SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

GENERAL INSTRUCTIONS

(a) Use of Form 17-Q

This SEC Form 17-Q shall be used for quarterly reports under Section 17 of the Code, filed pursuant to paragraph (2)(b) of SRC Rule 17 thereunder and shall be filed within 45 calendar days after the end of each of the first three fiscal quarters of each fiscal year. The first quarterly report of the issuer shall be filed either within 45 calendar days after the effective date of the registration statement or on or before the date on which such report would have been required to be filed if the issuer had been required previously to file reports on SEC Form 17-Q, whichever is later. No report need be filed for the fourth quarter of any fiscal year.

(b) Application of SRC Rule 72.1: Requirements for Filing Forms

SRC Rule 72.1 contains general rules and regulations which are applicable to reports on forms to be filed with the Commission. SRC Rule 68 contains requirements for the content of financial statements to be filed with the Commission as part of this report. These Rules should be carefully read and observed in the preparation and filing of reports on this Form.

(c) Preparation of Report

(1) This is not a blank form to be filled in. It is a guide to be used in preparing the report in accordance with SRC Rule 72.1. The Commission does not furnish blank copies of this Form to be filled in for filing.

(2) These general instructions are not to be filed with the report. The instructions to the various captions of the form are also to be omitted from the report as filed. The report shall contain the numbers and captions of all applicable items, but the text of such items may be omitted, provided the answers thereto are prepared in the manner specified in SRC Rule 72.1. All items that are not required to be answered in a particular report may be omitted and no reference thereto need be made in the report. All instructions should also be omitted.

(d) Incorporation by Reference

In accordance with the provisions of SRC Rule 12-2, if the issuer makes available to its stockholders or otherwise publishes, within the period prescribed for filing the report, a document or statement containing information meeting some or all of the requirements of Part I of this Form, the information called for may be incorporated by reference from such published document or statement, in answer or partial answer to any item or items of Part I of this Form, provided copies thereof are filed as an exhibit to Part I, and all information called for in this Form is supplied.

(e) Integrated Reports to Security Holders

Quarterly reports to security holders may be combined with the required information of Form 17-Q and will be suitable for filing with the Commission if the combined report contains full and complete answers to all items required by this Form. When responses to a certain item of required disclosure are separated within the combined report, an appropriate cross-reference should be made.

(f) Signature and Filing of Report

(1) Five complete copies of the report, including any financial statements, exhibit or other paper or document filed as a part thereof shall be filed with the Commission. At least one complete copy of the report, including any financial statements, exhibit or other paper or document filed as a part thereof, shall, if any class of the issuer's securities are listed in a stock exchange, be filed with that Exchange.

(2) At least one complete copy of the report filed with the Commission and, when applicable, one copy filed with the Exchange shall be manually signed on the issuer's behalf by a duly authorized officer of the issuer and by the principal financial or chief accounting officer of the issuer. Copies not manually signed shall bear typed or printed signatures. In the case where the principal financial officer or chief accounting officer is also duly authorized to sign on behalf of the issuer, one signature is acceptable provided the issuer clearly indicates the dual responsibilities of the signatory. See also paragraph (2) and (3) of SRC Rule 72.1concerning copies, binding, signatures, paper, printing, language, and pagination.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2016**

2. Commission identification number **CS200900917**

3. BIR Tax Identification No. **007-213-353-000**

4. Exact name of issuer as specified in its charter **ITALPINAS DEVELOPMENT CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office **UNIT 9A, 9F COUNTRY SPACE 1 BLDG., 137 SEN. GIL PUYAT AVE., MAKATI CITY** Postal Code

8. Issuer's telephone number, including area code **(02) 893 - 0328**

9. Former name, former address and former fiscal year, if changed since last report **Not Applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Common shares	**221,618,800 shares**
Debt Outstanding	**Php 143,464,000**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [x] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    ____________________ ____________________

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [ ] No [x]

    (b) has been subject to such filing requirements for the past ninety (90) days.

    Yes [ ] No [x]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The accompanying reporting package of **ITALPINAS DEVELOPMENT CORPORATION (IDC)** which comprise of the Company's financial position as of March 31, 2016 and December 31, 2015 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three-month periods ending March 31, 2016 and March 31, 2015 have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS). Please see **Annex A**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

1st Quarter 2016 Financial Condition

As of March 31, 2016, the Company had total assets of Php 589,142,469. Likewise, the Company remains liquid with current assets amounting to Php 459,285,732 as against its current obligations of Php 108,844,208.

The Company assets are comprised primarily of cash, real estate inventory, receivables and investment property. There was an increase in real estate inventory since the building is 100% complete and the company was using percentage of completion method in recognizing inventory.

Italpinas' receivables are composed mainly of installment contracts receivables from buyers. As of 31 March 2016, none of its receivables have been classified as 'Past Due' or 'Impaired'. Bulk of these receivables is expected to be collected on the rest of the year thru buyer's availment of bank financing and company's availment of bank CTS facility for its receivables under in-house and deferred financing.

The investment of the Company represents land intended for future projects, that is, land in Santo Tomas Batangas which will be used to construct Miramonti.

To further fuel its growth, the Company acquired development loan for each project. Landbank loan was acquired for Primavera Residences Tower A and BPI loan was acquired for Primavera Residences Tower B. Debt-to-Equity ratio is .86x in 31 March 2016.

Financial Condition as at 31 March 2016 compared to as at 31 December 2015

.34x Decrease in Cash

The company paid its existing obligations to its contractors and existing loans to the bank.

.01x Increase in Receivables

The company sold 8 residential units of Primavera Residences Tower B totaling to Php 22,522,257, all of these units were not sold on installment basis.

.11x Decrease in Real Estate Inventory

A decrease in inventory of Php 9.7 million is due to the cost of the sold 8 units of Primavera Residences Tower B.

4.87x Increase in Due from Related Parties

Increase was due to advances to affiliates.

5.41x Increase in Prepayments

Included in the prepayments account were prepaid expenses totaling Php 4.7 million, these were advance payments made to suppliers and contractors.

.07x Decrease in Property and Equipment

There were no disposals of assets on the three-month period. Decrease was caused by depreciation expenses incurred.

.25x Decrease in Other Non-Current Assets

Recognition of some non-current assets as current caused the decrease.

.01x Increase in Trade and Other Payables

Increase in the trade and other payable is due to additional structural works on Primavera Residences Tower 2.

.08x Increase in Retained Earnings

The company earned Php 3,551,318 for the three-month period which brought about the increase in retained earnings.

<u>1st Quarter 2016 Results of Operation</u>

Italpinas reported a net income of Php 3,551,318 for the quarter.

Results of Operation as at 31 March 2016 compared to as at 31 March 2015

.41x Increase in Real Estate Sales

As of March 2016, the company sold 8 units as against 6 units sold in 2015 which caused the increase.

1.53x Increase in Interest Income

This is due to collections from installment sales under in-house financing.

.26x Increase in Cost of Sales

Increase in sales correspondingly increased cost.

1.43x Increase in Selling Expenses

The company is more aggressive in selling its units to the public. The company frequently advertised its products to increase its sales. The company also gives favorable commissions to its outstanding brokers.

