





Sec Number CS200900917  
File Number \_\_\_\_\_

**ITALPINAS DEVELOPMENT CORPORATION**

(Company's Full Name)

**Unit 9A 9F Country Space 1 Building, 137 Sen. Gil Puyat  
Avenue, Salcedo Village, Makati City**

(Company's Address)

**(+63 2) 893 0328**

(Telephone Number)

**30 June 2016**

(Quarter Ending)

**SEC Form 17-Q**

(Form Type)

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: **June 30, 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 Building, 137 Sen. Gil Puyat Avenue, Salcedo Village, Makati City** Postal Code: **1200**
8. Issuer's telephone number, including area code: **(+63 2) 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

Title of each class	Number of shares issued and outstanding (June 30, 2016)
Common Shares	221,618,800

11. Are any or all of the securities listed on a Stock Exchange? Yes  No

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

A total of 221,618,800 common shares are listed with the Philippine Stock Exchange, Inc. as of June 30, 2016.

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

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

Yes  No

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## PART I--FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

*The accompanying report of **Italpinas Development Corporation** comprise the unaudited condensed consolidated financial statements for the six months ended June 30, 2016 and have been prepared in accordance with the Philippine Accounting Standard 34, Interim Financial Reporting and hence do not include all of the information required in the December 31, 2015 annual audited financial statements. Please see **Annex A**.*

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion and analysis of Italpinas Development Corporation's financial performance for the six months ended June 30, 2016. The Company's MD&A should be read in conjunction with its unaudited consolidated financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (Php).*

### OVERVIEW OF THE BUSINESS

The Company was incorporated and registered with the SEC on January 26, 2009 as Italpinas Euroasian Design and Development Corporation which name was subsequently changed to Italpinas Euroasian Design and Eco-Development Corporation. On July 15, 2015, the SEC approved the change of the Company's name to "**Italpinas Development Corporation**". Its primary purpose is to engage in the business of real estate development wherein it uses knowledge in architectural design, market and demographic strategy, project development, and sales. The Company's authorized capital stock is One Hundred Seventy Seven Million Nine Hundred Ninety Three Thousand and Six Hundred (PHP 177,993,600.00) consisting of Three Hundred Fifty Five Million Nine Hundred Eighty Seven Two Hundred (355,987,200) common shares with a par value of PHP 0.50 per share. On December 7, 2015, the Company was listed in the Philippine Stock Exchange under the stock symbol "IDC".

The Company's debut project, the Primavera Residences Towers A&B, a mixed use residential condominium, commenced construction in June 2010, and was well received by the market in Cagayan de Oro and among investors countrywide and overseas. The complex consists of two mid-rise (i.e. ten floors) towers, the first tower of which was completed in August 2012. The second tower which started construction in April, 2013 was completed in December, 2015. Turn over to buyers has started last April, 2016 and on-going to date. It is planned to be ready for occupancy and will be turned-over to buyers beginning in the 2<sup>nd</sup> quarter of 2016.

In December 2012, the Company signed a Contract to Sell with Investment & Capital Corporation of the Philippines ("ICCP") for the acquisition of key property, also in Pueblo de Oro Business Park, Cagayan de Oro, as the site for the upcoming Primavera City project. This Contract to Sell was for the purchase of the first two out of seven contiguous lots. These two initial lots are planned as the site of the initial phase of the Primavera City Project Towers A&B In addition to the Contract to Sell, the Company also signed a Memorandum of Agreement with ICCP to secure a right of first refusal over the adjacent lots, allowing the Company to execute a broader and more substantial design footprint for this desirable location. The Company has fully paid the first two lots (Lots 6&7, Block 20). The transfer of land titles in favour of IDC was obtained from the Registry of Deeds on April 8, 2016.

The Company has already secured Development Permits and Building Permits for its first phase of the project. The Company held the grand launch of Primavera City in Pueblo de Oro Golf and Country Club in Cagayan de Oro on June 24, 2016. On June 13, 2016, the Housing and Land Use Regulatory Board ("HLURB") issued to the Company the Certificate of Registration of Primavera City Towers A&B. On the same date, HLURB issued the License to Sell ("LTS") for Tower B. Subsequently, on June 24, 2016, HLURB issued the LTS for Tower A. In view of the LTS issuances, the Company has begun with the pre-selling of the condominium units of Towers A&B.

Furthering the positive relationship track record with ICCP, the Company also signed a Contract to Sell for the acquisition of land in Sto. Tomas, Batangas as the site for IDC's prospective mixed-use development project, the Miramonti. The site is strategically located adjacent to the Manila-Batangas expressway, the Southern Tagalog Arterial Road ("STAR") Tollway, and directly accessed by the existing expressway exit, which is attractive to both growing local demand as well as the constant flow of all traffic passing between Metro Manila and the Batangas City area. Commercial properties will address a pronounced gap in supply in the Sto. Tomas area, while residential units and serviced apartments will serve the demand for accommodation from growing expatriate markets, transient markets, and from personnel frequenting the industrial and commercial zones between Metro Manila and Batangas port. In a similar strategy to that in Primavera City, an additional Memorandum of Agreement was signed with ICCP to guarantee right of first refusal to the Company over an adjacent lot at the Sto. Tomas site, allowing the Company to plan for expansion in keeping with strong demand forecasts. As of this writing, IDC has fully paid the land in Sto. Tomas, Batangas (Lot 1-A-3, Block 1) for the future site of its Miramonti project - a mixed use of commercial, serviced apartments and residential units.

In addition to the immediate pipeline of projects, the Company continues to pursue wide-ranging analysis and field observations in order to identify additional locales in the Philippines that are consistent with its existing portfolio of hyper-prospective growth nodules in under-valued secondary and tertiary cities. Through a combination of qualitative and quantitative market studies, the Company has identified the following potential areas located in Sto. Tomas and Lipa in Batangas, Cagayan de Oro in Misamis Oriental, Montelago in Oriental Mindoro, Dumaguete in Negros Oriental for target acquisitions. Below are the details of potential land acquisitions of IDC. The Company is still in the process of conducting due diligence and validation of these locations.

Land Acquisitions	Area	Purchase Price	Timetable of Acquisition
<b>Primavera City A&amp;B, Cagayan de Oro City</b>			
Lot 7	937 sq.m.	Php12,308,104	Fully Paid, Dec. 16, 2015
Lot 6	937 sq.m.	Php12,308,104	Fully paid, Dec. 16, 2015
Lots 2-5	4,685 sq.m.	Php61,540,520	Reserved right of first refusal (estimate: 13, 135/sq.m.)
Lot 1	936 sq.m.	Php 17,122,149	initially paid PHP 1 million February 12, 2016
<b>Sto. Tomas, Batangas (RFM Science Park)</b>			
Phase 1	1,796 sq.m.	Php14,080,640	Fully paid March 9, 2016
	261 sq.m.	Php 2,046,240	*1
Phase 2	7,354 sq.m.	Php51,478,000	Reserved right of first refusal (estimate: P 8,500/sq.m.)

### Corporate Vision-Mission

**Vision:** We strongly believe that human technique is inseparable from nature and nature is our inspiration. Therefore, we aim to design and build an environment where human development is in a balance with its environment.

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<sup>1</sup> Fully paid on July 11, 2016.

**Mission:** We provide unique, innovative, sustainable and safe real estate products that satisfy and exceed the expectation of our customers, business partners and stockholders because *“not all buildings are created equal.”*

### **Unique Value Proposition**

IDC has the following value propositions that the Company believe puts it ahead of its competitors:

- LOCATION                      We develop in up and coming cities, in safe and growing areas
- DESIGN                         We deliver innovative, elegant and green Italian Design
- BUILDING                      We build high quality, smart, safe and affordable buildings
- GREEN                         We reduce environmental impact (lower energy and water consumption)

### **Awards, Recognition and Track Record**

Although IDC is a young company, its multi-awarded projects have been recognized by prestigious international organizations:

1. Winner of Best Mixed-Use Development in the Philippines in the 2014-2015 Asia Pacific Property Awards, Primavera Residences
2. Highly Commended as Best Condominium Development in the Philippines in the 2011 Southeast Asia Property Awards (SEAPA), Primavera Residences
3. Finalist in the Most Promising Clean Energy Investment Opportunities in the 2010 CTI-PFAN Asia Forum for Clean Energy Financing (Philippines), Primavera Residences
4. Finalist in the Most Promising Clean Energy Investment Opportunities in the 2013 CTI-PFAN Asia Forum for Clean Energy Financing (Singapore), Primavera City
5. Winner of the Special Energy Award in the 2011 International Architectural Competition (Design Against the Elements, “DATE”), Coral City
6. Highly Interesting Real Estate Project in the 2012 Xavier (Ateneo) University Cagayan de Oro City, Primavera Residences and IDC
7. Highly Appreciated for Environmental Protection for Sustainable Development in 2011 by the National University of Manila, Primavera Residences

Arch. Romolo Nati and Atty. Jose Leviste were also cited as among the New Philippine Business Leaders by National Geographic Magazine in February 2014.

