |
|---|---|---|
| Refundable deposits | **P145,375,156** | P173,304,552 |
| Deferred input VAT | **31,089,856** | 60,082,630 |
| Software - net of amortization | **20,764,961** | 18,854,913 |
| Others | **2,900,000** | 3,150,000 |
| | **P200,129,973** | P255,392,095 |

a. Refundable deposits consist principally of amounts paid to utility providers for service applications and guarantee deposit required by the Makati Commercial Estate Association (MACEA). Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be refunded upon project completion.

b. The rollforward analysis of the Group's software follows:

| | 2015 | 2014 |
|---|---|---|
| **Cost** | **P44,352,893** | P25,288,957 |
| Beginning of year | | |
| Additions | **8,484,029** | 19,063,936 |
| End of year | **52,836,922** | 44,352,893 |
| **Accumulated Amortization** | | |
| Beginning of year | **25,497,980** | 14,642,463 |
| Amortization (Note 20) | **6,573,981** | 10,855,517 |
| End of year | **32,071,961** | 25,497,980 |
| **Net Book Values** | **P20,764,961** | P18,854,913 |

## 12. Trade and Other Payables

| | 2015 | 2014 |
|---|---|---|
| Accounts payable | **P512,896,834** | P784,382,173 |
| Retentions payable | **690,714,226** | 710,106,771 |
| Taxes payable | **529,139,913** | 219,049,061 |
| Accrued expenses: | | |
| Real estate development costs | **1,427,467,194** | 539,597,628 |
| Rentals | **124,611,957** | 101,126,183 |
| Interest | **54,493,209** | 50,588,296 |
| Marketing | **9,641,264** | 7,890,350 |
| Utilities, outside services and others | **168,246,923** | 112,131,962 |
| | **P3,517,211,520** | P2,524,872,424 |

a. Accounts payable includes amount payable to contractors for the construction and development costs. Retention payable pertains to the amount withheld from progress billings of the contractors as a guaranty for any claims against them. Accounts payable and retentions payable are normally settled within the Group's normal operating cycle.

b. Accrued expenses represent various accruals of the Group for its expenses and real estate projects. Accrued real estate development costs are construction-related accruals for the real estate projects of the Group.

## 13. Customers' Deposits

Customers' deposits represent payments received from buyers of residential units that will eventually be applied against the corresponding contracts receivables following the revenue recognition policy of the Group.

As of December 31, 2015 and 2014, customers' deposits amounted to P1,426.6 million and P2,017.4 million, respectively.

## 14. Loans Payable

Loans payable account consists of:

| | 2015 | 2014 |
|---|---|---|
| Bank loans | **P1,056,021,844** | P1,523,582,485 |
| Notes payable | **139,996,666** | 306,354,960 |
| | **1,196,018,510** | 1,829,937,445 |
| Less current portion | **476,014,679** | 508,114,380 |
| Noncurrent portion | **P720,003,831** | P1,321,823,065 |

Bank loans

On August 4, 2014, the Parent Company entered into a loan agreement with Union Bank amounting to P500.0 million. The loan bears an interest rate of 7.50% and was subsequently paid on September 4, 2014.

On January 28, 2013, the Parent Company entered into an unsecured term loan agreement with BDO amounting to P2,000.0 million to finance the construction of the Parent Company's projects. The term loan bears an 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, 2013. Effective October 28, 2013, the Parent Company and BDO agreed to the new interest rate of 4.75%.

Notes payable

Notes payable include various notes from BDO which arose from the assignment of 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. In 2015 and 2014, interest rates range from 5.10% to 6.66% and 6.00% to 6.66%, 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.

Interest expense related to loans payable amounted to P67.2 million, P8.3 million and P29.1 million, net of capitalized portion of P9.2 million, P111.9 million and P162.4 million in 2015, 2014 and 2013, respectively (see Notes 7, 9 and 18).

## 15. Payables to Landowners

a. In February 2015, the Parent Company executed promissory notes, subject to interest rate of 6%, to a related party amounting to P369.0 million in relation to its purchase of land located at Meralco Avenue, Pasig City with a total purchase price of P410.0 million. The promissory note is payable monthly for five years from the date of execution. As of December 31, 2015, outstanding payable amounted to P309.3 million (see Note 17).

b. In December 2015, the Parent Company executed promissory notes, subject to interest rate of 6%, to a related party amounting to P754.0 million in relation to its purchase of land located at San Juan City, Pasig City and Pasay City with a total purchase price of P984.0 million. The promissory note is payable quarterly for five years from the date of execution (see Note 17).

c. In various dates in 2014, ECI and BCI executed a P992.9 million promissory note, subject to interest rate of PDSTF 3 years + 0.50%, to various landowners in relation to its purchased land located in Sta. Rosa, Laguna with total purchase price of P1.3 billion. The promissory note is due on the third year of its execution date.

d. In September 2012, the Parent Company executed a P556.8 million promissory note, subject to interest rate of PDSTF 3 years + 1.00%, to a landowner in relation to its purchase of land located in Makati City with total purchase price of P742.4 million. In 2015, the promissory note was fully paid.

e. In November 2012, the Parent Company executed a promissory note to a landowner amounting to P740.0 million, subject to interest rate of PDSTF 3 years + 0.50%, in relation to its purchase of land located in Quezon City with total purchase price of P1,000.0 million. The promissory note is due on the third year of its execution date. In November 2015, the promissory note was extended until 2016.

f. Interest expense related to payables to landowners amounted to P55.3 million in 2015 (nil in 2014 and 2013), net of capitalized portion of P52.6 million, P81.5 million and P63.3 million in 2015, 2014 and 2013, respectively (see Notes 7, 9 and 18).