.10x Increase in General and Administrative Expenses

Increase in general and administrative expenses was mostly due to the following:

1. The company secured the services of consultants that will help to improve sales
2. Payment of bank fees
3. Payment to secure permits
4. Travelling to and from Cagayan de Oro of top management

PART II--OTHER INFORMATION

As of March 31, 2016, the following are known to the Company as participants of the PCD holding 5% or more of the Company's common shares:

Member Name / Address	Title	No. of Shares	Percentage Held
SJ Roxas & Co., Inc. Tower 1 and Exchange Plaza, Ayala Avenue, corner Paseo de Roxas Street, Makati City	Common	11,747,000	20.386%
Abacus Securities Corporation TÜV Süd PSB Philippines Inc., 1808, San Antonio, Pasig	Common	8,042,040	13.957%
COL Financial Group, Inc. East Tower, Philippine Stock Exchange Centre, Exchange Rd., Ortigas Center Pasig	Common	7,440,675	12.913%
DA Market Securities, Inc. Fort Palm Spring, 30th St, Taguig	Common	6,474,000	11.235%
Unicapital Securities, Inc. Majalco Building, Benavidez corner Trasierra Streets, Legaspi Village, Makati City	Common	4,985,500	8.652%
TOTAL		38,689,215	67.116%

SIGNATURES

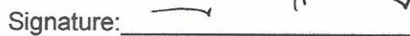
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: Jose D. Leviste III (President)

Signature:

Date: May 13, 2016

Principal Financial / Accounting Officer / Controller: Mary Ann B. Lopez (VP for Finance & Admin)

Signature: 

Date: May 13, 2016

ANNEX A

ITALPINAS DEVELOPMENT CORPORATION

(Formerly Italpinas, Euroasian Design and Eco-Development Corporation)

UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2016 AND DECEMBER 31, 2015

	2016 (Unaudited)	2015 (Audited)
ASSETS		
Current assets		
Cash on hand and in banks	**P102,791,175**	P155,926,313
Trade and other receivables	**130,651,031**	127,946,979
Real estate inventories	**78,911,417**	88,705,150
Property development costs	**44,223,319**	28,032,179
Input VAT	**40,612,544**	37,567,177
Advances to related parties	**56,442,050**	9,618,152
Prepayments and other current assets	**5,654,196**	882,086
Total current assets	**459,285,732**	448,678,036
Noncurrent assets		
Trade receivables, net of current portion	**109,443,712**	109,443,712
Land for future development	**12,572,000**	12,572,000
Property and equipment	**7,651,807**	8,198,114
Other non-current assets	**189,218**	253,019
Total noncurrent assets	**129,856,737**	130,466,845
Total assets	**P589,142,469**	P579,144,881
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	**P72,383,039**	P71,702,625
Deferred income on real estate sales, current portion	**-**	-
Reserves for property development	**-**	-
Borrowings, current portion	**4,627,283**	21,007,431
Advances from an associate	**27,482,634**	771,152
Income tax payable	**4,351,252**	3,789,250
Total current liabilities	**108,844,208**	97,270,458
Noncurrent liabilities		
Trade and other payables, net of current portion	**24,778,269**	24,778,269
Deferred income on real estate sales, net of current portion	**-**	-
Borrowings, net of current portion	**138,836,718**	138,836,718
Deferred tax liability	**-**	-
Total noncurrent liabilities	**163,614,987**	163,614,987
Total liabilities	**272,459,195**	260,885,445
Equity		
Share capital	**110,809,400**	110,809,400
Share premium	**157,273,299**	162,400,779
Retained earnings	**48,600,575**	45,049,257
Total equity	**316,683,274**	318,259,436
Total liabilities and equity	**P589,142,469**	P579,144,881

ITALPINAS DEVELOPMENT CORPORATION
(Formerly Italpinas, Euroasian Design and Eco-Development Corporation)

UNAUDITED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND MARCH 31, 2015

	2016 (Unaudited)	2015 (Unaudited)
Net sales	**P21,890,815**	P15,551,708
Cost of sales	**(9,788,947)**	(7,762,451)
Gross profit	**12,101,868**	7,789,257
Realized gross profit	**-**	3,660,943
Deferred gross profit	**-**	(7,014,104)
	12,101,868	4,436,096
General and administrative expenses	**(14,217,203)**	(11,919,634)
Profit from operations	**(2,115,335)**	(7,483,538)
Other operating income, net	**8,180,382**	478,708
Finance income	**694,266**	292,156
Finance costs	**(2,645,994)**	(3,833,622)
Profit (loss) before tax	**4,113,320**	(10,546,296)
Benefit from (provision for) income tax	**(562,002)**	(140,775)
Profit (loss) for the year	**P3,551,318**	P(10,687,071)
Other comprehensive income	**-**	-
Total comprehensive income (loss) for the year	**P3,551,318**	P(10,687,071)

ITALPINAS DEVELOPMENT CORPORATION

(Formerly Italpinas, Euroasian Design and Eco-Development Corporation)

UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2016 AND MARCH 31,2015

	Share capital	Share premium	Retained earnings (deficit)	Total
At December 31, 2014	P50,000,000	P-	P32,571,441	82,571,441
Total comprehensive income	-	-	(10,687,071)	(10,687,071)
At March 31, 2015	**P50,000,000**	**P-**	**P21,884,370**	**P71,884,370**
At December 31, 2015	P110,809,400	P162,400,779	P45,049,257	P318,259,436
Expenses charged to Share Premium	-	(5,127,480)	-	(5,127,480)
Total comprehensive income	-	-	3,551,318	3,551,318
At March 31, 2016	**P110,809,400**	**157,273,299**	**48,600,575**	**316,683,274**

ITALPINAS DEVELOPMENT CORPORATION
(Formerly Italpinas, Euroasian Design and Eco-Development Corporation)

UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND MARCH 31, 2015

	2016 (Unaudited)	2015 (Unaudited)
Cash flows from operating activities		
Profit before income tax	**P4,113,320**	P(10,546,296)
Adjustments for:		
Depreciation and amortization	**697,236**	611,882
Finance income	**(694,266)**	(292,156)
Finance costs	**2,645,994**	3,833,622
Operating income before working capital changes	**6,762,284**	(6,392,948)
Changes in operating assets and liabilities		
Decrease (increase) in:		
Trade and other receivables	**(2,704,052)**	7,207,455
Real estate inventories	**9,793,733**	6,123,492
Property development costs	**(16,191,140)**	-
Input VAT	**(3,045,367)**	-
Prepayment and other current assets	**(4,772,110)**	(7,032,595)
Advances to related parties	**(46,823,898)**	-
Other noncurrent assets	**63,801**	152,168
Increase (decrease) in:		
Trade and other payables	**680,414**	(17,932,050)
Deferred gross profit	**-**	3,353,162
Other liabilities	**562,002**	20,941
Cash (used) received in operations	**(55,674,333)**	(14,500,375)
Finance income received	**694,266**	292,156
Income tax paid	**(562,002)**	(267,360)
Net cash used in operating activities	**(55,542,069)**	(14,475,579)
Cash flows from investing activities		
Acquisition of property and equipment	**(150,929)**	470,837
Proceeds for disposal of property and equipment	**-**	(2,103,195)
Net cash used in investing activities	**(150,929)**	(1,632,358)

ITALPINAS DEVELOPMENT CORPORATION
(Formerly Italpinas, Euroasian Design and Eco-Development Corporation)

UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND MARCH 31, 2015

	2016 (Unaudited)	2015 (Unaudited)
Cash flows from financing activities		
Payment charged to Share Premium	**P(5,127,480)**	P-
Proceeds from borrowings	**-**	40,708,395
Repayments of borrowings	**(16,380,148)**	(48,038,883)
Finance costs paid	**(2,645,994)**	(3,833,622)
Due to related parties	**26,711,482**	-
Net cash provided by financing activities	**2,557,860**	(11,164,110)
Net increase in cash on hand and in banks	**(53,135,138)**	(27,272,047)
Cash on hand and in banks		
January 1	**155,926,313**	52,234,345
March 31	**P102,791,175**	P24,962,298

ITALPINAS DEVELOPMENT CORPORATION
(Formerly Italpinas, Euro-Asian Design and Eco-Development Corporation)

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND DECEMBER 31, 2015

NOTE 1 – CORPORATE INFORMATION

Italpinas, Euroasian Design and Eco-Development Corporation (the Company) was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on January 26, 2009 primarily to engage in the business of real estate development, mass community and low-cost housing, townhouses and row houses development, residential subdivision, condominiums, buildings and other massive horizontal and vertical developments, hotels, shopping malls and leisure parks, resorts and property management, alone or in syndicate or joint ventures with others and for this purpose acquire land, and all kinds of real property, by purchase, lease, donation or otherwise and to own, use, improve, manage, subdivide, hold, administer, sell, convey, exchange, lease, mortgage, dispose of, work, improve, develop and otherwise deal in real property of any kind and interest or right therein; to construct improve, manage or otherwise dispose buildings, houses, apartments, townhouses and other structures of whatever kind, together with their appurtenances, whether for dwelling, commercial or industrial purpose; to conduct, maintain, engage in, and carry on the business of acquiring, constructing developing and operating hotels, lodges, resorts and other tourist-oriented projects, either alone or in syndicate or joint ventures with others; to carry on any other lawful activity whatsoever, which shall not constitute the practice of any licensed profession, which may seem to the corporation capable of being carried on in connection with the foregoing, or calculated directly or indirectly to promote the interest of the corporation or to enhance the value of its properties, and to have, enjoy and exercise all the rights, powers, privileges, which are now or hereafter be offered upon similar corporations organized under the laws of the Republic of the Philippines.