## **PROJECTS**

### **Primavera Residences**

Primavera Residences is located in Pueblo de Oro Township, a world-class master-planned community in flood-free uptown Cagayan de Oro City. Primavera Residences is adjacent to SM City CDO, schools, offices, churches, and a golf course. It is situated inside the Pueblo de Oro Business Park, an export zone registered with the Philippine Export Zone Authority (PEZA). The Company was able to establish itself here as the “first-mover” in introducing condominium living in Cagayan de Oro City.

Primavera Residences has already been recognized for the buildings’ unique design architecture, environmentally friendly features, and the quality of its development. In May 2014, it won the Best Mixed-Use Development in the Philippines Award given by the International Property Awards in Kuala Lumpur. It was also highly commended as one of the Best Condo Developments in the



Philippines at the 2011 Southeast Asia Property Awards (SEAPA) held in Singapore in November 2011, and was awarded a Recognition Certificate as a finalist and one of the “most promising clean energy investment opportunities” during the Climate Technology Initiative Private Financing Advisory Network (CTI PFAN) Philippine Clean Energy Investment Forum in Manila on June 21, 2010.

Arch. Nati inspires, conceptualizes, and directs the Company’s designs, including its performance-based design solutions and systems, as well as its unique visual aesthetic. The approval of final architectural plans, as well as any other steps as may be required, is done by duly licensed and accredited Filipino architects.

Primavera Residences is a twin-tower project consisting of Building A, with ten (10) floors and Building B, with ten (10) floors plus mezzanine. The total floor area of both buildings is 19,961 square meters. In Building A, the ground floor is for commercial while the second floor is for office spaces and the multipurpose hall to serve the community. Amenities such as the gym, pool, and green courtyard are at the third floor. Residential units are located from the third floor to the tenth floor. In Building B, the Ground floor is for commercial use, with parking available (to serve both buildings) at the mezzanine and second floors. Residential units are located from the third to the tenth floor, with an open-air playground and social space found at the third floor. The shared rooftop spanning both buildings features drying cages for the convenience of residents. The Company has installed solar panels to supply a portion of the energy needs of the building’s common areas. In addition, the buildings are equipped with entrance lobbies, two elevators each, CCTV security cameras, and provision for cable television, landlines, and internet access.

The building showcases green features to both save and generate energy. Façades are shaded by cantilevered ledges that protect windows from direct contact with the sun’s rays during the hottest times of the day. The dimensions and placement of these ledges are optimized by the use of parametric design software, taking into account the exact path traveled by the sun through the sky, each day throughout the year, at the building site’s precise latitude on the earth.

The building is also designed to decrease indoor temperature by increasing natural ventilation. This is achieved through green strategies including an inner courtyard that functions as a natural chimney, drawing warmer air upward from the 3<sup>rd</sup> floor through the top of the building, which, in turn, creates natural suction of cooler air laterally inward from the building’s exterior. The design of individual units also channels this movement of air to significantly enhance cross-ventilation in each household.

The precise management of shading features allows larger window designs without raising temperature. Together with the open inner courtyard, this optimizes natural lighting throughout units and common areas without the heating effects of unmitigated sunlight, resulting in further energy savings.

Below are the details of total cost of the Primavera Residences Towers A & B.

<b>Total Project cost of Primavera Residences Tower A &amp; B</b>	
<b>Tower A</b>	
Land (Lot area- 1125 sqm)	Php13,295,563
Construction	Php210,979,390
<b>Tower B</b>	
Land (Lot area-1126 sqm)	Php13,307,382
Construction	Php248,729,482
Pre-operating (Plans, surveys, permits, licenses etc.)	Php71,717,684
<b>TOTAL</b>	<b>Php558,029,501</b>

The two buildings have an aggregate of three hundred twenty-one (321) residential units, twenty (20) commercial units, eleven (11) office units, and fifty-two (52) parking slots.

By the end of 2015, 156 out of total 162 units of Tower A were sold. Tower A was completed and turned over last 09 December 2012. As of 31 December 2015, 69% or 166 units of Tower B were sold. Tower B was completed and turnover started beginning of 2<sup>nd</sup> quarter of 2016.

### **Primavera City**

The area's defining real estate project will be 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, the Primavera City bested over 100 other clean energy projects across Asia in real estate competitions.

Primavera City has also been awarded by the Climate Technology Initiative Private Financing Advisory Network (CTI PFAN), whose funding partners include the Asian Development Bank (ADB) and the United States Agency for International Development (USAID), as among the top ten "Most Promising Clean Energy Investment Opportunities" projects in a competition held in Singapore on February 22, 2013.

Also located near SM City CDO in the Pueblo de Oro Business Park, Primavera City is designed as a seven-building cluster and is planned to be constructed in four (4) phases as follows: Phase 1 to consist of the first and second buildings on the first two contiguous lots; Phase 2 to consist of the third and fourth buildings on the next two contiguous lots; Phase 3 to consist of the fifth and sixth buildings on the next two contiguous lots; and Phase 4 to consist of a single high-rise building on the last (seventh) of the contiguous lots.

The start of construction of Phase 1 is planned to commence by third quarter of 2016.

This eleven-storey mixed-use development is designed to have one ground floor parking, one (1) floor of basement parking, one (1) floor commercial, two (2) floor offices, eight (8) floors of residential space, and a roof deck featuring amenities like a pool, a gym, a multipurpose function hall, and a roof garden. Each building is planned to feature an array of photovoltaic panels that will generate energy for the building's consumption. In addition, passive green features of the building's design will significantly reduce the energy required for air-conditioning.

The second phase – Primavera City Towers C&D is slated for construction by 1st quarter of 2018 and planned for completion by 2nd quarter, 2020.

The third phase- Primavera City Towers E&F is scheduled for development by 1st quarter of 2020 and targeted for completion by 2nd quarter, 2022.

The 4th phase – Primavera City Tower G is planned as a high rise mixed use condominium scheduled for development by 2022- 2024.

### **PLANS AND PROSPECTS**

Plans for upcoming projects- the Miramonti project are currently being finalized.

The Company is in the process of acquiring the first of two neighboring lots, which together form a 7,143 square meter property located at San Rafael, Municipality of Sto. Tomas, Province of Batangas. (Lot 1-A-3 consisting of 1796 square meters).

As of this writing, the Company has fully paid this lot and the title is in the process of being transferred to the Company. In addition, a land area of 261 sq.m. to be carved out of the road lot fronting the property is being acquired to be consolidated in the title. This additional lot area will rectify the configuration of the land into rectangular shape instead of its present state which is trapezoidal. This additional lot has also been fully paid last July 20, 2016.

The second lot (Lot 1 Block 3-A, consisting of 5,347 square meters) is subject to a right of first refusal in the Company's favor.

Based on initial assessments of the Company, the best use for this property is deemed to be a mixed-use mid- to high-rise development comprising of commercial, serviced apartments and residential units featuring the Company's eco-friendly design philosophy. Based on the completed concept design, this project is named as the "Miramonti Project". After the conclusive results of the detailed geotechnical soil study, the architectural and engineering plans are being prepared and slated for completion by end of second quarter, 2016. It is strategically located at the RFM Science Park, a PEZA registered zone located in Sto. Tomas, Batangas, which is a combination of existing and planned residential and light industrial usage, which is seen as an existing market for the project's commercial, serviced apartments and residential products.

The site is strategically located adjacent to the Manila-Batangas expressway, the Southern Tagalog Arterial Road ("STAR") Tollway, and directly accessed by the existing expressway exit, which is attractive to both growing local demand as well as the constant flow of all traffic passing between Metro Manila and the Batangas City area. Commercial properties will address a pronounced gap in supply in the Sto. Tomas area, while residential units and serviced apartments will serve the demand for accommodation from growing expatriate markets, transient markets, and from personnel frequenting the industrial and commercial zones between Metro Manila and Batangas port.

The Company is currently planning more projects in the pipeline in diverse locations which may include Lipa in Batangas, Cagayan de Oro in Misamis Occidental, Subic in Zambales, Montelago in Oriental Mindoro, Dumaguete in Negros Oriental, and Iloilo City in Iloilo Province.

## **DESCRIPTION OF PROPERTIES**

The Company owns several real estate properties as described below. The Company has under its name the title for the project Primavera Residences. As for the titles of Primavera City and Sto. Tomas Property, the properties are under the names of Pueblo de Oro Development Corporation and RFM Science Park of the Philippines, Inc. respectively, with Contracts to sell in favor of the Company. Under these Contracts to Sell, the respective titles will be transferred to the Company, pending the scheduled amortization payments.

