

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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### COMPANY NAME

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### PRINCIPAL OFFICE ( No. / Street / Barangay / City / Town / Province)

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Form Type

A A F S

Department requiring the report

Secondary License Type, If Applicable

### COMPANY INFORMATION

Company's email Address

Company's Telephone Number/s

856-7111

Mobile Number

No. of Stockholders

8

Annual Meeting (Month / Day)

1<sup>st</sup> Wednesday of May

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Rizza Marie Joy J. Sia

Email Address

rmjs@doubledragon.com.ph

Telephone Number/s

856-7111

Mobile Number

### CONTACT PERSON'S ADDRESS

16<sup>th</sup> Floor 6750 Building Ayala Avenue, Makati City

**Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**DD-MERIDIAN PARK DEVELOPMENT CORP.**  
(A Subsidiary of DoubleDragon Properties Corp.)

**FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

# DD-MERIDIAN PARK

DEVELOPMENT CORP.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **DD-Meridian Park Development Corp.** (the Company), is responsible for the preparation and fair presentation of the financial statements as at and for the year ended December 31, 2015 and as at and for the period from October 27, 2014 (incorporation date) to December 31, 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature \_\_\_\_\_

Edgar J. Sia II  
CEO/Chairman

Signature \_\_\_\_\_

Ferdinand J. Sia  
COO/President

Signature \_\_\_\_\_

Rizza Marie Joy J. Sia  
CFO/Treasurer

Signed this 14th day of April 2016

SUBSCRIBED AND SWORN TO BEFORE ME THIS APR 14 2016  
AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER  
\_\_\_\_\_ NO. \_\_\_\_\_ ISSUED \_\_\_\_\_ AT \_\_\_\_\_

Doc. no. 536  
Page no. 59  
Book no. 2  
Series no. 2016

**JON ANDRE C. BANDOMA**

Commission No. M-530

Notary Public for Makati City

Until Dec. 31, 2016

19B Tower One, Philippine Stock Exchange Plaza

Ayala Avenue, Makati City 1226

Roll No. 64599 / 4-28-2015

PTR No. 5323140; 1/4/16; Makati City

IBP No. 1014399; 1/5/16; Makati City

*Note: The SMR of companies covered under Part II of the SRC Rule 68, As Amended should be SIGNED UNDER OATH.*





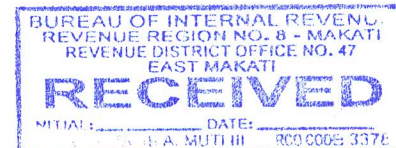
**R.G. Manabat & Co.**  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet [www.kpmg.com.ph](http://www.kpmg.com.ph)  
E-Mail [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

Branches: Subic · Cebu · Bacolod · Iloilo

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
DD-Meridian Park Development Corp.  
16th Floor, 6750 Building  
Ayala Avenue, Makati City



APR 15 2016

### Report on the Financial Statements

We have audited the accompanying financial statements of DD-Meridian Park Development Corp. (a subsidiary of DoubleDragon Properties Corp.), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the year ended December 31, 2015 and for the period from October 27, 2014 (incorporation date) to December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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

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



### *Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DD-Meridian Park Development Corp. (a subsidiary of DoubleDragon Properties Corp.) as at December 31, 2015 and 2014, and its financial performance and its cash flows for the year ended December 31, 2015 and for the period from October 27, 2014 (incorporation date) to December 31, 2014 in accordance with Philippine Financial Reporting Standards.

### **Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 17 to the basic financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**



JOSE P. JAVIER, JR.

Partner

CPA License No. 0070807

SEC Accreditation No. 0678-AR-2, Group A, valid until March 05, 2017

Tax Identification No. 112-071-224

BIR Accreditation No. 08-001987-16-2014

Issued January 22, 2014; valid until January 21, 2017

PTR No. 5320749MD

Issued January 4, 2016 at Makati City

April 14, 2016

Makati City, Metro Manila



APR 15 2016



**R.G. Manabat & Co.**  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet [www.kpmg.com.ph](http://www.kpmg.com.ph)  
E-Mail [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

Branches: Subic - Cebu - Bacolod - Iloilo

**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders  
DD-Meridian Park Development Corp.  
16th Floor, 6750 Building  
Ayala Avenue, Makati City

We have audited the accompanying financial statements of DD-Meridian Park Development Corp. (the "Company"), a subsidiary of DoubleDragon Properties Corp., as at and for year ended December 31, 2015, on which we have rendered our report dated April 14, 2016.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has a total number of three (3) stockholders owning more than one hundred (100) shares each.