The secondary purposes of the Company are:

1. To own, acquire, hold or invest in the shares of stock, bonds or other securities of any company or corporation whether domestic and foreign, and while the owner or holder thereof, to exercise rights, powers, and incidents or ownership, including the right to vote the same and to receive, collect, and dispose of the interests, dividends or income therefrom insofar as may be allowed by law;

2. To apply for, obtain, register, purchase, or lease or otherwise acquire and to hold, own, use, develop, operate and introduce and to sell, assign, grant of licenses or territorial rights in respect of any copyrights, trademarks, trade names, brands, labels, patents, or inventions, design patents, improvements or processes used in connection with or secured under letters patent of any country, government or authority, or otherwise turn to gain, licenses or rights in respect of any of such, copyrights, trademarks, trade names, brands, labels, patents, or inventions, improvements, processes and the like;

3. To borrow or raise the money or funds for any of the purposes of the Corporation and from time to time without limit as to amount, to draw, make, accept, endorse, transfer, assign, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debenture, and other negotiable and transferable instruments and evidence of indebtedness for the purpose of securing any of its obligations or contracts; to convey, transfer, assign, deliver, mortgage and/or pledge all or any part of the property or assets at any time held or owned by the Corporation or its duly such terms and conditions as the Board of Directors of the

Corporation or its duly authorized officers or agents shall determine as may be permitted by law;

4. To merge, consolidate, combine or amalgamate with any corporation, firm association or entity heretofore or hereafter created in such manner as may be permitted by law;

5. To acquire, take over, hold and control all or any part of the business, goodwill, property and other assets, and to assume or undertake the whole or any part of the liabilities and obligations of any person, firm, association, or corporation, whether domestic or foreign, whether a going concern or not, engaging in or previously engaged in business which the Corporation is or may be authorized to carry on or which may be appropriate or suitable for the purpose of the Corporation or otherwise, and to hold, manage, the whole or any part of any such acquisition, and to exercise all the powers necessary or convenient for the conduct and management thereof;

6. To construct, hire, purchase, own, control, and operate motor vehicles, vessels, and all other means of transportation in connection with the business of the Corporation;

7. To invest, purchase, or otherwise acquire and hold, use, convey, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description and to pay thereof in money and while the owner or holder of such real or personal property, collect and dispose of the interest, dividends and income arising from such property; and to possess and exercise in respect hereof all the rights, power and privileges of ownership;

8. To enter into any lawful for sharing profits, union of interest, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person, or governmental or public authority, domestic or foreign, in carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of this Corporation;

9. To acquire, or obtain from any government or authority, national, provincial, municipal or otherwise, or any Corporation, Company or partnership, or person, such charter, contracts, franchise privileges, exemption, licenses, and concessions as may be conducive to any of the objects of the Corporation;

10. To enter, make, perform, and carry out contracts of every kind and for any useful purpose, pertaining to the business of the Corporation, or any manner incidental thereto, as principal, agent or otherwise; and

11. To do and perform all acts and things, and own all kinds of assets allowed under the law, necessary, suitable or proper for the accomplishment of any of the purposes herein enumerated, or which shall at any time appear conducive to the protection or benefit of the Corporation, including the exercise of the powers, authorities and attributes conferred upon corporations organized under the laws of the Philippines in general and upon domestic corporations in particular.

The Company’s registered principal office is located at Unit 9-A 9th Floor, Country Space I Building, 137 Senator Gil Puyat Avenue, Salcedo Village, Makati City.

Amendment of Articles of Incorporation

On January 30, 2015, the Company's Board of Directors (BOD) and its shareholders unanimously approved the following:

a. Change of corporate name from "Italpinas Euro-Asian Design and Eco-Development Corporation" to "Italpinas Development Corporation"
b. Amendment of the Articles of Incorporation to reflect the change of name
c. Amendment of second article to include the provision: "Upon listing with the Philippine Stock Exchange, the corporation shall not amend its primary or secondary purposes within a period of seven (7) years from said listing"
d. Increase in the number of directors from five (5) to seven (7), two (2) of which shall be independent directors
e. Amendment of the Articles of Incorporation to reflect the increase in the number of directors
f. Waiver of preemptive right of the Company
g. Amendment of the articles of incorporation to reflect the waiver of preemptive right
h. Amendment of ninth article to include the provision: "Upon listing with Philippine Stock Exchange, the corporation shall cause all its existing shareholders to refrain from selling, assigning, encumbering, or in any manner disposing of their shares for a period of one 1 year from said listing"
i. Increase in the Company's authorized share capital and decrease in par value per share from fifty million pesos (P50,000,000) which consists of five hundred thousand (500,000) shares with par value of one hundred pesos (P100) per share to one hundred seventy seven million nine hundred ninety three thousand and six hundred pesos (P177,993,600) which consists of three hundred fifty five million nine hundred eighty seven thousand and two hundred (355,987,200) shares with a par value of fifty centavos (P0.50) per share
j. Amendment of the Articles of Incorporation to reflect the increase in authorized share capital and decrease in par value of the Company

All the requirements of Section 38 of the Corporation Code of the Philippines for the increase in the authorized share capital of the Corporation have been duly complied with.
Of the increase in authorized share capital of one hundred twenty seven million nine hundred ninety three thousand and six hundred (P127,993,600) divided into two hundred fifty five million nine hundred eighty seven thousand two hundred (255,987,200) shares at least 25% have been subscribed and paid amounting to thirty one million nine hundred ninety eight thousand and four hundred (P31,998,400) in the form of stock dividends, the subscription and payment of which were also approved by shareholders representing at least 2/3 of the outstanding capital.
The increase of the share capital is for general corporate purposes and no bonded indebtedness has been incurred, created or increased as of the date of the shareholders' meeting.

Listing with Philippine Stock Exchange (PSE)

With the approval of PSE for the Company's application of listing, and by the SEC for the Registration Statement, a total of Fifty Seven Million Six Hundred Twenty Two Thousand (57,622,000) common shares, with par value of P0.50 per share, representing 26% of the outstanding share capital, was offered and subscribed at P3.60 per share through an initial public offering (IPO) from November 23 to 27, 2015. The Company's common shares were listed and commenced trading on the PSE on December 7, 2015.

<u>Registration with the Board of Investments (BOI)</u>

The Company is registered with the BOI as a new developer of low-cost mass housing project (Vertical - Primavera Residences Condominium Tower A and Tower B) under BOI Certificate of Registration No. 2012-061 dated April 26, 2012, and as an expanding developer of low-cost mass housing project (Primavera Residences Tower B – Pueblo de Oro Business Park, Upper Carmen, Cagayan de Oro City) on January 30, 2014 under BOI Certificate of Registration No. 2014-017.