The Company also owns two intellectual property rights in its favor, which are registered with the Intellectual Property Office of the Philippines.

### **Primavera Residences Property**

The land for Primavera Residences Tower A is a 1,125 square meter property with TCT number 137-2011000850, located at Barangay of Upper Carmen Cagayan de Oro City, Misamis Oriental, Philippines. The total contract price of this property is PHP 13,227,213.00 and was fully paid last 26 January 2011. This title was used to secure the Company's development loan with Landbank of the Philippines.

The land for Primavera Residences Tower B is a 1,126 square meter property with TCT number 137-2013000753, located at Barangay of Upper Carmen Cagayan de Oro City, Island of Mindanao, Philippines. The total contract price of this property is PHP 13,238,970.21 and was fully paid last 08 February 2013. Said title is used to secure the Company's developmental loan with Bank of Philippine Islands.

The first tower of Primavera Residences has been finished and delivered. The second tower has been completed on December, 2015.

### **Primavera City Property**

The land for Primavera City is a 6,558 square meter property located at Upper Carmen, Cagayan de Oro City, Island of Mindanao. The property is under the name of Pueblo de Oro Development Corporation, with Contracts to Sell covering the first 1,874 square meters in favor of the Company, and a right of first refusal to purchase the remaining 4,684 square meters.

The land for Primavera City Tower A is a 937 square meter property with TCT number T-126992. The land for Primavera City Tower B is a 937 square meter property with TCT number T-126991. Both properties are located at Barangay of Upper Carmen Cagayan de Oro City, Misamis Oriental, Philippines. The total contract price of the two properties is PHP 24,616,208.10. As of this writing, the two lots has been fully paid and the title is in process of being transferred in IDCs favor.

Composed of seven (7) towers, the construction will be divided into four (4) phases, of which, phase one (1) which is Primavera City Towers A & B is set to start construction in 2<sup>nd</sup>-quarter of 2016.

### **Sto. Tomas Property**

The land for a prospective project is a 7,143 square meter property located at San Rafael, Municipality of Sto. Tomas, Province of Batangas. While the title is still under the name of the seller, RFM Science Park of the Philippines, Inc., the Company has a contract to sell for the first phase which comprises of 1,796 square meters located at Lot 1-A-3 of the property, and a right of first refusal to purchase Lot 1 Block 3-A. The total contract price is 14,080,640.00. As of this writing, the Company has fully paid Lot 1-A-3 and the title is in the process of being transferred in IDCs favor. The Company believes that the best use for this property is a mixed-use development comprising of commercial, serviced apartments and residential units and parking spaces.

### **Intellectual Property**

The Company owns Intellectual Properties which it registered with the Intellectual Property Office of the Philippines. The Company owns the right over the word "ECO-LOGIC", which was granted on September 22, 2013, with a term of 10 years, or until September 22, 2023. The Company also owns the mark for "Primavera", which was registered on December 20, 2012 with a term of 10 years, or until December 20, 2022. Finally the Company owns the mark for IDC. The same was registered on January 7, 2010, with a term of ten (10) years, or until January 7, 2020.

### **Leased Property**

The Company uses a 191.70 square meter office space located at Unit 9-A, 9<sup>th</sup> floor, Country Space Building, 137 Gil Puyat Avenue Salcedo Village, Makati City, as its head office. This property is owned by KPSI Property, Inc., and is sub-leased to the Company for PHP 43,868.605 per month, by Constellation Energy Corporation ("CEC") who signed the original contract of lease. The contract of lease is set to expire on November 2016, while the sub lease agreement is set to end on November 2016 and there is a renewal provision in the main lease between CEC as a tenant and the unit owner. Currently, the Company has no plans to transfer its office location but may opt to do so in the future.

## **KEY PERFORMANCE INDICATORS**

### ***CURRENT RATIO***

This is computed as current assets divided by current liabilities. It is a liquidity ratio that measures a company's ability to pay its short-term liabilities with its current assets.

### ***SOLVENCY RATIO***

This is derived through adding after tax net profit and depreciation and dividing the sum by total liabilities. It measures the company's ability to meet its long term debts.

### ***DEBT-TO-EQUITY RATIO***

This is measured as the ratio of total liabilities divided by the total equity attributable to equity holders of the parent company. It is a debt ratio used to measure a company's financial leverage. It indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders' equity.

### ***GROSS PROFIT RATE***

This is gross profit as a percentage of revenue. It reveals the core profitability of a company before overhead costs.

**RETURN ON EQUITY**

This is net profit as a percentage of average equity attributable to equity holders of the parent company. It measures a company's profitability by showing how much profit a company generates with the money shareholders have invested in it.

**NET MARGIN**

This is net profit as a percentage of revenue. This percentage shows how much of each peso earned by the company is translated into profits.

	June 30, 2016	December 31, 2015
<b>Current / Liquidity Ratio</b>		
Current Ratio	5.56	4.61
<b>Solvency Ratio / Debt-to-Equity Ratio</b>		
Net debt-to-equity Ratio	0.62	0.82
<b>Asset-to-Equity Ratio</b>		
Equity Multiplier	1.62	1.82
	June 30, 2016	June 30, 2015
<b>Interest Rate Coverage Ratio</b>		
Interest Cover	2.88	2.66
<b>Profitability Ratios</b>		
Gross Profit Rate	0.53	0.51
EBITDA	14,558,968	21,784,857
<b>Other Ratios</b>		
Basic Earnings per Share	0.04	0.13
Diluted Earnings per Share	0.04	0.08

**FINANCIAL AND OPERATIONAL RESULTS****2<sup>nd</sup> Quarter 2016 Financial Condition**

As of June 30, 2016, the Company had total assets of Php 521,920,436. Likewise, the Company remains liquid with current assets amounting to Php 392,120,582 as against its current obligations of Php 70,494,934.

The Company assets are comprised primarily of cash, real estate inventory, receivables and investment property.

Italpinas' receivables are composed mainly of installment contracts receivables from buyers. As of 30 June 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 .62x in 30 June 2016.

***Financial Condition as at 30 June 2016 compared to as at 31 December 2015***

***51.80% Decrease in Cash***

The company paid its existing obligations to its contractors and existing loans to the bank. Additional expenses were made for the launching of Primavera City last June 2016.

***13.66% Increase in Receivables***

The company sold 22 residential units of Primavera Residences Tower B totaling to Php 60,184,805. Almost all of these were sold under bank financing mode of payment.

***29.69% Decrease in Real Estate Inventory***

Decrease in inventory of Php 26 million is due to the cost of the sold 22 units of Primavera Residences Tower B.

***698.08% Increase in Prepayments***

Included in the prepayments accounts were prepaid expenses totaling Php 5.2 million, these were prepaid advertising expenses for the Primavera City.

***8.81% Decrease in Property and Equipment***

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

***21.73% Increase in Other Non-Current Assets***

Included in the other non-current assets is the additional security deposit to SM for the rental of kiosk. These were already incurred starting from January 2016.

***37.34% Decrease in Trade and Other Payables***

Decrease is due to payment to contractors of Primavera Residences Towers A and B. The Company also paid its creditors.

***20.16% Increase in Retained Earnings***

The company earned Php 9,084,138 for the six - month period which brought about the increase in retained earnings. On June 30, 2016, the three - month period net income amounts to Php 5,532,821

**2<sup>nd</sup> Quarter 2016 Results of Operation**

Italpinas reported a net income of Php 9,084,138 for the six - month period ending June 30, 2016.

***Results of Operation as at 30 June 2016 compared to as at 30 June 2015***

***14.61% Increase in Real Estate Sales***

As of 30 June 2016, the company sold 22 units for the 2<sup>nd</sup> quarter of 2016.

*109.66% Increase in Interest Income*

Interest income were earned from installment receivable. The Company realizes some of its installment receivable for the six-month period as of June 30, 2016.

*10.41% Increase in Cost of Sales*

Increase in sales correspondingly increased cost.

*75.06% Increase in Selling Expenses*

The company launched several promotions to sell its remaining inventory.

*11.52% Increase in General and Administrative Expenses*

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

1. Adjustment of salaries
2. Donation to Habitat
3. Payment to secure permits for Primavera City
4. Travelling to and from Cagayan de Oro of top management

**PART II--OTHER INFORMATION**

- 1. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:**

Not applicable.

- 2. Description of material commitments and general purpose of such commitments. Material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other person created during the period:**

The Company has not entered into any material commitments as of June 30, 2016 nor has it entered into any material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the applicable period.