**R.G. MANABAT & CO.**

JOSE P. JAVIER, JR.

Partner

CPA License No. 0070807

SEC Accreditation No. 0678-AR-2, Group A, valid until March 05, 2017

Tax Identification No. 112-071-224

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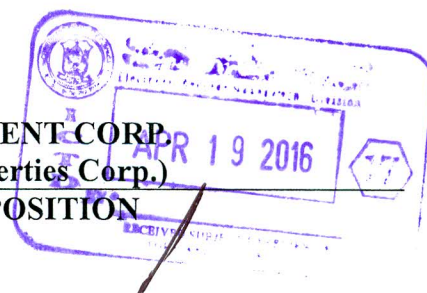
April 14, 2016

Makati City, Metro Manila





**DD-MERIDIAN PARK DEVELOPMENT CORP.**  
**(A Subsidiary of DoubleDragon Properties Corp.)**  
**STATEMENTS OF FINANCIAL POSITION**



		<b>December 31</b>	
	<i>Note</i>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5, 15	P651,576,848	P1,250,176,938
Receivables	15	407,180	1,288,889
Prepaid taxes	6	15,814,627	77,087,289
<b>Total Current Assets</b>		<b>667,798,655</b>	<b>1,328,553,116</b>
<b>Noncurrent Assets</b>			
Investment property	7, 12, 16	8,743,813,684	7,265,538,727
Deferred tax asset - net	13	-	5,885,847
Other noncurrent assets	8	1,114,895,005	5,831,743
<b>Total Noncurrent Assets</b>		<b>9,858,708,689</b>	<b>7,277,256,317</b>
		<b>P10,526,507,344</b>	<b>P8,605,809,433</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	9, 15	P127,328,089	P27,944,075
Due to related parties	12, 15	10,487,330	123,256,674
<b>Total Current Liabilities</b>		<b>137,815,419</b>	<b>151,200,749</b>
<b>Noncurrent Liabilities</b>			
Retention payable	10, 15	49,120,773	-
Deferred tax liability - net	13	5,742,441	-
<b>Total Noncurrent Liabilities</b>		<b>54,863,214</b>	<b>-</b>
<b>Total Liabilities</b>		<b>192,678,633</b>	<b>151,200,749</b>
<b>Equity</b>			
Capital stock	7, 14	10,318,088,888	8,468,072,318
Retained earnings (Deficit)		15,739,823	(13,463,634)
<b>Total Equity</b>		<b>10,333,828,711</b>	<b>8,454,608,684</b>
		<b>P10,526,507,344</b>	<b>P8,605,809,433</b>

*See Notes to the Financial Statements.*



**DD-MERIDIAN PARK DEVELOPMENT CORP.**  
**(A Subsidiary of DoubleDragon Properties Corp.)**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND**  
**FOR THE PERIOD FROM OCTOBER 27, 2014 (INCORPORATION DATE)**  
**TO DECEMBER 31, 2014\***

	<i>Note</i>	2015	2014
<b>INCOME</b>			
Unrealized gains from changes in fair values of investment property	7	P124,077,095	P48,227,795
Interest income	5	4,770,784	1,558,899
Other income		1,092,281	-
		<b>129,940,160</b>	<b>49,786,694</b>
<b>EXPENSES</b>	<b>11</b>	<b>89,108,415</b>	<b>69,136,175</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>40,831,745</b>	<b>(19,349,481)</b>
<b>INCOME TAX BENEFIT (EXPENSE)</b>	<b>13</b>	<b>(11,628,288)</b>	<b>5,885,847</b>
<b>NET INCOME (LOSS)/TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>P29,203,457</b>	<b>(P13,463,634)</b>

\*The Company was incorporated and registered with the Philippine Securities and Exchange Commission on October 27, 2014 and has not started its commercial operations as at December 31, 2015 (Note 1).

See Notes to the Financial Statements.