As a BOI-registered entity, the Company is entitled to income tax holiday (ITH) incentive provided under Article 39(a) of Executive Order No. 226 as amended by Republic Act (RA) No. 7918. The ITH entitlement is for a period of 3 years, from January 2012 to December 2014 for Tower A, and from January 2014 to December 2016 for Tower B.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied for all years presented, unless otherwise stated.

Statement of compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC), and adopted by SEC.

Basis of measurement

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in Philippine Peso (P), which is the Company's functional and presentation currency. All values are rounded off to the nearest Peso, unless otherwise indicated.

Use of judgments and estimates

The preparation of financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Note 3.

Changes in accounting policies and disclosures

a. New amendments issued and effective from January 1, 2015 adopted by the Company
    - **Amendments to PAS 19, *Defined Benefit Plans: Employee Contribution*.** This amendment is effective for annual periods beginning on or after July 1, 2014. PAS 19 requires 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 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. The adoption of the amendment will have no significant impact on the Company's financial position or performance since the Company currently has no defined benefit plans with contributions from employees or third parties.

b. New standards and amendments to existing standards issued but not yet effective and with mandatory adoption for periods beginning on or after January 1, 2016:

Standards and amendments to existing standards issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing is of standards and amendments issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

c. *Standards and amendments relevant to the Company:*

- **PFRS 9, *Financial Instruments*:** In July 2014, the final version of PFRS 9, Financial Instruments was issued. The final version reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory.

  Based on the transitional provision in the completed PFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before February 1, 2015. After that date, the new rules must be adopted in their entity.

- **PFRS 15, *Revenue from Contracts with Customers*:** PFRS 15 establishes a comprehensive framework for determining whether how much and when revenue is recognized. It replaces existing revenue recognition guidance, including PAS 18, *Revenue*, PAS 1, *Construction Contracts* and IFRIC 13, *Customer Loyalty Programs*.

  The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognize transitional adjustments in retained earnings on the date of initial application without restating the comparative period.

  The Company is assessing the potential impact on the financial statements resulting from the application of PFRS 15.

- **PFRS 16, *Leases*:** On January 16, 2016, the IASB issued PFRS 16, which supersedes PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC 15, *Operating Leases Incentives* and SIC 27, *Evaluating the Substance of Transactions involving the Legal Form of a Lease*.

  PFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with PAS 17. Under PFRS 16, leases are recorded on the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognized lease assets and financial liabilities.

PFRS 16 applies to annual periods commencing on or after January 1, 2019. Earlier adoption is permitted, but only if PFRS 15, *Revenue from Contracts with Customers*, is also adopted. The Company is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date.

- **Amendments to PAS 1, *Disclosure Initiatives*:** The amendments clarify, rather than significantly change, existing requirements under PAS 1:
  a) The materiality requirements;
  b) That specific line items in the financial position and performance may be disaggregated;
  c) That entities have flexibility as to the order in which they present the notes to financial statements; and
  d) 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.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of income. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

- **Amendments to PAS 7, *Disclosure Initiatives*:** The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The requirements also apply to financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

  These amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. These amendments are not expected to have any impact on the Company.

- **Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*:** The amendments 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 the use of the asset. As a result, a revenue-based method cannot be used to depreciate property 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 significant impact to the Company since the Company has not used a revenue-based method to depreciate its non-current assets.

ii. Standards and amendments not relevant to the Company

- PFRS 14, *Regulatory Deferral Accounts (effective beginning on or after January 1, 2016)*
- PFRS 10, PFRS 12 and PAS 28, *Investment Entities – Applying the Consolidation Exception (effective beginning on or after 1 January 2016)*

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests (effective beginning on or after January 1, 2016)*
- PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses (effective prospectively for annual periods beginning on or after January 1, 2017, with early adoption permitted*
- PAS 16 and 41, *Agriculture: Bearer Plants (effective beginning on or after January 1, 2016)*
- PAS 27, *Equity Method in Separate Financial Statement (effective beginning on or after January 1, 2016, with early adoption permitted)*

2.2 Current versus noncurrent classification

The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset as current when:

- It is expected to be realized or intended to be sold or consumed in normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period, or
- It is cash on hand and in banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

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 twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as noncurrent.

2.3 Fair value measurement

The Company measures financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 4.

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

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

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

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

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

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

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held to maturity (HTM) investments, available for sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

(a) Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of income.

The Company has not designated any financial assets at FVPL.

(b) Loans and receivables

This is the category most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of income. The losses arising from impairment are recognized in the statement of income in finance costs for loans and in other operating expenses for receivables.

This category generally applies to cash on hand and in banks, trade and other receivables, advances to related parties and refundable security deposits in the statement of financial position.

(c) HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the statements of income. The losses arising from impairment are recognized in the statement of income in finance costs. The Company does not have any asset under this category.

(d) AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income (OCI) and credited in the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of income in finance costs. Interest earned while holding AFS financial assets is reported as finance income using the EIR method.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the Company has the intent and ability to hold these assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

De-recognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii. Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), 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 debtors or a Company of debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Further disclosures relating to impairment of financial assets are also provided in Notes 3, 5 and 8.

(a) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of income. Interest income (recorded as finance income in the statements of income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

(b) Financial assets carried at cost

If there is an objective evidence that an impairment loss occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(c) AFS financial assets

For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a Company of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income – is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates among other factors the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

iii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

(a) *Financial liabilities at FVPL*

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

The Company does not have any liabilities held for trading nor has it designated any financial liability as being at FVPL as at March 31, 2016 and December 31, 2015.

(b) Other financial liabilities

This is the category that is most relevant to the Company. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income.

This category generally applies to trade and other payables, reserves for property development and borrowings.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

iv. Classification of financial instruments between debt and equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. The Company designates a financial instrument as equity instrument if, and only if, the following conditions are met:

(a) The instrument includes no contractual obligation:
   i. to deliver cash or another financial asset to another entity; or
   ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer; and

(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:
   i. a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
   ii. a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

v. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously.

2.5 Cash on hand and in banks

Cash consists of cash on hand and in banks. Cash in banks earns interest at the respective bank deposit rates. For the purpose of reporting cash flows, cash on hand and in banks are unrestricted and available for use in the current operations.

2.6 Trade and other receivables

Trade and other receivables are amounts due from customers from real estate inventories sold in the ordinary course of business. If collection is expected within one year or less (or within the

normal operating cycle of the business, whichever is longer), they are classified as current assets. If not, these are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using EIR method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

2.7 Real estate transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Company, are charged to the land for future development account. These costs are reclassified to property development costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Company as part of the property development costs. Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to real estate inventories for sale. The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project contractors, are charged to cost of sales presented in profit or loss and are shown under reserves for property development account.

Costs of properties and projects accounted for as property development costs and real estate inventories for sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Company recognizes the effect of revisions in the total project cost estimates in the period in which these changes become known.

2.8 Property and equipment

Property and equipment are initially measured at cost. At the end of each reporting period, items of property and equipment are measured at cost less any accumulated depreciation and amortization and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the estimated present value of any future unavoidable costs of dismantling and removing items at the discount rate. The corresponding liability is recognized within provisions.
Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expense in the period in which those are incurred.

Depreciation and amortization is computed on a straight-line method based upon the estimated useful lives of the assets as follows:

Transportation equipment	5 years
Office space	5 years
Leasehold improvements	5 years
Office equipment and furniture and fixtures	2-5 years

Leasehold improvements are amortized over the term of the lease, or the estimated useful life of the leasehold improvements whichever is shorter.

An asset is depreciated when it is available for use until it is derecognized even if during that period the item is idle. Fully depreciated assets and fully amortized assets still in use are retained in the financial statements.

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

If there is an indication that there has been a significant change in the estimated useful life of an asset, the depreciation or amortization of the asset is revised prospectively to reflect the new expectation.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.11).