- 3. Any significant elements of income or loss that did not arise from registrant's continuing operations:**

Not applicable.

- 4. Seasonal aspects that have a material effect on the FS:**

No seasonal aspects that have a material effect on the financial statements.



## MAJOR STOCKHOLDERS

The following are the major stockholders of Italphinas Development Corporation as of June 30, 2016

Stockholders	No. of Shares	Percentage
Jose D. Leviste III	81,337,165	36.70%
Romolo V. Nati	73,527,965	33.18%

## AFFILIATES

In line with its commitment to sustainable development, the Company also holds a 25% equity stake in Constellation Energy Corporation (“Constellation” or “CEC”), providing it with strategic exposure to growth in the renewable energy industry and the Philippines’ increasing demand for power. Constellation is engaged in the development of renewable energy facilities to provide clean energy to Philippine grids.

## BOARD OF DIRECTORS

As of June 30, 2016, the members of the Board of Directors of the Company are:

Name	Position
Romolo V. Nati	Chairman
Jose D. Leviste III	Director
Antonio R. Samson	Director
Atty. Shennan A. Sy	Director
Atty. Christine P. Base	Director
Jose G. Araullo	Independent Director
Rafael A. Dominguez <sup>2</sup>	Independent Director

## PRINCIPAL OFFICERS

Name	Position
Romolo V. Nati <sup>3</sup>	Chief Executive Officer
Jose D. Leviste III	President
Ma. Teresa T. Fernandez <sup>4</sup>	Chief Operating Officer
Harold J. Dacumos <sup>5</sup>	Senior Vice President, Banking and Business Operations Management
Mary Ann B. Lopez	Vice President, Finance and Administration

<sup>2</sup> Replaced Jose M. Periquet on July 11, 2016 during the annual stockholders’ meeting.

<sup>3</sup> Effective date of appointment is July 11, 2016.

<sup>4</sup> Effective date of appointment is July 18, 2016.

<sup>5</sup> Effective date of promotion is July 11, 2016.

**SIGNATURES**

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

Registrant ITALPINAS DEVELOPMENT CORPORATION



JOSE D. LEVISTE III  
President

August 12, 2016



MARY ANN B. LOPEZ  
Vice President, Finance and Administration

August 12, 2016



## **FINANCIAL STATEMENTS**

**AS AT JUNE 30, 2016 AND DECEMBER 31, 2015  
AND FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015  
AND FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015  
AND FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND DECEMBER 31, 2015**

	Note	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash on hand and in banks	7	P75,157,515	P155,926,313
Trade and other receivables	8	160,376,951	127,946,979
Advances to related parties		-	9,618,152
Real estate inventories	9	62,371,722	88,705,150
Property development costs	10	46,029,285	28,032,179
Input VAT	11	41,145,368	37,567,177
Prepayments other current assets	12	7,039,741	882,086
<b>Total current assets</b>		<u>392,120,582</u>	<u>448,678,036</u>
<b>Noncurrent assets</b>			
Trade receivables, net of current Portion	8	109,443,712	109,443,712
Land for future development	13	12,572,000	12,572,000
Property and equipment	14	7,476,142	8,198,114
Other noncurrent assets		308,000	253,019
<b>Total noncurrent assets</b>		<u>129,799,854</u>	<u>130,466,845</u>
<b>Total assets</b>		<u>P521,920,436</u>	<u>P579,144,881</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	P42,461,488	P71,702,625
Borrowings, current portion		16,016,609	21,007,431
Advances from related parties		12,016,837	771,152
Income tax payable		-	3,789,250
<b>Total current liabilities</b>		<u>70,494,934</u>	<u>97,270,458</u>
<b>Noncurrent liabilities</b>			
Trade and other payables, net of current portion	15	17,995,884	24,778,269
Borrowings, net of current portion		111,213,524	138,836,718
<b>Total noncurrent liabilities</b>		<u>129,209,408</u>	<u>163,614,987</u>
<b>Total liabilities</b>		<u>199,704,342</u>	<u>260,885,445</u>
<b>Equity</b>			
Share capital	16	110,809,400	110,809,400
Share Premium		157,273,299	162,400,779
Retained earnings		54,133,395	45,049,257
<b>Total equity</b>		<u>322,216,094</u>	<u>318,259,436</u>
<b>Total liabilities and equity</b>		<u>P521,920,436</u>	<u>P579,144,881</u>

**ITALPINAS DEVELOPMENT CORPORATION**  
*(Formerly Italtinas, EuroAsian Design and Eco-Development Corporation)*

**STATEMENTS OF INCOME**  
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	June 30		December 31
		2016 (Unaudited)	2015 (Audited)	2015 (Audited)
Net sales	18	P58,821,221	P51,323,310	P216,532,928
Cost of sales	19	(27,486,458)	(24,895,512)	(139,262,823)
<b>Gross profit</b>		<b>31,334,763</b>	26,427,798	77,270,105
Realized gross profit		-	36,302,416	56,652,776
Deferred gross profit		-	(16,712,047)	(34,194,162)
		<b>31,334,763</b>	46,018,167	99,728,719
General and administrative expenses	20	(31,231,702)	(25,741,080)	(48,589,393)
<b>Profit from operations</b>		<b>103,061</b>	20,277,087	51,139,326
Other operating income (expense)		13,549,973	270,987	15,837,385
Finance income	21	1,132,152	539,990	1,011,142
Finance costs		(5,139,047)	(7,914,660)	(15,006,734)
<b>Profit before tax</b>		<b>9,646,140</b>	13,173,404	52,981,119
Provision for income tax		(562,002)	(335,292)	(8,504,903)
<b>Profit for the period/year</b>		<b>P9,084,138</b>	P12,838,112	P44,476,216
<b>Basic earnings per share</b>	22	<b>P0.04</b>	P0.13	P0.26
<b>Diluted earnings per share</b>	22	<b>P0.04</b>	P0.08	P0.26

**ITALPINAS DEVELOPMENT CORPORATION**  
(Formerly Italtinas, EuroAsian Design and Eco-Development Corporation)

**STATEMENTS OF INCOME**  
**FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2015**

	Note	June 30		December 31
		2016	2015	2015
		(Unaudited)	(Audited)	(Audited)
Net sales	18	P36,930,406	P35,771,602	P216,532,928
Cost of sales	19	(17,697,511)	(17,133,061)	(139,262,823)
<b>Gross profit</b>		<b>19,232,895</b>	18,638,541	77,270,105
Realized gross profit		-	32,641,473	56,652,776
Deferred gross profit		-	(9,697,943)	(34,194,162)
		<b>19,232,895</b>	41,582,071	99,728,719
General and administrative expenses	20	(17,014,498)	(13,821,446)	(48,589,393)
<b>Profit from operations</b>		<b>2,218,397</b>	27,760,625	51,139,326
Other operating income (expense)		5,383,334	(207,721)	15,837,385
Finance income	21	424,143	247,834	1,011,142
Finance costs		(2,493,053)	(4,081,038)	(15,006,734)
<b>Profit before tax</b>		<b>5,532,821</b>	23,719,700	52,981,119
Provision for income tax		-	(194,5170)	(8,504,903)
<b>Profit for the period/year</b>		<b>P5,532,821</b>	P23,525,183	P44,476,216
<b>Basic earnings per share</b>		<b>P0.02</b>	P0.23	P0.26
<b>Diluted earnings per share</b>		<b>P0.02</b>	P0.14	P0.26

**ITALPINAS DEVELOPMENT CORPORATION**  
*(Formerly Italtinas, EuroAsian Design and Eco-Development Corporation)*

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2015**

	June 30		December 31
	2016	2015	2015
	(Unaudited)	(Audited)	(Audited)
<b>Profit for the period/year</b>	<b>P9,084,138</b>	P12,838,112	P44,476,216
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period/year</b>	<b><u>P9,084,138</u></b>	<b><u>P12,838,112</u></b>	<b><u>P44,476,216</u></b>

**ITALPINAS DEVELOPMENT CORPORATION**  
*(Formerly Italtinas, EuroAsian Design and Eco-Development Corporation)*

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2015**

	June 30		December 31
	2016	2015	2015
	(Unaudited)	(Audited)	(Audited)
Profit for the period/year	P5,532,821	P23,525,183	P44,476,216
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period/year</b>	<b><u>P5,532,821</u></b>	<b><u>P23,525,183</u></b>	<b><u>P44,476,216</u></b>