## 16. Other Noncurrent Liabilities

| | 2015 | 2014 |
|---|---|---|
| Security deposits | **P387,620,205** | P338,301,042 |
| Advance rentals | **145,586,457** | 43,167,679 |
| Deferred rental income | **61,883,557** | 43,510,132 |
| Retirement benefits liability (Note 23) | **46,940,896** | 38,391,693 |
| | **642,031,115** | 463,370,546 |
| Less current portion of: | | |
| Security deposits | **105,114,742** | 91,886,979 |
| Advance rentals | **55,197,966** | – |
| | **160,312,708** | 91,886,979 |
| | **P481,718,407** | P371,483,567 |

Security deposits pertain to the amounts paid by the tenants at the inception of the lease which are 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. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (i) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (ii) associates; and (iii) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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

| Company | Relationship |
|---|---|
| LT Group, Inc. (LTG) | Parent Company |
| Paramount | Intermediate Parent Company |
| Saturn | Stockholder and subsidiary of LTG |
| BCI | Subsidiary |
| ECI | Subsidiary |
| FHI | Subsidiary |
| EPMC | Subsidiary |
| Asia Brewery, Inc. (ABI) | Subsidiary of LTG |
| Dunmore Development Corporation | Subsidiary of LTG |
| Profound Holdings, Inc. | Subsidiary of LTG |
| Total Holdings Corporation | Subsidiary of LTG |
| Philippine National Bank (PNB) | Subsidiary of LTG |
| Basic Holdings, Corporation (BHC) | Entity under common control |
| Grandspan Development Corporation (Grandspan) | Entity under common control |

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

| | | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Entities Under Common Control | Management fee | **(P59,400,000)** | (P57,150,000) | (P42,000,000) |
| | Rental expense | **(11,140,368)** | (11,140,368) | (11,140,368) |
| Key Management | Short-term benefits | **(12,007,200)** | (10,278,504) | (10,196,956) |
| | Post-employment benefits | **(6,708,402)** | (4,287,677) | (5,711,782) |

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

| | Financial Statement Account | Amount/Volume 2015 | Amount/Volume 2014 | Outstanding Balance 2015 | Outstanding Balance 2014 | Terms and Conditions |
|---|---|---|---|---|---|---|
| **Parent Company** | Payables to related parties | **P400,000,000** | P– | P– | (P400,000,000) | Unsecured; interest bearing |
| **Intermediate Parent Company** | Deposit for future stock subscription | **3,150,000,000** | 3,150,000,000 | – | (3,150,000,000) | Unsecured; non-interest bearing |
| | Capital stock | **1,603,210,526** | – | – | – | |
| | Additional paid-in capital | **2,686,469,473** | – | – | – | |
| **Stockholder and Subsidiary of LTG** | Deposit for future stock subscription | **2,350,000,000** | 2,350,000,000 | – | (2,350,000,000) | Unsecured; non-interest bearing |
| | Capital stock | **1,214,458,646** | – | – | – | |
| | Additional paid-in capital | **2,035,861,352** | – | – | – | |
| **Subsidiaries of LTG** | Cash and cash equivalents | **337,770,448** | 918,411,996 | **1,963,844,651** | 1,626,074,203 | Deposits and placements; interest-bearing |
| | Payables to related parties | – | – | **(444,000,000)** | (444,000,000) | Unsecured; Non-interest bearing |
| | Payables to related parties | – | 134,868,330 | **(134,868,330)** | (134,868,330) | Unsecured; interest bearing |
| | Payables to landowners | – | 81,096,600 | **(81,096,600)** | (81,096,600) | Unsecured; interest bearing |
| | Payable to landowners | **1,394,000,000** | – | **(1,063,346,702)** | – | Unsecured; interest bearing |
| **Entities under Common Control** | Payables to related parties | **57,681,081** | 58,868,919 | **(4,801,500)** | (7,884,081) | Management fee; non-interest bearing |
| | Other current assets | – | 522,370 | **641,898** | 641,898 | Advances to contractors; non-interest bearing |

As of December 31, 2015 and 2014, 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 in 2013 and P150.00 million in 2012 to fund the operations of the Parent Company. The Parent Company fully paid the loan in 2015.

*Transactions with Paramount and Saturn*

- In 2015, the Parent Company's BOD approved the increase in its authorized capital stock from P5,000.0 million divided into 5,000.0 million common shares with a par value of P1.0 per share to P8,000.0 million divided into 8,000.0 million common shares with a par value of P1.0 per share. Out of the increase of 3,000.0 million common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of P2.72 per share. P1,139.7 million and P900.3 million have been paid by Paramount and Saturn, respectively.