APR 15 2016



**DD-MERIDIAN PARK DEVELOPMENT CORP.**  
**(A Subsidiary of DoubleDragon Properties Corp.)**

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**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND**  
**FOR THE PERIOD FROM OCTOBER 27, 2014 (INCORPORATION DATE)**  
**TO DECEMBER 31, 2014\***

	<i>Note</i>	2015	2014
<b>CAPITAL STOCK</b>	<i>14</i>	<b>P10,318,088,888</b>	P8,468,072,318
<b>RETAINED EARNINGS (DEFICIT)</b>			
Balance at beginning of period		(13,463,634)	-
Net income (loss) for the period		29,203,457	(13,463,634)
Balance at end of period		15,739,823	(13,463,634)
		<b>P10,333,828,711</b>	P8,454,608,684

\*The Company was incorporated and registered with the Philippine Securities and Exchange Commission on October 27, 2014 and has not started its commercial operations as at December 31, 2015 (Note 1).

*See Notes to the Financial Statements.*

**DD-MERIDIAN PARK DEVELOPMENT CORP.**  
**(A Subsidiary of DoubleDragon Properties Corp.)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015 AND**  
**FOR THE PERIOD FROM OCTOBER 27, 2014 (INCORPORATION DATE)**  
**TO DECEMBER 31, 2014\***

	<i>Note</i>	2015	2014
<b>CASH FLOWS FROM PRE-OPERATING ACTIVITIES</b>			
Income (loss) before income tax		P40,831,745	(P19,349,481)
Adjustments for:			
Unrealized gains from changes in fair values of investment property	7	(124,077,095)	(48,227,795)
Interest income	5	(4,770,784)	(1,558,899)
Pre-operating losses before working capital changes		(88,016,134)	(69,136,175)
Decrease (increase) in:			
Receivables		(118,331)	-
Prepaid taxes		61,272,662	(77,087,289)
Other noncurrent assets		(1,109,063,262)	(5,831,743)
Increase (decrease) in:			
Accounts payable and other current liabilities		99,384,014	27,944,075
Due to related parties		(112,769,344)	13,947,434
Retention payable		49,120,773	-
Net cash absorbed by operations		(1,100,189,622)	(110,163,698)
Interest received		5,770,824	270,010
Net cash used in pre-operating activities		(1,094,418,798)	1,250,176,938
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>			
Additions to investment property	7, 14, 16	(1,354,197,862)	(1,759,777,070)
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>			
Collection of subscription receivable	14	1,850,016,570	3,119,847,696
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(598,600,090)	1,250,176,938
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	5	1,250,176,938	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	5	P651,576,848	P1,250,176,938

\*The Company was incorporated and registered with the Philippine Securities and Exchange Commission on October 27, 2014 and has not started its commercial operations as at December 31, 2015 (Note 1).

See Notes to the Financial Statements.



**DD-MERIDIAN PARK DEVELOPMENT CORP.**  
**(A Subsidiary of DoubleDragon Properties Corp.)**

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**NOTES TO THE FINANCIAL STATEMENTS**

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**1. Reporting Entity**

DD-Meridian Park Development Corp. (the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 27, 2014 primarily to engage in the business of real estate development including but not limited to residential and condominium projects, to acquire by purchase or lease land and interest in land, to own, hold, impose, promote, develop, subdivide and manage any land owned, held or occupied by the Company, to construct, manage or administer buildings such as condominiums, apartments, hotels, restaurants, stores or other structures and to mortgage, sell, lease or otherwise dispose of land, interests in land and buildings or other structures at any time. The Company is incorporated primarily to construct The Meridian Park, a 4.75 hectare ongoing, mixed-use development real estate property situated in Pasay City (Note 7).

The Company is a 70%-owned subsidiary of DoubleDragon Properties Corp. (“DD” or “Parent Company”), a domestic corporation primarily engaged in the business of real estate development and real estate investment. DD became a publicly-listed company on April 7, 2014. DD is also the ultimate parent of the Company.

The Company’s registered office address is at 16<sup>th</sup> Floor, 6750 Building, Ayala Avenue, Makati City.

The Company has not started its commercial operations as at December 31, 2015.

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**2. Basis of Preparation**

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 14, 2016.

Basis of Measurement

The financial statements have been prepared using the historical cost basis of accounting except for investment property which is measured at fair value.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Company’s functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

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### 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements except for the changes in accounting policies as explained below.