**ITALPINAS DEVELOPMENT CORPORATION**  
*(Formerly Italtinas, EuroAsian Design and Eco-Development Corporation)*

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2015**

	Share capital (Note 20)	Share Premium	Retained earnings (deficit)	Total
<b>At January 1, 2015</b>	P50,000,000	-	P32,571,442	P82,571,442
Stock dividends (Note 20)	31,998,400	-	(31,998,400)	-
Total comprehensive income	-	-	12,838,112	12,838,112
<b>At June 30, 2015</b>	81,998,400	-	13,411,154	95,409,554
Proceeds from IPO	28,811,000	162,400,779	-	191,211,779
Total comprehensive income	-	-	31,638,104	31,638,104
<b>At December 31, 2015</b>	110,809,400	162,400,779	45,049,257	318,259,437
Expenses charged to Share Premium	-	(5,127,480)	-	(5,127,480)
Total comprehensive income	-	-	9,084,138	9,084,138
<b>At June 30, 2016</b>	<b>P110,809,400</b>	<b>P157,273,299</b>	<b>P54,133,395</b>	<b>P322,216,094</b>

**ITALPINAS DEVELOPMENT CORPORATION**  
(Formerly Italtinas, EuroAsian Design and Eco-Development Corporation)

**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2015**

	Notes	June 30		December 31
		2016	2015	2015
		(Unaudited)	(Audited)	(Audited)
<b>Cash flows from operating activities</b>				
Income before income tax		P9,646,140	P13,173,404	P52,981,119
Adjustments for:				
Depreciation and amortization	14	1,411,734	1,307,896	2,687,307
Interest income	21	(1,132,152)	(539,990)	(1,011,142)
Interest expense		5,139,047	7,914,660	15,006,734
Operating income before working capital changes		<u>15,064,769</u>	<u>21,855,970</u>	<u>69,664,018</u>
<b>Changes in operating assets and liabilities</b>				
(Increase) decrease in:				
Trade and other receivables		(32,429,972)	99,983,521	(104,289,625)
Real estate inventories		26,333,428	2,264,007	(59,017,096)
Project development costs		(17,997,106)	(85,463,347)	49,659,769
Input VAT		(3,578,191)	(1,175,573)	9,821,470
Prepayments		(6,157,655)	(940,835)	(1,838,076)
Land for future development		-	-	22,092,332
Other assets		(54,981)	140,668	138,149
Decrease (increase) in:				
Trade and other payables		36,023,522	(16,833,498)	(33,922,998)
Deferred gross profit		-	(19,590,368)	(22,458,614)
Other liabilities		-	(14,897,934)	(23,813,959)
Cash received in operations		<u>17,203,814</u>	<u>(14,657,389)</u>	<u>(93,964,630)</u>
Interest received		<u>1,132,152</u>	<u>539,990</u>	<u>1,011,142</u>
Net cash received in operating activities		<u>18,335,966</u>	<u>(14,117,399)</u>	<u>(92,953,488)</u>

**ITALPINAS DEVELOPMENT CORPORATION**  
(Formerly Italtinas, EuroAsian Design and Eco-Development Corporation)

**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**  
**AND FOR THE YEAR ENDED DECEMBER 31, 2015**

	Notes	June 30		December 31
		2016 (Unaudited)	2015 (Audited)	2015 (Audited)
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment	14	(P689,761)	(P1,566,097)	(2,610,160)
Disposal of property and equipment		-	195,393	195,393
Net cash used in investing activities		<u>(689,761)</u>	<u>(1,370,704)</u>	<u>(2,414,767)</u>
<b>Cash flows from financing activities</b>				
Payment charged to Share Premium		(5,127,480)	-	-
Proceeds from initial public offering		-	-	191,211,779
Proceeds from borrowings		-	40,303,263	40,303,261
Repayments of borrowings		(32,614,016)	(60,431,029)	(100,574,344)
Finance cost paid		(5,139,047)	(7,914,660)	(15,006,734)
Due from related parties		(55,534,460)	-	83,126,261
Net cash provided by (used in) financing activities		<u>(99,415,003)</u>	<u>(28,042,426)</u>	<u>199,060,223</u>
<b>Net increase in cash on hand and in banks</b>		<b>(80,768,798)</b>	<b>(43,530,529)</b>	<b>31,939,929</b>
Cash on hand and in banks				
Beginning		<u>155,926,313</u>	<u>52,234,345</u>	<u>52,234,345</u>
Ending		<u>P75,157,515</u>	<u>P8,703,816</u>	<u>P155,926,313</u>

**ITALPINAS DEVELOPMENT CORPORATION**  
*(Formerly Italtinas, EuroAsian Design and Eco-Development Corporation)*

**NOTES TO FINANCIAL STATEMENTS**  
**AS AT JUNE 30, 2016 AND DECEMBER 31, 2015**  
**AND FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1 - CORPORATE INFORMATION**

Italtinas, 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 ma 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, tradenames, 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, tradenames, 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 the 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 EuroAsian 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 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.

### **Initial Public Offering (IPO)**

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.

### **Registration with the Board of Investments (BOI)**

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 to the years presented, unless otherwise stated.

#### *Statement of compliance*

The financial statements have been prepared in accordance with PFRS as issued by the Financial Reporting Standards Council, 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 standards and amendments effective from January 1, 2015

The accounting policies adopted are consistent with those of the previous years except for the following new standards, interpretation and amendments effective for the first time from January 1, 2015 of which none have had a material effect on the financial statements:

##### i. Amendment relevant to 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 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, interpretations and amendments to existing standards issued but not yet effective and not early adopted by the Company

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.

i. *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 Programmes*.

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 statements 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**

For measurement and disclosure purposes, the Company determines the fair value of an asset or liability at initial measurement or at each statement of financial position date. 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 by 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 a 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.

### **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 statements 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 and in the statements of financial position (see Notes 7, 8).

*(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 statement 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 carrying amount 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.

The Company has no AFS financial assets as at June 30, 2016 and December 31, 2015.

### **Derecognition**

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 Company 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 Company 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 Company 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 statement 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.

### **(b) *Other financial liabilities***

This is the category 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.

## **Derecognition**

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 derecognition 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 unfavourable 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 statements 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 respective bank deposit rates. For the purpose of reporting cash flows, cash on hand and in banks are unrestricted and available for use in current operations.

#### **2.6 Trade and other receivables**

Trade and other receivables are amounts due from customers for real estate inventories sold in the ordinary course of business. If collection is expected in one year or less (or within the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at the transaction price 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 project development costs account when the development of the property starts. Related project 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 project development costs. Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related project 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 project development account.

Costs of properties and projects accounted for as project 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 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 other comprehensive income 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 statements 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 payable**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment

is due within one year or less (or within the normal operating cycle of the business if 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 recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost using 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.

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

### **2.14 Borrowing costs**

General and specific borrowing costs 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 as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs 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 balance 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 deduction 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” and “Deposits and other liabilities” accounts 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 discounted 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 statements 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 statements of income are presented using the function of expense method.

## 2.18 Employee benefits

### i. *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 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 June 30, 2016, 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 June 30, 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.

### ii. *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 they are normally of a short-term nature.

### iii. *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 separate 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 statement 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 P1,000,000, 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 "Trade and other payables" account in the statements of financial position.

### **2.22 Provisions and contingencies**

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. They 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 JUDGMENTS AND ESTIMATES**

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. An assessment 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 statement 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 consolidated statement 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, that 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 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.
- 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, plant 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 presented.

#### *Revenue and cost recognition*

The Company uses the percentage-of-completion 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 percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work (see Note 10).

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 effective interest rate. 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 determined based on the historical loss experience of the receivables in 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 was no impairment losses required to be recognized on the Company's trade and other receivables for the six-month periods ended June 30, 2016 and 2015 and for the year ended December 31, 2015. The carrying values of trade and other receivables as at June 30, 2016 and December 31, 2015 are shown in Notes 8.

#### *Determination of net realizable values 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 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 construction and less estimated cost to and process significant adjustments to the Company's inventories within the next reporting period.

The carrying amounts of inventories as at June 30, 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 Notes 2.8.

The carrying amounts of property and equipment are set out in Notes 14. 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, prepayments, land and improvements, 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 input VAT, prepayments, land and improvements, property and equipment, and other noncurrent assets (see Notes 9, 11, 12, 13, 14 and 15).

#### *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 following table shows the classification, carrying values and fair values of the Company's financial assets and financial liabilities as at June 30, 2016 and December 31, 2015:

	June 30, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Cash on hand and in banks (Note 7)	P75,157,515	P75,157,515	P155,926,313	P155,926,313
Trade receivables (Note 8)*	269,820,663	269,820,663	224,076,957	224,076,957
Advances to related parties	-	-	9,618,152	9,618,152
Refundable security deposits	308,000	308,000	253,019	253,019
	<u>P345,286,178</u>	<u>P345,286,178</u>	<u>P389,874,441</u>	<u>P389,874,441</u>
<b>Financial liabilities</b>				
<i>Other financial liabilities</i>				
Trade and other payables (Note 15)**	P60,457,372	P60,457,372	P95,282,830	P95,282,830
Advances from related parties	12,016,837	12,016,837	771,152	771,152
Borrowings	127,230,133	127,230,133	159,844,149	159,844,149
	<u>P199,704,342</u>	<u>P199,704,342</u>	<u>P255,898,131</u>	<u>P255,898,131</u>

\* Exclusive of advances to officers, employees, suppliers and contractors and other receivables

\*\* Exclusive of government liabilities

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.