- In 2014, the Parent Company received advances from its stockholders, Paramount and Saturn, amounting to P3,150.0 million and P2,350.0 million, respectively. On November 14, 2014, Paramount and Saturn authorized the conversion of their advances to the Parent Company into equity by way of subscription to 2,067,669,172 common shares at an issue price of P2.66 per share. On January 14, 2015, the Parent Company filed an application with the SEC for the increase in authorized capital stock and was subsequently approved on January 23, 2015 (see Note 25).

*Transactions with Subsidiaries of LTG*

- Portion of the Group's "Cash and cash equivalents" are deposited with PNB.

- In 2015, the Parent Company purchased parcels of land from PNB for its future projects. The total price of the parcels of land amounted to P1,394.0 million. Total outstanding payable amounting to P1,063.3 million was recorded under “Payables to landowners” as of December 31, 2015 (see Note 15).

- In 2014, the Parent Company and ECI purchased for an amount of P182.2 million certain parcels of land owned by affiliates where the Parent Company and ECI’s projects are located. Total outstanding payable amounting to P134.9 million was recorded under “Payables to related parties” as of December 31, 2015.

- In 2014, ECI purchased parcels of land from related parties amounting to P109.6 million. Total outstanding payable amounting to P81.1 million was recorded as part of “Payables to landowners” as of December 31, 2015 and 2014 (see Note 15).

- On October 1, 2013, the Group purchased a parcel of land from ABI with total lot area of 10,000 square meters for P600.0 million. Of this amount, the Group paid P156.0 million as down payment 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 the promissory note.

- 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 is included in “Outside services” account under “General and administrative expenses” in the consolidated statements of income (see Note 20).

*Transactions with Entities under Common Control*

- The Group has outstanding advances to Grandspan Development Corporation pertaining to the development of the Group’s projects and is included as part of “Other current assets” account.

- 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 P59.4 million, P57.2 million and P42.0 million in 2015, 2014 and 2013, respectively (see Note 20). As of December 31, 2015 and 2014, unpaid management fees amounted to P4.8 million and P7.9 million, respectively.

- The following are the transactions and balances among related parties which are eliminated in the consolidated statements of financial position:

| Amounts owed to | Amounts owed by | Terms and Conditions | 2015 | 2014 |
|---|---|---|---|---|
| EPPI | ECI | Advances; noninterest bearing | **P474,310,843** | P103,649,095 |
| | FHI | -do- | **198,306,165** | 203,093,139 |
| | EPMC | -do- | **166,431** | – |
| | BCI | -do- | – | 17,850,353 |
| BCI | ECI | -do- | **22,767** | – |
| ECI | BCI | -do- | – | 3,119 |

## 18. Interest Income and Finance Charges

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| *Interest income:* | | | |
| Cash and cash equivalents (Note 5) | **P16,211,746** | P4,537,067 | P3,448,602 |
| Contracts receivables (Note 6) | **34,618,423** | 37,500,147 | 39,384,723 |
| | **P50,830,169** | P42,037,214 | P42,833,325 |
| *Finance charges:* | | | |
| Interest expense on: | | | |
| Loans payable (Note 14) | **P76,482,699** | P127,070,641 | P164,103,661 |
| Notes payable (Notes 14 and 15) | **130,735,516** | 100,397,509 | 95,290,408 |
| | **207,218,215** | 227,468,150 | 259,394,069 |
| Capitalized interest in: | | | |
| Real estate inventories (Note 7) | **(61,856,286)** | (163,393,579) | (191,076,182) |
| Investment properties (Note 9) | – | (29,999,397) | (34,684,572) |
| | **(61,856,286)** | (193,392,976) | (225,760,754) |
| | **145,361,929** | 34,075,174 | 33,633,315 |
| Bank charges and others | **30,424,776** | 15,241,542 | 2,102,594 |
| | **P175,786,705** | P49,316,716 | P35,735,909 |

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

## 19. Selling Expenses

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Commissions | **P22,730,412** | P137,023,098 | P305,200,755 |
| Advertising and promotions | **19,651,381** | 18,028,420 | 60,563,522 |
| | **P42,381,793** | P155,051,518 | P365,764,277 |

## 20. General and Administrative Expenses

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Personnel costs (Note 21) | **P164,557,413** | P136,008,058 | P139,797,495 |
| Outside services (Note 17) | **170,935,676** | 126,645,683 | 124,949,500 |
| Taxes and licenses | **108,532,262** | 62,823,726 | 85,842,330 |
| Travel and transportation | **31,548,733** | 24,315,496 | 19,081,168 |
| Repairs and maintenance | **23,666,973** | 5,335,318 | 13,205,821 |
| Depreciation and amortization (Notes 10 and 11) | **21,199,329** | 26,468,769 | 38,209,738 |
| Communication, light and water | **18,728,049** | 9,417,573 | 42,915,145 |
| Entertainment, amusement and recreation | **12,299,361** | 4,919,635 | 15,378,366 |
| Professional fees | **11,360,339** | 12,901,228 | 13,578,185 |
| General and motor insurance | **7,097,492** | 2,939,991 | 8,686,560 |
| Office supplies | **3,969,653** | 3,492,449 | 7,408,577 |
| Others | **14,422,825** | 10,296,864 | 6,913,923 |
| | **P588,318,105** | P425,564,790 | P515,966,808 |