#### Adoption of Amendment to Standards

The Company has adopted below-stated amendment to standards starting January 1, 2015 and accordingly, changed its accounting policies. The adoption of this amendment to standards did not have any significant impact on the Company's financial statements.

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The improvement or amendment to PFRSs which has no significant effect on the financial statements of the Company follows:
  - *Definition of 'related party' (Amendment to PAS 24)*. The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

#### *New Standards and Amendments to Standards Issued Not Yet Adopted*

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Company has not applied the following new standards and amendments to standards in preparing these financial statements. Unless otherwise stated, none of these is expected to have a significant impact on the Company's financial statements.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.



- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
- An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- PFRS 9, *Financial Instruments (2014)*. PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management. The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.
- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced. PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15. The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

*Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

*Pending approval of local adoption of PFRS 15 Revenue from Contracts with Customers*

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence. However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company will assess the impact of the above new standards and amendments to standards on the financial statements upon adoption in their respective effective dates.

Financial Instruments

*Date of Recognition*

The Company recognizes a financial asset or financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.



### *Initial Recognition of Financial Instruments*

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

### *Financial Assets*

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

The Company has no HTM investments, AFS financial assets and financial assets at FVPL as at December 31, 2015 and 2014.

### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial asset at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the statements of comprehensive income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the statements of comprehensive income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in bank which is stated at its face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

The Company's cash and cash equivalents and receivables are included in this category (Notes 5 and 15).

### *Financial Liabilities*

The Company classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company has no financial liabilities at FVPL as at December 31, 2015 and 2014.



#### *Other Financial Liabilities*

This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in interest expense in the statements of comprehensive income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

The Company's accounts payable and other current liabilities (excluding payables to government agencies), due to related parties and retention payable accounts are included in this category (Notes 9, 10, 12 and 15).

#### Derecognition of Financial Assets and Liabilities

##### *Financial Assets*

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

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

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 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 the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. 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 a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

#### Impairment of Financial Assets

The Company assesses, at the reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost such as loans and receivables, 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 no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Company includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group 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 the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

#### Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.



### Offsetting Financial Instruments

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

### Investment Property

Investment property consists of properties held to earn rentals and/or for capital appreciation. Initially, investment property is measured at cost including certain transaction costs. Subsequent to initial recognition, investment property, is stated at fair value, which reflects market conditions at the reporting date. The fair value of investment property is determined by independent real estate valuation experts based on recent real estate transactions with similar characteristics and location to those of the Company's investment property. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise.

Investment property of the Company is mainly composed of land and construction in-progress related to the on-going construction of The Meridian Park (Note 1).

Investment property is derecognized either when it is disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement and disposal of investment property is recognized in profit or loss in the period of retirement or disposal.

### Fair Value Measurements

The Company measures a number of financial and non-financial assets and liabilities at fair value at each reporting 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 most advantageous market must be accessible to the Company.

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and



- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

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

#### Other Noncurrent Assets

Other noncurrent assets represent resources that are expected to be used up beyond one year after the reporting date. These typically comprise advances to contractors and input value-added tax (VAT).

Advances to contractors are capitalized as investment property once the related services are rendered.

#### Provisions

Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. 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 assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### Capital Stock

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

#### Retained Earnings (Deficit)

The account pertains to the accumulated net income and losses from current and previous years.

#### Revenue Recognition

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

#### *Interest Income*

Interest income is recognized as it accrues using the effective interest method. Interest income from banks is presented net of final tax and is recognized when earned.

### *Other Income*

Other income consists of income other than those generated in the ordinary course of business. This is recognized on an accrual basis.

### Expense Recognition

Expenses are recognized when they are incurred and are reported in the financial statements in the periods to which they relate.

Expenses are also recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in profit or loss on the basis of a direct association between 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 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.

### Taxes

#### *Current Tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous years.

#### *Deferred Tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient taxable income will be available against which the deductible 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 by the end of the reporting date.

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



#### VAT

Revenues, expenses and assets are recognized net of the amount of VAT. The net amount of tax recoverable from the taxation authority is included as part of "Other noncurrent assets" account in the statements of financial position.

#### 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 and significant influence. Related parties may be individuals or corporate entities.