The income, expense, gain and/or losses recognized from financial instruments for the six-month periods ended June 30, 2016 and 2015, and for the years ended December 31, 2015:

	Six-month periods ended June 30		December 31 Years ended
	2016 (Unaudited)	2015 (Audited)	2015 (Audited)
Finance income (Note 21)	P1,132,152	P539,990	P1,011,142
Finance costs	(5,139,047)	(7,914,660)	(15,006,734)
	<u>(P4,006,895)</u>	<u>(P7,374,670)</u>	<u>(P13,995,592)</u>

## **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.

### Fair value hierarchy assets and liabilities

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 June 30, 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 board of directors 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 prices 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 repricing scheme based on market rates.

##### *Interest rate sensitivity analysis*

The outstanding balances and closing interest rates of the Company's borrowings maturing on the succeeding financial period as at June 30, 2016 and December 31, 2015 are as follows:

	<b>June 30, 2016 (Unaudited)</b>	<b>December 31 2015 (Audited)</b>
Outstanding balance	<b>P16,016,609</b>	<b>P21,007,431</b>
Interest rate	<b>7.28%</b>	<b>7.54%</b>

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 following table provides information regarding the maximum credit risk exposure of the Company arising from its principal financial assets as at June 30, 2016 and December 31, 2015:

	June 30, 2016 (Unaudited)	December 31 2015 (Audited)
<i>Loans and receivables</i>		
Cash in banks (Note 7)	P75,157,515	P155,840,313
Trade receivables (Note 8)*	257,606,824	224,076,957
Advances to related parties	-	9,618,152
Refundable security deposits	308,000	253,019
	<u>P333,072,339</u>	<u>P389,788,441</u>

\* *Exclusive of advances to officers, employees, suppliers and contractors and other receivables*

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

The following table provides information regarding the Company's analysis of the age of financial assets by class as at the reporting date:

	As at June 30, 2016 (Unaudited)					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1-30 days	31-60 days	Over 60 days		
<i>Loans and receivables</i>						
Cash in banks	P75,157,515	P-	P-	P-	P-	P75,157,515
Trade and other Receivables*	257,479,282	127,542	-	-	-	257,606,824
Advances to related parties	-	-	-	-	-	-
Refundable security deposits	308,000	-	-	-	-	308,000
	<u>P332,944,797</u>	<u>P127,542</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>	<u>P333,072,339</u>

	As at December 31, 2015 (Audited)					
	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1-30 days	31-60 days	Over 60 days		
<i>Loans and receivables</i>						
Cash in banks	P155,840,313	P-	P-	P-	P-	P155,840,313
Trade and other receivables*	219,600,286	2,946,902	1,188,507	341,262	-	224,076,957
Advances to related parties	9,618,152	-	-	-	-	9,618,152
Refundable security deposits	253,019	-	-	-	-	253,019
	<u>P385,311,770</u>	<u>P2,946,902</u>	<u>P1,188,507</u>	<u>P341,262</u>	<u>P-</u>	<u>P389,788,441</u>

\* Exclusive of advances to officers, employees, suppliers and contractors and other receivables

### 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 table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Company based on their historical experience with the corresponding third parties:

	As at June 30, 2016 (Unaudited)						
	Neither past due nor impaired				Past due but not impaired		Total
	High Grade	Standard grade	Substandard grade	Unrated	Impaired	Impaired	
<i>Loans and receivables</i>							
Cash in banks	P75,157,515	P-	P-	P-	P-	P-	P75,157,515
Trade receivables*	257,479,282	-	-	-	127,542	-	257,606,824
Advances to related Parties	-	-	-	-	-	-	-
Refundable security Deposits	308,000	-	-	-	-	-	308,000
	<u>P332,944,797</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>	<u>P127,542</u>	<u>P-</u>	<u>P333,072,339</u>

	As at December 31, 2015 (Audited)						
	Neither past due nor impaired				Past due but not impaired		Total
	High grade	Standard grade	Substandard grade	Unrated	Impaired	Impaired	
<i>Loans and receivables</i>							
Cash in banks	P155,840,313	P-	P-	P-	P-	P-	P155,840,313
Trade receivables*	219,600,286	-	-	-	4,476,671	-	224,076,957
Advances to related parties	9,618,152	-	-	-	-	-	9,618,152
Refundable security deposits	253,019	-	-	-	-	-	253,019
	<u>P385,311,770</u>	<u>P-</u>	<u>P-</u>	<u>P-</u>	<u>P4,476,671</u>	<u>P-</u>	<u>P389,788,441</u>

\* Exclusive of advances to officers, employees, suppliers and contractors and other receivables

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.

The following table summarizes the maturity profile of the Company's financial liabilities as at June 30, 2016 and December 31, 2015, respectively, based on the contractual undiscounted payments:

	As at June 30, 2016 (Unaudited)			Total
	On demand	Within 1 year	More than 1 year	
Trade and other payables* (Note 15)	P60,457,372	P-	P-	P60,457,372
Advances from an associate	771,152	-	-	771,152
Borrowings	-	16,016,609	111,213,524	127,230,133
	<b>P61,228,524</b>	<b>P16,016,609</b>	<b>P111,213,524</b>	<b>P188,458,657</b>

\* Exclusive of government liabilities

	As at December 31, 2015 (Audited)			Total
	On demand	Within 1 year	More than 1 year	
Trade and other payables (Note 15)*	P95,282,830	P-	P-	P95,282,830
Advances from an associate	771,152	-	-	P771,152
Borrowings	-	31,102,257	156,833,544	187,935,801
	<b>P96,053,982</b>	<b>P31,102,257</b>	<b>P156,833,544</b>	<b>P283,989,783</b>

\* Exclusive of government liabilities

**Capital management**

The Company's capital management objectives are:

- 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.

No changes were made in the objectives, policies or processes in 2015, 2014, and 2013.

The Company is not subject to externally imposed capital requirements.

#### NOTE 7 - CASH ON HAND AND IN BANKS

The account consists of:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash in banks	P74,971,515	P86,000
Cash on hand	186,000	155,840,313
	<u>P75,517,515</u>	<u>P155,926,313</u>

Cash in banks earns interest on the bank's average deposit rates. Finance income earned from bank deposits amounted to P20,001 and P14,492 for the six-month periods ended June 30, 2016 and 2015, respectively, and P25,351 for the year ended December 31, 2015, respectively (see Note 21).

#### NOTE 8 - TRADE AND OTHER RECEIVABLES

The account consists of:

	June 30, 2016 (Unaudited)	December 31 2015 (Audited)
Trade receivables		
Current portion	P148,163,112	P114,633,245
Noncurrent portion	109,443,712	109,443,712
	<u>257,606,824</u>	<u>224,076,957</u>
Advances to officers and employees	5,386,002	6,239,146
Advances to suppliers and contractors	6,660,708	6,907,459
Others	167,129	167,129
	<u>P269,820,663</u>	<u>P237,390,691</u>

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 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.

Finance income earned from installment receivables averaging 16% amounted to P1,112,151 and P525,498 for the six-month periods ended June 30, 2016 and 2015, respectively, and P985,791 for the year ended December 31, 2015 (see Note 21).

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.

#### NOTE 9 - REAL ESTATE INVENTORIES

The account consists of:

	June 30		December 31
	2016	2015	2015
	(Unaudited)	(Audited)	(Audited)
<b>Completed units (Primavera Residences Tower A)</b>			
Beginning balance	P7,846,810	P29,688,054	P29,688,054
Transfers from property development costs during the period/year (Note 10)	-	-	-
Costs of completed units available for sale	<u>7,846,810</u>	<u>29,688,054</u>	<u>29,688,054</u>
Sold during the period/year (Note 19)	(875,246)	(2,264,007)	(21,841,244)
Adjustments made during the period	4,348,707	-	-
Ending balance	<u>11,320,271</u>	<u>27,424,047</u>	<u>7,846,810</u>
<b>Completed units (Primavera Residences Tower B)</b>			
Beginning Balance	P80,858,340	P-	P-
Transfers from property development costs during the period/year (Note 10)	-	22,631,505	198,279,919
Sold during the period/year (Note 19)	(26,612,211)	(22,631,505)	(117,421,579)
Adjustments made during the period	(3,194,678)	-	-
Ending Balance	<u>51,051,451</u>	<u>-</u>	<u>80,858,340</u>
<b>Total</b>	<u>P62,371,722</u>	<u>P27,424,047</u>	<u>P88,705,150</u>

Real estate inventories consist of condominium units for sale on completed Company's projects. The carrying value of inventories is not in excess of NRV.