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

## 21. Personnel Cost

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Salaries and wages | **P119,864,037** | P102,263,473 | P101,519,234 |
| Employee benefits | **22,294,810** | 19,428,536 | 19,207,291 |
| Retirement benefits cost (Note 23) | **22,398,566** | 14,316,049 | 19,070,970 |
| | **P164,557,413** | P136,008,058 | P139,797,495 |

## 22. Other Income - Net

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Rental dues | **P182,623,797** | P136,641,587 | P140,866,944 |
| Loss on cancelled contracts | **(215,001,981)** | (76,540,209) | – |
| Others - net | **42,998,042** | 36,780,213 | 18,740,956 |
| | **P10,619,858** | P96,881,591 | P159,607,900 |

Others include forfeiture income on sales cancellations, penalty income and late payment charges, and miscellaneous income.

## 23. Retirement Benefits

The Parent Company has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees. The Parent 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. The projected unit credit cost method is used in determining the liability of the Parent Company, which takes into account the factors of mortality, discount, turnover, retirement and salary increase rates of employees. The latest actuarial valuation report is as at December 31, 2015.

RA No. 7641 ("Retirement Pay Law"), an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The 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:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Current service cost | **P20,670,940** | P12,928,281 | P17,325,793 |
| Interest cost on defined benefits obligation | **1,727,626** | 1,387,768 | 1,745,177 |
| | **P22,398,566** | P14,316,049 | P19,070,970 |

The retirement benefits liabilities recognized as part of "Other noncurrent liabilities" in the consolidated statements of financial position amounted to P46.9 million and P38.4 million as of December 31, 2015 and 2014, respectively.

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

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Beginning of year | **P38,391,693** | P29,653,166 | P32,865,855 |
| Retirement benefits cost in profit or loss: | | | |
| Current service cost | **20,670,940** | 12,928,281 | 17,325,793 |
| Interest cost on defined benefits obligation | **1,727,626** | 1,387,768 | 1,745,177 |
| | **22,398,566** | 14,316,049 | 19,070,970 |
| Remeasurement loss (gain) in other comprehensive income (loss) - actuarial changes arising from: | | | |
| Experience adjustments | **(8,788,229)** | (7,107,216) | (26,236,155) |
| Change in financial assumptions | **(5,545,657)** | 1,529,694 | 3,952,496 |
| Change in demographic assumptions | **484,523** | – | – |
| | **(13,849,363)** | (5,577,522) | (22,283,659) |
| End of year | **P46,940,896** | P38,391,693 | P29,653,166 |

The principal assumptions used in determining retirement benefits cost for the Group as of January 1 follow:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Discount rate | **4.50%** | 4.68% | 5.31% |
| Salary increase rate | **10.00%** | 10.00% | 10.00% |
| Average future working years of service | **24** | 24 | 23 |

As of December 31, 2015, the discount and salary increase rates are 4.98% and 10.00%, respectively.

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:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| Discount rate | **+0.5%** | **(P5,102,939)** | +0.5% | (P4,070,838) |
| | **-0.5%** | **5,853,863** | -0.5% | 4,668,572 |
| Future salary increase rate | **+1.0%** | **11,581,491** | +1.0% | 9,172,826 |
| | **-1.0%** | **(9,105,000)** | -1.0% | (7,224,460) |

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

| | 2015 | 2014 |
|---|---|---|
| Less than 1 year | **P828,024** | P191,984 |
| More than 1 year up to 5 years | **1,750,039** | 2,451,166 |
| More than 5 years up to 10 years | **15,676,812** | 24,233,018 |
| More than 10 years up to 15 years | **82,546,130** | 93,292,113 |
| More than 15 years up to 20 years | **200,975,793** | 101,960,543 |
| More than 20 years | **4,652,930,385** | 3,611,913,530 |

## 24. Income Tax

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

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| RCIT | **P230,932,064** | P57,922,096 | P49,290,931 |
| MCIT | **417,353** | 1,080,937 | 1,646,106 |
| Final | **3,290,103** | 730,677 | 657,817 |
| | **P234,639,520** | P59,733,710 | P51,594,854 |

b. The Group's recognized net deferred income tax assets as of December 31, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|---|---|---|
| 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 | **P17,180,362** | P36,137,102 |
| Accrued rent expense | **37,383,587** | 30,337,855 |
| Accrued expenses | **34,327,774** | 29,290,738 |
| Advance rentals | **37,601,862** | – |
| Retirement benefits liability | **26,595,433** | 19,875,862 |
| Excess MCIT | **3,144,398** | 3,954,682 |
| NOLCO | – | 25,817,755 |
| | **156,233,416** | 145,413,994 |
| Deferred income tax liabilities on: | | |
| Difference between tax basis and book basis of accounting for real estate transactions | **(P47,006,482)** | (P44,121,580) |
| Deferred rental income | **(41,555,143)** | (18,661,104) |
| Unrealized foreign exchange gain - net | **(1,105,854)** | (346,948) |
| | **(89,667,479)** | (63,129,632) |
| | **66,565,937** | 82,284,362 |
| Deferred income tax liability from gains arising from changes in actuarial assumptions directly recognized in equity | **(12,513,163)** | (8,358,354) |
| | **P54,052,774** | P73,926,008 |

c. As of December 31, 2015 and 2014, the Group has not recognized deferred income tax assets on the carryforward benefits of NOLCO amounting to P265.7 million and P61.1 million, respectively, based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized.