#### Contingencies

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

#### Events After the Reporting Date

Post year-end events that provide evidence of conditions that existed at the end of the reporting date (adjusting events) are recognized in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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

The preparation of the financial statements in accordance with PFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

#### Judgments

In the process of applying the Company's accounting policies, no significant judgments were made by management in preparing the financial statements.

#### Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.



#### *Allowance for Impairment Loss on Receivables*

The Company evaluates its receivables on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded expenses and decrease current assets.

No impairment loss is recognized for Company's receivables in 2015 and 2014.

The carrying amount of the Company's receivables amounted to P407,180 and P1,288,889 as at December 31, 2015 and 2014, respectively (Note 16).

#### *Fair Value Measurement of Investment Property*

The Company carries its investment property at fair value, with changes in fair value being recognized in profit or loss. The Company engages independent valuation specialists to determine the fair value. For the investment property, the appraisers used a valuation technique based on comparable market data available for such property.

Investment property amounted to P8,743,813,684 and P7,265,538,727 as at December 31, 2015 and 2014, respectively. Unrealized gains from changes in fair values of investment property recognized in profit or loss amounted to P124,077,095 and P48,227,795 in 2015 and 2014, respectively (Note 7).

#### *Realizability of Deferred Tax Asset*

The Company reviews its deferred tax asset at each reporting date and reduces the carrying amount 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. The Company's assessment on the recognition of deferred tax asset on carryforward benefits of net operating loss carry-over (NOLCO) is based on the projected taxable income in the following periods.

Deferred tax asset amounted to P45,949,026 and P20,354,186 as at December 31, 2015 and 2014, respectively (Note 14).

#### *Provisions and Contingencies*

The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

No provision for probable losses arising from legal contingencies was recognized in the Company's financial statements in 2015 and 2014.

## 5. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	<b>2015</b>	<b>2014</b>
Cash on hand		<b>P10,000</b>	P10,000
Cash in bank	<i>15</i>	<b>471,116,426</b>	250,166,938
Short-term placements	<i>15</i>	<b>180,450,422</b>	1,000,000,000
		<b>P651,576,848</b>	P1,250,176,938

Cash in bank earns annual interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn annual interest at the respective short-term placement rates. Interest income from cash in bank and short-term placements amounted to P4,770,784 and P1,558,899 in 2015 and 2014, respectively.

## 6. Prepaid Taxes

This account consists of:

	<b>2015</b>	<b>2014</b>
Real property taxes	<b>P15,555,521</b>	P14,691,335
Income tax	<b>259,106</b>	-
Documentary stamp taxes	-	62,395,954
	<b>P15,814,627</b>	P77,087,289

## 7. Investment Property

This account consists of:

	<i>Note</i>	<b>Land</b>	<b>Construction in-Progress</b>	<b>Total</b>
Acquisitions	<i>11, 13, 15</i>	P7,167,820,205	P49,490,727	P7,217,310,932
Unrealized gain from change in fair value of investment property		48,227,795	-	48,227,795
December 31, 2014		7,216,048,000	49,490,727	7,265,538,727
Additions		588,032,905	766,164,957	1,354,197,862
Unrealized gain from changes in fair values of investment property		124,077,095	-	124,077,095
<b>December 31, 2015</b>		<b>P7,928,158,000</b>	<b>P815,655,684</b>	<b>P8,743,813,684</b>

The Company's investment property mainly relates to the costs incurred in the planning, construction and development of The Meridian Park (Note 1).

No rental income and cost of service were recognized in 2015 and 2014 since the Company's project is still under construction or in a non-operating stage as at December 31, 2015. There is no direct operating expense recognized in profit or loss in relation to the Company's investment property.



The Company's investment property is stated at fair value. The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Company's investment property on a regular basis.

The fair value of the investment property was arrived at using the Market Data Approach. This approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The unobservable inputs to determine the market value of the property are the following: location characteristics, size and shape of the lot and time element. The fair value of the investment property has been categorized as Level 2 in the fair value hierarchy based on the inputs used in the valuation techniques.