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization and any impairment loss are removed from the accounts and any resulting gain or loss, arising from the disposal or retirement of an asset, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in profit or loss.

2.9 Investment in an associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. Investment in an associate is accounted for using the equity method of accounting.

Under the equity method of accounting, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Company's share in the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The Company's share in profit or loss of the associate is shown in the statement of income and represents profit or loss after tax and non-controlling interest in the subsidiary of the associate. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss in its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying

value, then recognizes the loss as "Equity share in net loss of an associate" in the statement of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI is reclassified to profit or loss where appropriate.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

2.10 Refundable security deposits

Refundable security deposits represent payments made in relation to leases and other agreements entered into by the Company. These are carried at amortized cost and will generally be refunded without interest. Refundable security deposits are presented as noncurrent asset in the statement of financial position.

2.11 Impairment of non-financial assets

Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment and more frequently if there are indicators of impairment. Assets that have definite useful lives are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, if any, that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

2.12 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business whichever is longer); otherwise, they are presented as noncurrent liabilities.

Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provision.

Government dues and remittances include withholding income taxes which represent taxes retained by the Company for an item of income required to be remitted to the BIR on or before the 10th day of the following month. The obligation of the Company to deduct and withhold the taxes arises at the time an income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever comes first. The term "payable" refers to the date the obligation becomes due, demandable or legally enforceable.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR method.

2.13 Borrowings

Borrowings are initially recognized at fair value, net of any transaction costs, directly attributable to the issue of the instrument. Such liability is subsequently measured at amortized cost using the EIR method, which ensures that any finance cost over the period of repayment is at a constant rate on the balance of the liability carried in the statement of financial position.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as prepayment for liquidity services and amortized over the period of the facility to which it relates.

The Company classifies its borrowings as current liability if settlement is expected within one year or less, and the Company does not have unconditional right to defer settlement of the liability, and does not breach any loan provisions on or before the end of the reporting period. If not, these are presented as noncurrent liability.

2.14 Borrowing costs

General and specific borrowing cost directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time these assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowing, pending their expenditure on qualifying assets, is deducted from the borrowing cost eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which these are incurred.

2.15 Equity

Share capital and share premium

Share capital is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Share premium" account. When shares are issued for a consideration other than cash, the proceeds are measured at the fair value of the consideration received. In case the shares are issued to extinguish or settle a liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings

Retained earnings represent the cumulative balances of periodic net income or loss, dividend distribution, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "deficit", and presented as a reduction from equity.

Appropriation of retained earnings

The appropriation of retained earnings is the designation of a portion of the unrestricted retained earnings for a stated and specific future purpose as determined and approved by the Company's BOD. The appropriation of retained earnings is presented separately in the statements of changes in equity and the specific details of the purpose of the appropriation are disclosed in the notes to the financial statements. The appropriated retained earnings may not be used for dividends.

When the objective of the appropriation is consummated, the appropriation is reversed.

Dividends

Dividends are recognized when they become legally payable. Dividend distribution to equity shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and approved by the Company's BOD.

2.16 Revenue recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Company for goods sold and services rendered, excluding value added tax (VAT) and trade discounts.

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

The following specific recognition criteria must also be met before revenue is recognized:

Sale of condominium units

For financial reporting purposes, revenues from sales of completed real estate projects are recognized under full accrual method.

Revenues from sales of uncompleted real estate projects are recognized under the percentage-of-completion method. In accordance with Philippine Interpretation Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction

is beyond preliminary stage (i.e., engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are finished), and the costs incurred or to be incurred can be reliably measured. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as deferred gross profit in the statement of income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (current and non-current liabilities) in the statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is recognized as "Deposits from sale of condominium units" account under "Trade and other payables" in the statement of financial position.

Any excess of collections over the recognized receivables are presented as part of "Trade and other payables" account in the statement of financial position.

For income tax purposes, collections exceeding 25% of selling price are considered cash sales fully realizing the gain on the transaction in the year of sale.

Rental income

Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Rental income is recognized on a straight-line basis over the lease term. Advance rentals received are recorded as deferred rental income. For tax purposes, rental income is recognized based on the contractual terms of the lease.

Finance income

For all financial instruments measured at amortized cost, interest income is recorded using the EIR which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. Interest income is included in "finance income" in the statement of income.

Other income

Revenue is recognized when earned.

2.17 Cost and expense recognition

Costs and expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

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

The cost of inventory recognized in profit or loss 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.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

General and administrative expenses are costs attributable to the administrative and other business activities of the Company. Marketing fees, management fees from administration and property management are recognized when services are rendered.

Costs and expenses in the statement of income are presented using the function of expense method.

2.18 Employee benefits

a. *Pension obligations*

Retirement benefits in the Philippines are governed by *Republic Act No. 7641, Article 287, Section 1*, which states that "In the absence of a retirement plan or an agreement providing for retirement benefits of employees in establishment, an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year."

As at March 31, 2015, the Company has not yet provided for any retirement benefits. Management believes that the effect on the financial statements of such requirement to provide for retirement benefits as at March 31, 2015 is not material to the financial position and performance of the Company on the basis that the Company has no employees who has served at least five (5) years.

b. *Defined contribution plan*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as these are normally of a short-term nature.

c. Compensated absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and other payables account in the statements of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.19 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company does not have any leases under finance lease.

Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Company as lessor

Rental income from operating leases is recognized as income in profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.20 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. The key management personnel of the Company are also considered to be related parties.

2.21 Taxes

Current income tax

Current income tax assets and liabilities for the current period 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 reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statements of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carry-over (NOLCO), and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits from MCIT and NOLCO and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither the accounting profit nor taxable profit (or loss).

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle the liabilities simultaneously.

Value-added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT.

For acquisition of capital goods over P 1,000,000, the VAT is deferred and amortized over the useful life of the related capital goods or 60 months, whichever is shorter, commencing on the date of the acquisition.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as "Input VAT" or under "Trade and other payables" account in the statement of financial position.

2.22 Provisions and contingencies

Provisions are recognized when: (a) the Company has a present legal or constructive obligation as a result of past events, (b) it is probable that an outflow of resources will be required to settle the obligation and (c) the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance cost.

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

2.23 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President that makes strategic decisions.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Segment results that are reported to the President include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, interest income and expenditures and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, and equipment.

2.24 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding and assume conversion of all dilutive potential ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

2.25 Events after the reporting period

Post year-end events up to the date when the financial statements were authorized for issue by the BOD that provide additional information about the Company's position at financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

NOTE 3 – SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the financial statements in conformity with PFRS requires the Company's management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

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

Going concern

The Company's management has made an assessment on the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue their business for

the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Determination of functional currency

The financial statements are presented in Philippine Peso, which is also the Company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Classification of financial instruments

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or an equity instrument. In addition, the Company also determines and evaluates its intention and ability to keep the investments until its maturity date.

The substance of a financial instrument, rather than its legal form, and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the statements of financial position.

The classification of financial assets and liabilities is presented in Notes 4 and 5.

Determination of fair value of financial instruments

The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Determination whether an arrangement contains a lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or 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 the 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 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) and at the date of renewal or extension period for scenario (b).

Company 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 are recognized as an expense in the statements of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Company as lessor

Leases where the Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the statements of income on a straight-line basis over the lease term. 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. Contingent rents are recognized as revenue in the period in which they are earned.

Distinction between operating and finance leases

The Company has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management assessment, the Company's lease agreements are classified as operating lease.

Operating segments

The President is the Company's CODM. Management has determined the operating segments based on the reports reviewed by the President that are used to make strategic decisions.