The Company has not provided an allowance for inventory obsolescence since management believes that the recorded costs are lower than their net realizable values as at June 30, 2016, June 30, 2015 and December 31, 2015.

The Company has no unusual purchase commitments.

#### NOTE 10 - PROPERTY DEVELOPMENT COSTS

The account consists of:

	June 30, 2016 (Unaudited)	December 31 2015 (Audited)
Primavera City Residences	P43,328,658	P26,679,923
Miramonti	2,664,068	1,352,256
Dumaguete, Mindoro, Taguig	36,559	-
	<u>P46,029,285</u>	<u>P28,032,179</u>

a. Details of the movements on the account are as follows:

	June 30		December 31
	2016 (Unaudited)	2015 (Audited)	2015 (Audited)
<b>Primavera City Residences</b>			
Beginning balance	P26,679,923	P1,400,461	P1,400,461
Additions during the year	16,648,735	2,179,174	25,279,462
Ending balance	<u>43,328,658</u>	<u>3,579,635</u>	<u>26,679,923</u>
<b>Miramonti</b>			
Beginning balance	1,352,256	1,352,256	1,352,256
Additions during the year	1,311,812	160,333	-
Ending balance	<u>2,664,068</u>	<u>1,512,589</u>	<u>1,352,256</u>
<b>Dumaguete, Mindoro, Taguig</b>			
Beginning balance	-	-	-
Additions during the year	36,559	-	-
Ending balance	<u>36,559</u>	<u>-</u>	<u>-</u>
	<u>P46,029,285</u>	<u>P5,092,224</u>	<u>P28,032,179</u>

b. Details of accumulated costs to date are as follows:

	June 30		December 31
	2016 (Unaudited)	2015 (Audited)	2015 (Audited)
<b>Primavera City Residences</b>			
Land (Note 13)	P22,092,332	P-	P22,092,332
Architectural works	21,236,326	3,579,635	4,587,591
	<u>P43,328,658</u>	<u>P3,579,635</u>	<u>P26,679,923</u>
<b>Miramonti</b>			
Land (Note 13)	P-	P-	P-
Architectural works	2,664,068	1,512,589	1,352,256
	<u>P2,664,068</u>	<u>P1,512,589</u>	<u>P1,352,256</u>
<b>Dumaguete</b>			
Land (Note 13)	P-	P-	P-
Architectural works	36,559	-	-
	<u>P36,559</u>	<u>P-</u>	<u>P-</u>

- c. Property development costs are mainly on the accumulated costs for uncompleted projects. An analysis of the property development costs that were included in the cost of sales for the six-month periods ended June 30, 2016 and 2015 and for the year ended December 31, 2015 is presented in Note 21.
- d. Details of the property development's percentage of completion, actual cost to date and estimated cost to complete are as follows:

	June 30		December 31
	2016 (Unaudited)	2015 (Audited)	2015 (Audited)
<b>Primavera City Residences</b>			
Percentage of completion	n/a	n/a	n/a
Actual cost to date	<b>P43,328,658</b>	P3,579,635	P26,679,923
Estimated costs to complete	n/a	n/a	n/a
<b>Miramonti</b>			
Percentage of completion	n/a	n/a	n/a
Actual cost to date	<b>P2,664,068</b>	P1,512,589	P1,352,256
Estimated costs to complete	n/a	n/a	n/a
<b>Dumaguete</b>			
Percentage of completion	n/a	n/a	n/a
Actual cost to date	<b>P36,559</b>	P1,512,589	P1,352,256
Estimated costs to complete	n/a	n/a	n/a

Primavera City Residences, Miramonti, Dumaguete, Mindoro and Taguig Projects are still on pre-development stages. Start of construction for Primavera City Residences is planned to commence by the fourth quarter of 2016 and is expected to be completed by the fourth quarter of 2018, while project plans for Miramonti and for Dumaguete Project are currently being finalized.

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

#### NOTE 11- INPUT VAT

The account consists of:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Input VAT, net	<b>P35,385,100</b>	P30,962,093
Deferred input VAT, net	<b>5,760,268</b>	6,605,084
	<b><u>P41,145,368</u></b>	<b><u>P37,567,177</u></b>

## NOTE 12- PREPAYMENTS AND OTHER CURRENT ASSETS

The account consists of:

	<b>June 30, 2016 (Unaudited)</b>	<b>December 31, 2015 (Audited)</b>
Prepaid Interest	P-	P540,000
Prepaid Tax	1,781,457	308,650
Prepaid Advertising	-	33,436
Others	5,258,281	-
	<u>P7,039,741</u>	<u>P882,086</u>

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

## NOTE 13 - LAND FOR FUTURE DEVELOPMENT

The account consists of:

	<b>June 30, 2016 (Unaudited)</b>	<b>December 31, 2015 (Audited)</b>
Primavera City	P-	P-
Miramonti	12,572,000	12,572,000
	<u>P12,572,000</u>	<u>P12,572,000</u>

In 2013, the Company acquired two properties for future development situated in Pueblo Business Park, Cagayan de Oro and in Sto. Tomas, Batangas with total contract price of P12,572,000 and P22,092,332, respectively.

The land in Cagayan de Oro is referred as the Primavera City Residences Project, while the other land in Batangas is referred to as the 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 14 - PROPERTY AND EQUIPMENT, NET**

The account consists of:

	Office space	Furniture and fixtures	Transportation equipment	Office equipment	Leasehold improvements	Total
<b>Costs</b>						
At January 1, 2015	5,245,197	3,264,305	1,466,456	972,320	644,950	11,593,228
Additions	-	-	1,279,000	199,760	87,336	1,566,096
Disposal during the period	-	(662,694)	-	-	-	(662,694)
At June 30, 2015	5,245,197	2,601,611	2,745,456	1,172,080	732,286	12,496,631
Additions	-	995,555	-	48,509	-	1,044,064
Disposals during the period	-	-	-	-	-	-
At December 31, 2015	5,245,197	3,597,166	2,745,456	1,220,589	732,286	13,540,694
Additions	-	497,494	-	165,124	27,143	689,761
Disposals during the period	-	-	-	-	-	-
<b>At June 30, 2016</b>	<b>P5,245,197</b>	<b>P4,094,660</b>	<b>P2,745,456</b>	<b>P1,385,713</b>	<b>P759,429</b>	<b>P14,230,455</b>
<b>Accumulated depreciation and amortization</b>						
At January 1, 2015	1,049,040	892,617	249,934	343,100	587,883	3,122,574
Depreciation and amortization during the period	524,519	383,645	231,913	107,839	59,980	1,307,896
Disposal during the period	-	(467,301)	-	-	-	(467,301)
At June 30, 2015	1,573,559	808,961	481,847	450,939	647,863	3,963,169
Depreciation and amortization during the period	524,521	438,683	275,545	132,930	8,732	1,380,411
Disposal during the period	-	-	-	-	-	-
At December 31, 2015	2,098,080	1,247,644	756,392	583,869	656,595	5,342,580
Depreciation and amortization during the period	524,520	464,106	274,546	139,827	8,735	1,411,734
Disposal during the period	-	-	-	-	-	-
<b>At June 30, 2016</b>	<b>P2,622,600</b>	<b>P1,711,750</b>	<b>P1,030,938</b>	<b>P723,696</b>	<b>P665,330</b>	<b>P6,754,314</b>
<b>Net book value</b>						
At December 31, 2015	P3,147,117	P2,349,522	P1,989,064	P636,720	P75,691	P8,198,114
<b>At June 30, 2016</b>	<b>P2,622,597</b>	<b>P2,382,910</b>	<b>P1,714,518</b>	<b>P662,017</b>	<b>P94,099</b>	<b>P7,476,141</b>

Depreciation and amortization of property and equipment amounted to P1,411,734 and P1,307,896 for the six-month periods ended June 30, 2016 and 2015, and P2,687,307 for the year ended December 31, 2015, respectively (see Note 20).