Details of Group's NOLCO follow:

| Year Incurred | Amount | Expired | Applied | Balance as of December 31, 2015 | Available Until |
|---|---|---|---|---|---|
| 2012 | P30,406,529 | (P30,406,529) | P– | P– | 2015 |
| 2013 | 46,594,968 | – | – | 46,594,968 | 2016 |
| 2014 | 96,458,167 | – | – | 96,458,167 | 2017 |
| 2015 | 122,616,711 | – | – | 122,616,711 | 2018 |
| | P296,076,375 | (P30,406,529) | P– | P265,669,846 | |

Details of Group's MCIT follow:

| Year Incurred | Amount | Expired | Applied | Balance as of December 31, 2015 | Available Until |
|---|---|---|---|---|---|
| 2012 | P1,227,638 | (P1,227,638) | P– | P– | 2015 |
| 2013 | 1,646,107 | – | – | 1,646,107 | 2016 |
| 2014 | 1,080,937 | – | – | 1,080,937 | 2017 |
| 2015 | 417,354 | – | – | 417,354 | 2018 |
| | P4,372,036 | (P1,227,638) | P– | P3,144,398 | |

d. 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:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Provision for income tax at the statutory income tax rate | **P169,083,826** | P60,596,966 | P79,694,663 |
| Adjustments for: | | | |
| Interest income subjected to final tax | **(1,573,415)** | (234,336) | (376,761) |
| Nondeductible expenses | **11,126,545** | 23,774,572 | 5,159,578 |
| NOLCO and deductible temporary differences for which no deferred income tax asset was recognized | **36,785,013** | 1,946,998 | 76,097,761 |
| Derecognition of deferred income tax assets deemed to be worthless | **28,214,739** | – | – |
| Expiration of NOLCO and excess MCIT for which deferred income tax assets were recognized in prior year | **P6,721,237** | – | – |
| Deductible temporary differences utilized in current year for which no deferred income tax assets were recognized in prior years | – | (3,958,974) | – |
| Provision for income tax | **P250,357,945** | P82,125,226 | P160,575,241 |

## 25. Equity

Capital Stock

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

| | Number of Shares | |
|---|---|---|
| | **2015** | 2014 |
| **Authorized capital stock at P1 par value** | | |
| Beginning of year | **5,000,000,000** | 5,000,000,000 |
| Increase in authorized capital stock | **3,000,000,000** | – |
| End of year | **8,000,000,000** | 5,000,000,000 |
| **Issued and outstanding capital stock at P1 par value** | | |
| Beginning of year | **2,905,348,700** | 2,905,348,700 |
| Conversion of advances to capital stock | **2,067,669,172** | – |
| Issuance of capital stock | **750,000,000** | – |
| Treasury | **(10,000)** | (10,000) |
| End of year | **5,723,007,872** | 2,905,338,700 |

On May 12, 1988, the SEC approved the registration and licensing of the 30.0 billion authorized capital stock of the Parent Company with a total par value of P300.0 million divided into 18 billion Class "A" shares with par value of P0.01 per share and 12.0 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 P300.0 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 P300.0 million to P1.0 billion divided into 60.0 billion Class "A" shares with par value of P0.01 per share and 40.0 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 P1.0 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 P1,000.0 million to P73.8 million and subsequently, an increase in the authorized capital stock of the Parent Company, after decrease is effected, to P5,000.0 million divided into 5,000.0 million 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 P1,000.0 million to P73.8 million consisting of 73.8 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 P73.8 million to P5,000.0 million consisting of 5,000.0 million shares with par value of P1.00 per share. Saturn subscribed to P1,231.6 million out of the P4,926.2 million increase in the authorized capital stock.

On March 2, 2015, the Parent Company's BOD approved the increase in its authorized capital stock from P5,000.0 million divided into 5,000.0 million common shares with a par value of P1.0 per share to P8,000.0 million divided into 8,000.0 million common shares with a par value of P1.0 per share. On September 28, 2015, Eton filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on September 30, 2015. Out of the increase of 3,000.0 million common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of P2.72 per share.

The issued and outstanding registered shares are held by 1,665 stockholders as of December 31, 2015 and 2014, respectively.

Asset-for-Share Swap

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of P3,953.2 million, owned by Paramount where the Eton Centris projects are situated in exchange for the issuance of 1.6 billion shares to Paramount at P2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a 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 P4.0 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 P1.6 billion and P2.4 billion, respectively. The subscribed capital stock was issued as of December 31, 2012.

In 2012, subscription receivable from Paramount amounting to P573.7 million was collected. The corresponding subscribed shares were issued as of December 31, 2012.

Deposit for Future Stock Subscription

On November 14, 2014, Paramount and Saturn authorized the conversion of its advances to the Parent Company amounting to P3,150.0 million and P2,350.0 million, respectively, into equity by way of subscription to 2,067,669,172 shares of stock at an issue price of P2.66 per share. On January 14, 2015, the Parent Company filed the application for conversion with the SEC which was subsequently approved on January 23, 2015.