The President considers the business based on the differences in the Company's projects and product type. Management considers the performance based on the three revenue-generating projects by the Company:

i. *Primavera Residences (Towers A and B)*. A twin-tower project consisting of Tower A, with ten (10) floors and Tower B, with ten (10) floors plus mezzanine located in Cagayan De Oro City.

ii. *Primavera City*. Real estate project comprised of seven mixed-use residential and commercial buildings with passive and active green features and utilizing a massive solar panel array at the building's rooftop that will be situated in Cagayan De Oro City.

iii. *Miramonti*. A mixed-use, mid-to high-rise development featuring the Company's eco-friendly design philosophy, which will be strategically located in Batangas City.

The operating segments are organized and managed separately according to the different project and product, with each segment representing a strategic business unit that offers products sold through reasonably priced financing options. These divisions are the basis on which the Company reports its primary segment information. All operating business segments used by the Company meet the definition of a reportable segment under PFRS 8, *Operating Segments*.

Classification of a property

The Company determines whether a property is classified as property development costs, land for future development or real estate inventory as follows:

- Property development cost comprises of costs incurred for activities **involving necessary steps to plan and construct, and comply with statutory and contractual requirements in the development of land into vacant lots, residential, commercial and/or industrial buildings.**

- Land for future development comprises of real properties that will be used as a site of the Company's future construction of residential or industrial property that will be intended to be sold to third parties.
- Real estate Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is a residential or industrial property that the Company develops and intends to sell before or on completion of construction.

Distinction between property and equipment and land for future development

The Company determines whether a property qualifies as property and equipment. In making its judgment, the Company considers whether the property and equipment generate cash flows largely independent of the other asset held by an entity.

The Company determines whether a property qualifies as property and equipment. In making its judgment, the Company considers whether the property generate cash flows largely independent of the other asset held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other asset used in the production or supply process while land held for future development are properties intended solely for future development. Costs attributable to the purchase of land which are held for future development where no significant development has been undertaken is classified as land held for future development. Such assets are transferred to property development activities when significant development has been undertaken.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Company's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Company's main line of business 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 Company considers each property separately in making its judgment.

Distinction between real estate inventories and land and improvements

The Company determines whether a property will be classified as real estate inventories or land and improvements. In making this judgment, the Company considers whether the property will be sold in the normal operating cycle (real estate inventories) or whether it will be retained as part of the Company's strategic land banking activities for development or sale in the medium or long-term (land and improvements).

Recognition of provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.22 and disclosures on relevant provisions and contingencies are also presented.

Revenue and cost recognition

The Company uses the percentage-of-completion (POC) method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Company to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts.

The Company's revenue from real estate and construction contracts recognized based on the POC are measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- 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.

Collectability of the sales price

For real estate sales, in determining whether the sales prices are collectible, the Company considers that initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

Estimates

Revenue and cost recognition

The Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Company's revenue from sale of real estate is recognized using the percentage-of completion method.

This is measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. There is no assurance that such use of estimates may not result to material adjustments in future periods.

Impairment of trade and other receivables

The Company maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Company is required to obtain the present value of estimated cash flows using the receivables original EIR. Impairment loss is determined as the difference between the receivables carrying value and the computed present value. Factors considered in individual assessment are payment history, past due status and terms. The collective assessment will require the Company to classify its receivable based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customer. Impairment loss is the determined based on the historical loss experience of the receivables of the Company per credit risk profile. The methodology and assumptions used for the individual and collective assessment are based on management's judgments and estimate. Therefore, the amount and timing of recorded expenses or any period would differ depending on the judgments and estimate made for the year.

Management believes that there were no impairment losses required to be recognized on the Company's trade and other receivables for the months ended March 31, 2016, December 31, 2015.

Determination of net realizable values of real estate inventories and property development costs

The Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability 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 Company in light of the 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 the construction and less estimated cost to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.
The Company's inventories, which include completed residential condominium units for sale, are affected by certain factors which may cause inventory losses. Moreover, future realization of the carrying amount of inventories as presented in Note 9 is affected by price changes in different market segments of real estate properties. For residential condominium units under construction, it is assessed with reference to market prices at reporting date for similar completed property, less estimated cost to complete the construction and less estimated cost to sell and process significant adjustments to the Company's inventories within the next reporting period.

The carrying amounts of real estate inventories as at March 31, 2016 and December 31, 2015 have been assessed by the management to be lower than their net realizable values.

Estimation of useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The estimated useful lives of the Company's property and equipment are set out in Note 2.8.

The carrying amounts of property and equipment are set out in Note 13. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Impairment of non-financial assets

The Company reviews its real estate inventories, input VAT, land for future development, property and equipment, investment in associate and other noncurrent assets for impairment of 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, plans in the real estate projects, 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 Company estimates the recoverable amount as the higher of the net selling price 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 Company is required to make estimates and assumptions that may affect its input VAT, land for future development, property and equipment, investment in associate and other noncurrent assets

Realizability of deferred tax assets

Management reviews the carrying amount of deferred tax assets at each reporting date. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized.

NOTE 4 – FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities is included at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale.

The carrying amounts of cash on hand and in banks, trade receivables, advances to related parties and trade and other payables approximate their fair values due to the relatively short-term maturities of the financial instruments.

The carrying amount of refundable security deposits approximates its fair value as management believes that any difference from measuring such assets at amortized cost using the EIR method is not considered material to the Company's financial position or financial performance.

The carrying amount of borrowings approximates its fair value because these are interest-bearing loans at market rate.

NOTE 5 – FAIR VALUE MEASUREMENT

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash on hand and in banks, trade receivables, trade and other payables and reserves for property development. Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Advances to related parties. Carrying amounts of advances to related parties which are unsecured and collectible or payable on demand approximate their fair values.

Borrowings. The fair value of long-term borrowings is based on the future undiscounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans.

<u>Fair value hierarchy assets and liabilities</u>

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure at the fair value as disclosed in Note 2.3.

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry

company, pricing, service, or regulatory agency, and those prices represent actual and regularly occurring market transaction on an arm's length basis.

The Company has no financial assets and financial liabilities measured at fair value as at March 31, 2016 and December 31, 2015.

NOTE 6 – FINANCIAL AND CAPITAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

General objectives, policies and processes

The BOD has overall responsibility and authority for the determination of the Company's risk management objectives and policies and designing and operating processes that ensure the effective implementation of such objectives and policies. The BOD has constituted certain committees to effectively manage the operations of the Company. The Company's principal committees of the BOD include the Audit Committee, the Nomination Committee, and the Compensation and Remuneration Committee. A brief description of the functions and responsibilities of the key committees are set out below:

Audit Committee

The members of the audit committee shall have adequate understanding at least or competence at most, of the Company's financial management systems and environment. The audit committee shall also perform independent internal audit function through which the Board, senior management, and shareholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

Nomination Committee

The Nomination Committee shall be composed of at least three (3) members and one of whom should be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Committee shall, among other functions, pre-screen and shortlist all candidates nominated to become a member of the BOD in accordance with the qualifications and disqualifications prescribed under the Manual.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee shall be composed of at least three (3) members and one of whom should be an independent director. The Compensation Committee is primarily responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers who are receiving compensation from the Company. It is responsible for providing an oversight of remuneration of senior management and other key personnel and ensuring that compensation is consistent with the Company's culture, strategy and control environment.

The overall objective of the BOD is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Financial risk management objectives and policies

The Company is exposed through its operations to market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial

markets and seeks to minimize potential adverse effects on the Company's financial performance.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The policies for managing specific risks are summarized below:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise three types of risk: interest rate risk, foreign currency risk and commodity price risk.

i. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as the Company's borrowings are subject to quarterly re-pricing scheme based on market rates.

Interest rate sensitivity analysis

The assumed movement in interest rates for the interest rate sensitivity analysis is based on the management's assessment of the reasonably possible change in interest rates during the years presented.

ii. Foreign currency risk

The Company does not have any foreign currency denominated financial instruments and transactions, hence, not exposed to foreign currency risk.

iii. Commodity price risk

The Company does not have any forward contracts and is not exposed to commodity price risk.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The receivable balances are monitored on an ongoing basis with the result that the Company's exposure to impairment is not significant.