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

	<b>June 30, 2016 (Unaudited)</b>	<b>December 31, 2015 (Audited)</b>
Transportation equipment	<u><b>P1,714,518</b></u>	<u><b>P1,989,064</b></u>

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 15 - TRADE AND OTHER PAYABLES**

The account consists of:

	<b>June 30, 2016 (Unaudited)</b>	<b>December 31, 2015 (Audited)</b>
Trade payables		
Current portion	<b>P17,669,893</b>	<b>P50,536,221</b>
Noncurrent portion	<b>17,995,884</b>	<b>24,778,269</b>
Miscellaneous fees payable	<b>23,925,910</b>	<b>19,432,073</b>
Accrued interest	-	-
Government liabilities		
Output VAT	-	-
Expanded withholding taxes	-	<b>1,035,507</b>
Miscellaneous	<b>347,419</b>	<b>162,557</b>
Others	<b>518,267</b>	<b>536,267</b>
	<u><b>P60,457,373</b></u>	<u><b>P96,480,894</b></u>

Trade payables primarily consist of liabilities to contractors for the costs of development and construction of the Company real estate inventories. The balances include the unpaid costs of land for future development acquired by the Company in 2013. 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 16 - SHARE CAPITAL

The account consists of:

	June 30, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Number of shares	Amount	Number of shares	Amount
<i>Authorized shares</i>				
P.50 par value per share	<u>355,987,200</u>	<u>P177,993,600</u>	<u>355,987,200</u>	<u>P177,993,600</u>
<i>Outstanding shares</i>				
Issued and fully paid	<u>221,618,800</u>	<u>P110,809,400</u>	<u>221,618,800</u>	<u>P110,809,400</u>

### *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 P50,000,000 divided in five hundred thousand (500,000) shares at P100 par value per share to P177,993,600 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.

### *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.

### *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 (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 the shareholders representing at least 2/3 of the outstanding capital.

### *Initial Public Offering*

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		<b>P207,440,000</b>
Offer Expenses		
Underwriting and selling fees for the offer shares	<b>749,456</b>	
Taxes to be paid by the Company	<b>13,891,714</b>	
Philippine SEC filing and legal research fees	<b>41,076</b>	
PSE listing and processing fees inclusive of VAT	<b>3,052,119</b>	
Professional fees	<b>837,996</b>	
Out-of-pocket and other expenses	<b>1,804,644</b>	<b>(21,335,701)</b>
Net proceeds		<b>186,084,299</b>
Share capital		<b>(28,811,000)</b>
Total share premium		<b><u>P157,273,299</u></b>

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:

	Six-month periods ended June 30		Years ended December 31
	2016 (Unaudited)	2015 (Audited)	2015 (Audited)
Sales	<b>P60,184,805</b>	P53,950,107	P34,768,467
Related parties	-	-	186,116,616
Less: Sales discounts	<b>(1,363,584)</b>	(2,626,797)	(4,352,155)
	<b><u>P58,821,221</u></b>	<u>P51,323,310</u>	<u>P216,532,928</u>

## NOTE 19 - COST OF SALES

The account consists of:

	Six-month periods ended June 30		Years ended December 31
	2016	2015	2015
	(Unaudited)	(Audited)	(Audited)
Cost of sales - completed units (Note 9)	<b>P26,612,211</b>	P22,631,505	P117,421,579
Cost of sales - completed units (Note 9)	<b>875,246</b>	2,264,007	21,841,244
	<b><u>P27,486,457</u></b>	<u>P24,895,513</u>	<u>P139,262,823</u>

## NOTE 20 - GENERAL AND ADMINISTRATIVE EXPENSES

The account consists of:

	Six-month periods ended June 30		Years ended December 31
	2016	2015	2015
	(Unaudited)	(Audited)	(Audited)
Legal and professional fees	<b>P1,880,402</b>	P8,309,963	P13,971,252
Taxes and licenses	<b>2,908,628</b>	4,057,872	5,111,579
Salaries and other employee benefits	<b>7,157,330</b>	2,787,065	7,776,281
Advertising and marketing	<b>4,268,810</b>	2,387,296	4,541,466
Commissions	<b>2,688,688</b>	1,587,077	2,331,621
Depreciation and amortization (Note 14)	<b>1,411,734</b>	1,307,896	2,687,307
Transportation and travel	<b>1,592,799</b>	1,170,369	2,483,942
Rental	<b>1,296,573</b>	1,013,166	1,746,804
Representation and entertainment	<b>723,032</b>	632,187	827,669
Communication, light and water	<b>749,833</b>	608,449	1,254,154
Dues and subscription	<b>712,457</b>	516,864	875,342
Insurance	<b>401,806</b>	425,206	510,729
Office supplies	<b>291,150</b>	234,353	592,012
Contractual service fees	<b>600,232</b>	180,834	1,292,097
SSS, Philhealth and HDMF Contributions	<b>187,052</b>	160,197	322,919
Repairs and maintenance	<b>316,682</b>	79,102	173,287
Donations	<b>3,077,992</b>	47,091	209,569
Trainings and seminars	<b>43,634</b>	14,031	40,870
Miscellaneous	<b>922,867</b>	222,062	1,840,493
	<b><u>P31,231,701</u></b>	<u>P25,741,080</u>	<u>P48,589,393</u>

## NOTE 21 - FINANCE INCOME

The account consists of:

	Six-month periods ended June 30		Years ended December 31
	2016	2015	2015
	(Unaudited)	(Audited)	(Audited)
On cash in banks (Note 7)	<b>P20,001</b>	P14,492	P25,351
On installment receivables	<b>1,112,151</b>	525,498	985,791
	<b><u>P1,132,152</u></b>	<u>P539,990</u>	<u>P1,011,142</u>

## NOTE 22 - EARNINGS PER SHARE

The financial information pertinent to the derivation of the basic and diluted earnings per share for the six-month periods ended June 30, 2016 and 2015 and for the year ended December 31, 2015 are as follows:

	Six-month periods ended June 30		Years ended December 31
	2016 (Unaudited)	2015 (Audited)	2015 (Audited)
Net income for the year	<b>P9,084,137</b>	P12,838,112	P44,476,216
Weighted average number of shares outstanding used for computation of basic loss per share	<b>221,618,800</b>	100,000,000	168,798,633
Effect of dilutive potential ordinary shares	-	63,996,800	-
Weighted average number of shares outstanding used for computation of diluted loss per share	<b>221,618,800</b>	163,996,800	168,798,633
Basic earnings per share	<b>P0.04</b>	P0.13	P0.26
Diluted earnings per share	<b>P0.04</b>	P0.08	P0.26

Basic earnings per share are calculated by dividing net income for the year by the weighted average number of ordinary shares outstanding during the period. As a result of the change in par value of shares from P100 to P0.50 per share, the computation of weighted average number of ordinary shares outstanding was adjusted retrospectively for the computation of the basic earnings per share.

For the purpose of computing the diluted earnings per share, the effect of dilutive potential ordinary shares for the six-month periods ended June 30, 2016 and 2015, and for the year ended December 31, 2015 is added to the weighted-average number of shares outstanding during the year. The Company's dilutive potential ordinary shares are the effect of stock dividends as disclosed in Note 16.

The reconciliation of the average number of shares outstanding for the six-month periods ended June 30, 2016 and 2015:

(a) Average number of shares outstanding used for the computation of basic earnings per share

	Issuance during the period		Number of shares outstanding		Weighted average number of shares	
	2016	2015	2016	2015	2016	2015
January 1	<b>221,618,800</b>	100,000,000	<b>221,618,800</b>	100,000,000	<b>221,618,800</b>	100,000,000

(b) Average number of shares outstanding used for the computation of diluted earnings per share

	Issuance during the period		Number of shares outstanding		Weighted average number of shares	
	2016	2015	2016	2015	2016	2015
January 1	<b>221,618,800</b>	100,000,000	<b>221,618,800</b>	100,000,000	<b>221,618,800</b>	100,000,000
January 30* (Note 16)	-	63,996,800	-	63,996,800	-	63,996,800
	<b>221,618,800</b>	163,996,800	<b>221,618,800</b>	163,996,800	<b>221,618,800</b>	163,996,800

\*Dilutive potential ordinary shares

**NOTE 23 - SUPPLEMENTARY INFORMATION ON THE COMPUTATION OF EARNINGS BEFORE INTERESTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)**

Computation of EBITDA for the six-month periods ended June 30, 2016 and 2015 and for the years ended December 31, 2015 is as follows:

	Six-month periods ended June 30		Years ended December 31
	<u>2016</u> (Unaudited)	<u>2015</u> (Audited)	<u>2015</u> (Audited)
Net income for the year	<b>P9,084,137</b>	P12,838,112	P44,476,216
Add: Finance cost	<b>5,139,047</b>	7,914,660	15,006,734
Provision for income tax	<b>562,002</b>	264,179	8,504,903
Depreciation and amortization	<b>1,411,734</b>	1,307,896	2,687,307
Deduct: Finance income	<b>(1,132,152)</b>	(539,990)	(1,011,142)
	<b><u>P14,558,968</u></b>	<u>P21,784,857</u>	<u>P69,664,018</u>