Additional Paid-in Capital

In 2013, the Group received cash from Paramount amounting to P1,100.0 million as additional capital contribution, which is recognized under "Additional paid-in capital" account.

Costs incurred directly related to the issuance of capital stock in 2015 amounting to P15.7 million were charged to "Additional paid-in capital".

Retained Earnings

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

Portion of the retained earnings pertaining to undistributed earnings of subsidiaries amounting to P166.0 million as of December 31, 2015 and 2014 and unrealized items amounting to P55.1 million and P71.6 million as of December 31, 2015 and 2014, respectively, are not available for dividend declaration.

## 26. Basic/Diluted Earnings Per Share

Basic/diluted earnings per share were calculated as follows:

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Net income | **P313,254,809** | P119,864,660 | P105,073,636 |
| Divided by weighted average number of common shares | **5,723,007,872** | 2,905,338,700 | 2,905,338,700 |
| Basic/diluted earnings per share | **P0.0547** | P0.0413 | P0.0362 |

In 2015, 2014, and 2013, there are no potential common shares, and thus, basic and diluted earnings per share are the same.

## 27. 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 lease term and a certain percentage of gross revenue of tenants, as applicable, on a non-cancellable lease term. The Group recognized variable rental income amounting to P14.1 million, P10.1 million and P2.6 million in 2015, 2014 and 2013, respectively.

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

| | 2015 | 2014 |
|---|---|---|
| Within one year | **P996,261,757** | P835,982,283 |
| After one year but not more than five years | **2,338,623,003** | 2,247,901,066 |
| More than five years | **254,716,342** | 303,396,960 |
| | **P3,589,601,102** | P3,387,280,309 |

*The Group as lessee*
The Group entered into a renewable cancellable lease agreement with PNB, which generally provides for a fixed monthly rent for the Group's office spaces (see Note 17).

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 follow:

| | 2015 | 2014 |
|---|---|---|
| Within one year | **P16,611,060** | P15,820,057 |
| After one year but not more than five years | **75,175,531** | 71,595,744 |
| More than five years | **1,408,529,434** | 1,428,720,281 |
| | **P1,500,316,025** | P1,516,136,082 |

## 28. 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 as of December 31, 2015 and 2014.

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Cash on hand | **P730,723** | **P730,723** | P701,780 | P701,780 |
| Loans and receivables: | | | | |
| Cash in banks and cash equivalents | **2,092,420,950** | **2,092,420,950** | 1,958,663,867 | 1,958,663,867 |
| Contracts receivables | **2,875,514,044** | **2,875,514,044** | 3,566,569,797 | 3,566,569,797 |
| Lease receivables | **29,331,547** | **29,331,547** | 190,467,377 | 190,467,377 |
| Receivables from buyers | **317,882,545** | **317,882,545** | 323,901,922 | 323,901,922 |
| Receivables from tenants | **23,603,282** | **23,603,282** | 56,481,004 | 56,481,004 |
| Others | **156,975,096** | **156,975,096** | 424,288,620 | 424,288,620 |
| Deposits in escrow* | – | – | 6,129,223 | 6,129,223 |
| Refundable deposits** | **145,375,156** | **145,375,156** | 173,304,552 | 173,304,552 |
| | **P5,641,833,343** | **P5,641,833,343** | P6,700,508,142 | P6,700,508,142 |

(forward)

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Liabilities** | | | | |
| Other financial liabilities: | | | | |
| Trade and other payables: | | | | |
| Accounts payable | **P512,896,834** | **P512,896,834** | P784,382,173 | P784,382,173 |
| Retentions payable | **690,714,226** | **690,714,226** | 710,106,771 | 710,106,771 |
| Accrued expenses | **1,784,460,547** | **1,784,460,547** | 811,334,419 | 811,334,419 |
| Payables to related parties | **583,669,830** | **583,669,830** | 986,752,411 | 986,752,411 |
| Loans payable | **1,196,018,510** | **1,191,558,763** | 1,829,937,445 | 1,716,509,221 |
| Payables to landowners | **2,796,269,230** | **2,876,115,537** | 2,289,707,528 | 2,306,160,732 |
| Security deposits*** | **387,620,205** | **351,781,057** | 338,301,042 | 323,236,185 |
| | **P7,951,649,382** | **P7,991,196,794** | P7,750,521,789 | P7,638,481,912 |

**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" account.*

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, 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), 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, payables to landowners and security deposits*
The fair values of loans payable, payables to landowners and security deposits 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 2.67% to 3.89% and 2.75% to 5.07% as of December 31, 2015 and 2014, respectively.

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

- 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; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of December 31, 2015 and 2014, there are no financial instruments measured at fair value under Levels 1, 2 and 3. There was no transfer between hierarchies in 2015 and 2014.

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, 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 and refundable deposits represent the Group's maximum exposure to credit risk.