Customer credit risk is managed by managing and analyzing the credit risk for each new customer before standard payment and delivery terms and conditions are offered. The Company's policy is to deal only with creditworthy customers, tenants and counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk. Outstanding receivables are regularly monitored. In addition, the credit risk for installment contracts receivable is mitigated as the Company has the right to cancel the sales contract without need for any court action and take possession of the condominium unit in case of refusal by the buyer to pay on time the due installment contracts receivable. This risk is further mitigated because the corresponding title to the condominium units sold under this arrangement is transferred to the buyers only upon full payment of the contract price and the requirement for remedial procedures is minimal given the profile of the buyers. The credit

quality of the Company's financial assets that are neither past due nor impaired is considered to be good quality and expected to be collectible without incurring any credit losses.

Credit risk from balances with banks is managed by ensuring that the Company's deposit arrangements are with reputable and financially sound counterparties.

The Company does not hold any collateral as security or other credit enhancements attached to its financial assets.

Credit quality per class of financial assets

The Company's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on receivables are readily enforceable).

Standard grade - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard grade - These are receivables that can be collected provided the Company makes persistent effort to collect them.

The credit quality of the Company's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks, customers and related parties who pay on or before due date.

The Company has no financial assets whose terms have been renegotiated.

(c) Liquidity risk

This represents the risk or difficulty in raising funds to meet the Company's commitment associated with financial obligation and daily cash flow requirement. The Company is exposed to the possibility that adverse exchanges in the business environment and/or its operations would result to substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

The Company's approach to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed. Also, the Company addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary. The Company likewise regularly evaluates other financing instruments to broaden the Company's range of financing sources.

Capital management

The Company's capital management objectives are as follows:

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other shareholders; and
- to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future business developments.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

NOTE 7 – CASH ON HAND AND IN BANKS

The account consists of:

	Mar 2016	Dec 2015
Cash on hand	**P86,000**	P86,000
Cash in banks	**102,705,175**	155,840,313
	P102,791,175	P155,926,313

NOTE 8 – TRADE AND OTHER RECEIVABLES

The account consists of:

	Mar 2016	Dec 2015
Sale of Real Estate	**P226,794,222**	P224,076,957
Advances to suppliers and contractors	**6,871,554**	6,239,146
Advances to officers and employees	**5,664,060**	6,907,459
Others	**764,907**	167,129
	P240,094,743	P237,390,691

Trade receivables are due from the customers for the sale of condominium units at Primavera Residences in Cagayan de Oro. Trade receivables include unsecured, interest bearing installment receivables with an installment period of five (5) years, with the balances due on a monthly equal installment. Titles to real estate properties are not transferred to the buyer until full payment has been made.

Cash advances made to officers and employees are subject to liquidation upon utilization.

Advances to suppliers and contractors are amounts advanced to suppliers for the supply of goods and services in relation to the development activities of the Company. These advances are unsecured and non-interest bearing.

Based on management's assessment, there is no indication of impairment and the carrying value of trade and other receivables is deemed collectible.

Aging of Accounts Receivable on sale of Real Estate:

	Mar 2016	Dec 2015
Current	**P220,786,507**	P219,600,286
Past Due		
1-30 days	**123,580**	2,946,902
31-60 days	**-**	1,188,507
Over 60 days	**5,884,135**	341,262
Total	**P226,794,222**	P224,076,957

NOTE 9 – REAL ESTATE INVENTORIES

The account consists of:

	Mar 2016	Dec 2015
Completed units (Primavera Residences Tower A)		
Beginning balance	**P7,846,810**	P29,688,054
Sold units during the year (Note 19)	**-**	(21,841,244)
Ending balance	**P7,846,810**	P7,846,810
Completed units (Primavera Residences Tower B)		
Beginning balance	**P80,858,340**	P-
Transfers from property development costs during the year (Note 10)	**-**	198,279,919
Sold units during the year (Note 19)	**(9,793,733)**	(117,421,579)
Ending balance	**71,064,607**	80,858,340
Total	**P78,911,417**	P88,705,150

Real estate inventories consist of condominium units, which are for sale, from the completed Company's projects. The carrying value of inventories is not in excess of its net realizable value (NRV).

The cost of real estate inventories includes a land with an area of 1,125 square meters, where Primavera Residences Tower A was constructed and was subjected to a real property mortgage for borrowings obtained from Landbank of the Philippines. On March 27, 2015, the real property mortgage was released when the related loans were fully paid.

The Company has no unusual purchase commitments.

NOTE 10 – PROPERTY DEVELOPMENT COSTS

The account consists of:

	Mar 2016	Dec 2015
Primavera Residences Tower B	**P-**	P-
Primavera City Residences Phase 1	**26,820,478**	26,679,923
Miramonti	**2,174,108**	1,352,256
Primavera City Residences Phase 2	**15,212,710**	-
MIndoro	**16,023**	-
	P44,223,319	P28,032,179

Primavera City Residences and Miramonti are still on pre-development stages. The construction for Primavera City Residences is planned to commence on the second quarter of 2016 and is expected to be completed on the fourth quarter of 2018. Project plans for Miramonti is currently being finalized.

Based on management's assessment, the property development costs are lower than its NRV.

NOTE 11 – PREPAYMENTS AND OTHER CURRENT ASSETS

The account consists of:

	Mar 2016	Dec 2015
Prepaid interest	**P540,000**	P540,000
Prepaid tax	**355,912**	308,650
Advertising	**33,436**	33,436
Prepaid Expenses	**4,724,848**	-
	P5,654,196	P882,086

Prepaid tax represents creditable withholding taxes and excess payment of income tax payable from previous years.

NOTE 12 – LAND FOR FUTURE DEVELOPMENT

The account consists of:

	Mar 2016	Dec 2015
Miramonti	**P12,572,000**	P12,572,000
Primavera City Residences	**-**	-
	P12,572,000	P12,572,000

In 2013, the Company acquired two properties for future development situated in Pueblo Business Park, Cagayan de Oro and in Sto. Tomas, Batangas with a total contract price of P 12,572,000 and P 22,092,332, respectively.

The land in Cagayan de Oro is referred to as the Primavera City Residences Project, while the other land in Batangas is referred to as Miramonti Project. In 2015, the costs of the land intended for the Primavera City Residences Project was transferred to Property development costs (Note 10).

Land for future development are free from any liens and were not pledged as a security for borrowings.

Based on the management's assessment, the cost of land for future development is lower than its NRV.

NOTE 13 – PROPERTY AND EQUIPMENT

The account consists of:

	Office space	Furniture and fixtures	Transportation equipment	Office equipment	Leasehold improvements	Total
Costs						
At January 1, 2015	P5,245,197	P3,264,305	P1,466,456	P972,320	P644,950	P11,593,228
Additions	-	995,555	1,279,000	248,269	87,336	2,610,160
Disposals	-	(662,694)	-	-	-	(662,694)
At December 31, 2015	5,245,197	3,597,166	2,745,456	1,220,589	732,286	13,540,694
Additions	-	55,975	-	67,811	27,143	150,929
Disposals	-	-	-	-	-	-
At March 31, 2016	**5,245,197**	**3,653,141**	**2,745,456**	**1,288,400**	**759,429**	**13,691,623**
Accumulated depreciation and amortization						
At January 1, 2015	1,049,040	892,617	249,934	343,100	587,883	3,122,574
Provision	1,049,040	822,328	506,458	240,769	68,712	2,687,307
Disposals	-	(467,301)	-	-	-	(467,301)
At December 31, 2015	2,098,080	1,247,644	756,392	583,869	656,595	5,342,580
Provision	262,260	224,876	137,273	68,461	4,367	697,237
Disposals	-	-	-	-	-	-
At March 31, 2016	**2,360,340**	**1,472,520**	**893,665**	**652,330**	**660,962**	**6,039,817**
Net book value						
At December 31, 2015	P3,147,117	P2,349,522	P1,989,064	P636,720	P75,691	P8,198,114
At March 31, 2016	**P2,884,857**	**P2,180,621**	**P1,851,791**	**P636,070**	**P98,467**	**P7,651,806**

As of March 2016, the Company did not dispose any of its property, plant and equipment.