As of December 31, 2015 and 2014, the Group's maximum exposure to credit risk for the components of the consolidated statements of financial position follows:

| | **2015** | 2014 |
|---|---|---|
| Loans and receivables: | | |
| Cash in banks and cash equivalents | **P2,092,420,950** | P1,958,663,867 |
| Trade and other receivables: | | |
| Contracts receivables | **2,875,514,044** | 3,566,569,797 |
| Lease receivables | **29,331,547** | 190,467,377 |
| Receivable from buyers | **317,882,545** | 323,901,922 |
| Receivable from tenants | **23,603,282** | 56,481,004 |
| Others | **156,975,096** | 424,288,620 |
| Deposits in escrow bank | – | 6,129,223 |
| Refundable deposits | **145,375,156** | 173,304,552 |
| | **P5,641,102,620** | P6,699,806,362 |

The Group is not exposed to concentration risk because it has a diverse base of counterparties.

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

As of December 31, 2015:

| | **Neither past due nor impaired** | | **Past due but not** | |
|---|---|---|---|---|
| | **High Grade** | **Medium Grade** | **impaired** | **Total** |
| Cash in banks and cash equivalents | **P2,092,420,950** | **P–** | **P–** | **P2,092,420,950** |
| Trade and other receivables: | | | | |
| Contracts receivables | – | **2,117,096,584** | **758,417,460** | **2,875,514,044** |
| Lease receivables | – | **4,414,716** | **24,916,831** | **29,331,547** |
| Receivable from buyers | – | **317,882,545** | – | **317,882,545** |
| Receivables from tenants | – | **21,031,557** | **2,571,725** | **23,603,282** |
| Others | – | **156,975,096** | – | **156,975,096** |
| Refundable deposits | – | – | **145,375,156** | **145,375,156** |
| | **P2,092,420,950** | **P2,617,400,498** | **P931,281,172** | **P5,641,102,620** |

As of December 31, 2014:

| | Neither past due nor impaired | | Past due but not | |
|---|---|---|---|---|
| | High Grade | Medium Grade | impaired | Total |
| Cash in banks and cash equivalents | P1,958,663,867 | P– | P– | P1,958,663,867 |
| Trade and other receivables: | | | | |
| Contracts receivables | – | 2,953,935,122 | 612,634,675 | 3,566,569,797 |
| Lease receivables | – | 39,376,822 | 151,090,555 | 190,467,377 |
| Receivable from buyers | – | 323,901,922 | – | 323,901,922 |
| Receivables from tenants | – | – | 56,481,004 | 56,481,004 |
| Others | – | 424,288,620 | – | 424,288,620 |
| Deposits in escrow | – | 6,129,223 | – | 6,129,223 |
| Refundable deposits | – | 16,500,728 | 156,803,824 | 173,304,552 |
| | P1,958,663,867 | P3,764,132,437 | P977,010,058 | P6,699,806,362 |

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.
- Past due but not impaired - 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, 2015:

| | Less than 30 days | 30-60 days | More than 60 days | Total |
|---|---|---|---|---|
| Loans and receivables: | | | | |
| Trade and other receivables: | | | | |
| Contracts receivables | **P20,665,097** | **P20,102,957** | **P717,649,406** | **P758,417,460** |
| Lease receivables | **1,045,100** | **15,487,917** | **8,383,814** | **24,916,831** |
| Receivable from tenants | **1,264,998** | **126,462** | **1,180,265** | **2,571,725** |
| Refundable deposits | – | – | **145,375,156** | **145,375,156** |
| | **P22,975,195** | **P35,717,336** | **P872,588,641** | **P931,281,172** |

As of December 31, 2014:

| | Less than 30 days | 30-60 days | More than 60 days | Total |
|---|---|---|---|---|
| Loans and receivables: | | | | |
| Trade and other receivables: | | | | |
| Contracts receivables | P16,692,858 | P16,238,772 | P579,703,045 | P612,634,675 |
| Lease receivables | 6,337,272 | 93,915,554 | 50,837,729 | 151,090,555 |
| Receivable from tenants | 27,782,270 | 2,777,397 | 25,921,337 | 56,481,004 |
| Refundable deposits | – | – | 156,803,824 | 156,803,824 |
| | P50,812,400 | P112,931,723 | P813,265,935 | P977,010,058 |

*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, 2015:

| | Less than 1 year | 1 - 5 years | More than 5 years | Total |
|---|---|---|---|---|
| **Financial liabilities:** | | | | |
| Trade and other payables: | | | | |
| Accounts payables | **P512,896,834** | **P–** | **P–** | **P512,896,834** |
| Retentions payable | **690,714,226** | – | – | **690,714,226** |
| Accrued expenses | **1,784,460,547** | – | – | **1,784,460,547** |
| Payables to related parties | **583,669,830** | – | – | **583,669,830** |
| Loans payable | **476,014,679** | **720,003,831** | – | **1,196,018,510** |
| Payable to landowners | **875,695,891** | **1,920,573,339** | – | **2,796,269,230** |
| Security deposits | **105,114,742** | **282,505,463** | – | **387,620,205** |
| | **P5,028,566,749** | **P2,923,082,633** | **P–** | **P7,951,649,382** |
| **Financial assets:** | | | | |
| Cash in banks and cash equivalents | **P2,092,420,950** | **P–** | **P–** | **P2,092,420,950** |
| Trade and other receivables* | **2,576,131,242** | **352,317,631** | – | **2,928,448,873** |
| | **P4,668,552,192** | **P352,317,631** | **P–** | **P5,020,869,823** |