Depreciation and amortization of property and equipment amounted to P 697,236, P 611,882 and for the months ended March 31, 2016 and 2015, respectively.

The Company's transportation equipment were subjected to two separate chattel mortgages for the loans obtained from PSBank. The carrying amounts of the assets are as follows:

	Mar 2016	Dec 2015
Transportation equipment	**P1,851,791**	P1,989,064

Based on management's assessment, there is no indication of impairment, and the carrying amount of property and equipment can be recovered through continuing use in operations.

NOTE 14 – TRADE AND OTHER PAYABLES

Trade payables primarily consist of liabilities to contractors for the costs of development and construction of the Company's real estate inventories. The balances include the unpaid costs of land for future development which was acquired by the Company in 2013 (see Note 12). Non-current portion of the trade payable consist of the total contract price less costs already incurred and billed to the Company.

Miscellaneous fees payable represents amounts collected in advance by the Company from the unit owners which will be used to settle the taxes and fees that will be incurred in the transfer of the condominium title under the name of the unit owners.

Trade and other payables are non-interest bearing and are generally on a 30-day term. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

NOTE 15 – BORROWINGS

BPI borrowings are secured by real estate mortgage on the Company's project "Primavera Residences" which is comprise of 1,126 square meters of land covered by TCT No. T-126883, including all present and future improvements. Fifty percent (50%) of the unsecured portion shall be covered by International Finance Corporation guarantee under the Risk Sharing Facility with Special Lending Unit-Sustainable Energy Finance. The loan agreement of the Company with BPI includes affirmative and negative covenants. The negative covenants, among others, include (a) current ratio which shall not fall below 1:1 level; and (b) debt-to-equity ratio which shall not go beyond 2.5:1 anytime during the duration of the loan. The Company commits to promptly notify the bank of any event or condition which might materially and adversely affect the carrying on of its business.

LBP borrowings with principal of P 130,000,000 is secured by real estate mortgage on the Company's project "Primavera Residences" which is comprise of 1,125 square meters of land covered by TCT No. T-126881, including all present and future improvements. Cost of the mortgaged properties amounted to P 36,414,687. The loan agreement of the Company with LBP provides that a Debt Service Reserve Account (DSRA) shall be maintained at any particular time starting from drawdown date with funding equivalent to one quarter interest payment during the grace period. Thereafter, the Company shall maintain a minimum deposit balance of P

5,000,000 in the DSRA. However, at least ten (10) banking days prior to the amortization payment date (except for the first interest payment date), the Company shall deposit to the DSRA to cover one amortization payment. The amount needed to fill up the DSRA during the construction period may be deducted from the proceeds of the facility. In the first quarter of 2015, the Company has already fully settled the amount.

Loan from PBCom were obtained on March 2015. The proceeds of the loans were used exclusively to take-out the Company's loan with LBP. These loans are secured by real estate mortgage on the Company's twenty two (22) units in its Primavera Residences Tower A project. The loan is payable in three (3) years. Borrowings from PS Banks pertains to car loans availed by the Company (see Note 14).

NOTE 16 – SHARE CAPITAL

The account consists of:

	Number of shares	Amount
Authorized:		
At December 31, 2014 and 2013		
500,000 shares at P100 par value per share	500,000	P50,000,000
Effect of stock split for change in par value from P100 per share to P0.50 per share (Note b)	99,500,000	-
Increase in authorized share capital 255,987,200 shares at P0.50 par value per share (Notes a and b)	255,987,200	127,993,600
	355,487,200	127,993,600
At December 31, 2015	**355,987,200**	**P177,993,600**
At March 31, 2016	**355,987,200**	**P177,993,600**

	Number of shares	Amount
Issued and outstanding:		
At December 31, 2014 and 2013		
500,000 shares at P100 par value per share	500,000	P50,000,000
Effect of stock split for change in par value from P100 per share to P0.50 per share (Note b)	99,500,000	-
Stock dividends (Note c) 63,996,800 shares at P0.50 par value per share	63,996,800	31,998,400
Additional issuance during the year through IPO 57,622,000 share at P0.50 par value per share (Note d)	57,622,000	28,811,000
	221,118,800	60,809,400
At December 31, 2015	**221,618,800**	**P110,809,400**
At March 31, 2016	**221,618,800**	**P110,809,400**

a. Application for increase in authorized share capital

On January 30, 2015, the Company's BOD and shareholders amended its articles of incorporation to apply for increase in the number of authorized share capital from P 50,000,000 divided in five hundred thousand (500,000) shares at P100 par value per share to P 177,993,600 divided into three hundred fifty five million nine hundred eighty seven thousand

two hundred (355,987,200) shares at P0.50 par value per share. On July 15, 2015, the SEC issued a Certificate of approval of the increase of share capital.

b. Change in par value from P100 to P0.50

On January 30, 2015, the Company increased the issued and fully paid share capital amounting to P50,000,000 divided in five hundred thousand (500,000) shares at P100 par value per share to P50,000,000 divided in one hundred million (100,000,000) shares at P0.50 par value per share.

c. Stock dividends

On January 30, 2015, of the total increase in authorized share capital, twenty five percent (25%) have been subscribed and paid in the form stock dividends amounting to P31,998,400 divided into sixty three million nine hundred ninety six thousand eight hundred (63,996,800) shares at P0.50 par value per share.

On July 15, 2015, the SEC issued a Certificate of approval of the increase of share capital. Of the increase in authorized share capital of one hundred twenty seven million nine hundred ninety three thousand and six hundred (P 127,993,600) divided into two hundred fifty five million nine hundred eighty seven thousand two hundred (255,987,200) shares at least 25% have been subscribed and paid amounting to thirty one million nine hundred ninety eight thousand and four hundred (P 31,998,400) in the form of stock dividends. The subscription and payment of which were also approved by the shareholders representing at least 2/3 of the outstanding capital.

d. Initial Public Offering (IPO)

On December 7, 2015, the Company listed in the Philippine Stock Exchange issuing a total of fifty seven million six hundred twenty two thousand (57,622,000) shares with par value of P0.50 per share for a consideration of P3.60 per share for a total of gross proceeds of P207,440,000.

Share premium

On December 7, 2015, the Company issued 57,622,000 shares by way of an IPO. The share premium resulting from the said offer is as follows:

Gross proceeds		**P207,440,000**
Offer Expenses		
Underwriting and selling fees for the offer shares	**749,456**	
Taxes to be paid by the Company	**13,891,714**	
Philippine SEC filling and legal research fees	**41,076**	
PSE listing and processing fees inclusive of VAT	**3,052,119**	
Professional fees	**1,816,692**	
Out-of-pocket and other expenses	**1,804,644**	**(21,355,701)**
Net proceeds		**186,084,299**
Share capital		**(28,811,000)**
Total share premium		**P157,273,299**

Share premium arises when the amount subscribed for share capital is in excess of nominal value.

NOTE 17 – RELATED PARTY TRANSACTIONS

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors or its shareholders.

The details of the Company's related parties are summarized as follows:

Name of related party	Relationship	Country of incorporation
Constellation Energy Corporation (CEC)	Associate	Philippines
Primavera Residences Condominium Corporation (PRCC)	Affiliate	Philippines
Individuals	Key management personnel/shareholders	-

NOTE 18 – NET SALES

The account consists of:

	Mar 2016	Mar 2015
Sales		
Related parties (Note 21)	**P-**	P-
Third parties	**22,522,257**	15,886,572
Less: Sales discounts	**(631,442)**	(334,864)
	P21,890,815	P15,551,708