**Excluding other receivables amounting to P474.9 million.*

As of December 31, 2014:

| | Less than 1 year | 1 - 5 years | More than 5 years | Total |
|---|---|---|---|---|
| Financial liabilities: | | | | |
| Trade and other payables: | | | | |
| Accounts payables | P784,382,173 | P– | P– | P784,382,173 |
| Retentions payable | 710,106,771 | – | – | 710,106,771 |
| Accrued expenses | 811,334,419 | – | – | 811,334,419 |
| Payables to related parties | 986,752,411 | – | – | 986,752,411 |
| Loans payable | 508,114,380 | 1,321,823,065 | – | 1,829,937,445 |
| Payable to landowners | 1,296,785,000 | 992,922,528 | – | 2,289,707,528 |
| Security deposits | 91,886,979 | 159,980,828 | 86,433,235 | 338,301,042 |
| | P5,189,362,133 | P2,474,726,421 | P86,433,235 | P7,750,521,789 |
| Financial assets: | | | | |
| Cash in banks and cash equivalents | P1,958,663,867 | P– | P– | P1,958,663,867 |
| Trade and other receivables* | 3,205,400,324 | 608,117,854 | – | 3,813,518,178 |
| | P5,164,064,191 | P608,117,854 | P– | P5,772,182,045 |

**Excluding other receivables amounting to P748.2 million.*

*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 tax as a result of reasonably possible changes in interest rate as of December 31, 2015 and 2014, with all other variables held constant.

| | Changes in basis points | **2015** | 2014 |
|---|---|---|---|
| Notes payable | +100 | **(P18,541,783)** | (P15,019,329) |
| | -100 | **18,541,783** | 15,019,329 |
| Bank loans | +100 | **(11,988,202)** | (15,288,189) |
| | -100 | **11,988,202** | 15,288,189 |

*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:

| | **US Dollar Value** | Peso Equivalent |
|---|---|---|
| 2015 | **$1,456,207** | **P68,529,101** |
| 2014 | 1,534,091 | 68,497,170 |

The exchange rate used as of December 31, 2015 and 2014 is P47.06 to US$1.00 and P44.65 to US$1.00, respectively. The Group recognized net foreign exchange gain amounting to P3.7 million in 2015 and net foreign exchange loss of P1.2 million in 2014.

The table below represents 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, 2015 and 2014.

| | **Change in Dollar Foreign Exchange Rate** | **Effect on Income before Income Tax** |
|---|---|---|
| 2015 | **3.63%** | **P2,487,606** |
| | **(3.63%)** | **(2,487,606)** |
| 2014 | 4.26% | (2,924,021) |
| | (4.26%) | 2,924,021 |

## 29. 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, 2015 and 2014. Accordingly, the Group is not subject to externally imposed capital requirements.

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

| | 2015 | 2014 |
|---|---|---|
| Capital stock | **P5,723,017,872** | P2,905,348,700 |
| Additional paid-in capital | **8,206,662,618** | 3,500,000,000 |
| Retained earnings | **1,971,614,587** | 1,658,359,778 |
| Treasury shares | **(7,955)** | (7,955) |
| Deposit for future stock subscription | – | 5,500,000,000 |
| | **P15,901,287,122** | P13,563,700,523 |

## 30. 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.

## 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 P3.0 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.

There were no tax incentives availed in 2015, 2014 and 2013.

## 32. Contingencies

The Group has various contingent liabilities from legal cases arising from the normal course of business which are currently being contested by the Group. The outcomes of these cases are not currently determinable. Management and its legal counsel believe that the eventual liability from these legal cases, if any, will not have a material effect on the consolidated financial statements.

## 33. Notes to Consolidated Statements of Cash Flows

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

- In 2015, the Group reclassified cost of land and construction costs of building, which was previously recognized as real estate inventory amounting to P1,106.9 million and P105.5 million, respectively, to investment property (see Note 7).

- In 2015, the Group purchased parcels of land from a related party amounting to P1,394.0 million which were included as investment properties. As of December 31, 2015, the unpaid portion amounting to P1,063.3 million is recognized and included under "Payable to landowners" (see Notes 9 and 15).

- On November 14, 2014, the BOD of Paramount and Saturn authorized the conversion of its advances to the Parent Company amounting to P3,150.0 million and P2,350.0 million, respectively, into equity by way of subscription to 2,067,669,172 shares of stock (see Note 25).

- In September 2014, the Group reclassified the cost of land improvements with a total amount of P7.5 million from property and equipment to investment properties (see Notes 9 and 10).

- In 2014, the Group purchased parcels of land which were capitalized as real estate inventories. As of December 31, 2014, the unpaid portion of the land purchases of P1,500.6 million is recognized and included under "Payables to related parties" and "Payable to landowners" in the amount of P134.9 million and P992.9 million, respectively (see Notes 7, 15 and 17).

- In October 2013, the Group executed P444.0 million promissory note in relation to its purchase of parcels of land with total amount of P600.0 million. Of the total amount, P342.7 million was capitalized as real estate inventories and the remaining P257.3 million was capitalized as investment properties which will be used by the Parent Company for future project developments (see Notes 7, 9 and 17).