## 8. Other Noncurrent Assets

This account consists of:

	2015	2014
Advances to contractors	<b>P927,228,995</b>	P -
Input VAT	<b>187,666,010</b>	5,831,743
	<b>P1,114,895,005</b>	P5,831,743

Advances to contractors represent amount paid as downpayments to contractors to facilitate the initial construction of The Meridian Park. These advances are recouped upon every progress billing payment depending on the percentage of completion.

Input VAT represents accumulated input taxes from purchases of goods and services for the Company's operation which can be applied against future output VAT.

## 9. Accounts Payable and Other Current Liabilities

This account consists of:

	<i>Note</i>	2015	2014
Trade payables	15	<b>P2,522,991</b>	P1,030,451
Accrued expenses			
Project costs	15	<b>124,697,348</b>	-
Professional fees	15	<b>107,750</b>	172,500
Taxes		-	26,741,124
		<b>P127,328,089</b>	P27,944,075

Trade payables and accrued expenses are liabilities arising from services provided by the contractors and subcontractors. These are non-interest bearing and are normally settled within 30 days.



## 10. Retention Payable

This account pertains to retentions from the contractors' progress billings which are released after the expiration of the project's warranty period in 2018. This serves as the Company's security from contractors should there be any defect in the project. The Company's retention payable amounted to P49,120,773 and nil as at December 31, 2015 and 2014, respectively (Note 15).

## 11. Expenses

This account consists of:

	2015	2014
Taxes and licenses	P85,529,971	P66,660,258
Professional fees	237,607	235,143
Marketing	66,912	1,168,847
Security services	-	841,752
Others	3,273,925	230,175
	P89,108,415	P69,136,175

## 12. Related Party Transactions

The Company, in the normal course of business, has transactions with its related parties as follows:

Category	Year	Ref	Amount of Transaction	Due to Related Parties	Terms and Conditions
<b>DD</b>					
Cash advances received	2015	12a	P -	P10,487,330	Demandable; non-interest bearing; unsecured; payable in cash
	2014	12a	13,947,434	13,947,434	Demandable; non-interest bearing; unsecured; payable in cash
<b>Individual Stockholder</b>					
Land acquisition/contribution	2014	12b	109,309,240	109,309,240	Demandable; non-interest bearing; unsecured; payable in cash
	2015	15		P10,487,330	
	2014	15		P123,256,674	

### a. Cash Advances

The amount pertains to unsecured, non-interest bearing advances received from DD for working capital requirements. These advances are generally settled within one year from the date of grant.

### b. Land Acquisition/Contribution

The Company has an outstanding obligation to the minority shareholder for the acquisition of certain parcels of land used in the ongoing construction of The Meridian Park. The remaining liability to the minority shareholder is computed as the difference of the investment property's (land) appraised value over the sum of the minority shareholder's approved equity contribution and initial cash payments already received by the Company. The outstanding obligation was settled by the Company in October 2015 (Notes 7 and 15).

c. *Key Management Compensation*

No key management personnel compensation is recognized in 2015 and 2014 since the administrative and finance functions of the Company were administered by the Parent Company.

### 13. Income Taxes

The reconciliation of the income tax expense (benefit) computed at the statutory income tax rate to the income tax expense (benefit) as shown in the profit or loss is as follows:

	2015	2014
Income (loss) before income tax	<b>P40,831,745</b>	(P19,349,481)
Income tax at the statutory income tax rate	<b>P12,249,523</b>	(P5,804,844)
Income tax effects of:		
Nondeductible expenses	<b>810,000</b>	-
Interest income subjected to final tax	<b>(1,431,235)</b>	(81,003)
	<b>P11,628,288</b>	(P5,885,847)

The components of the Company's net deferred tax asset (liability) relating to temporary differences are shown below.

	2015	2014
Deferred tax asset		
NOLCO	<b>P45,949,026</b>	P20,354,186
Deferred tax liability		
Unrealized gains from changes in fair values of investment property	<b>(51,691,467)</b>	(14,468,339)
Deferred tax asset (deferred tax liability) - net	<b>(P5,742,441)</b>	P5,885,847

The details of the Company's NOLCO which are available for offsetting against future taxable income are as follows:

Year Incurred	Amount Incurred	Applied/Expired	Remaining Balance	Year of Expiration
2015	P85,316,133	P -	P85,316,133	2018
2014	67,847,286	-	67,847,286	2017
	<b>P153,163,419</b>	<b>P -</b>	<b>P153,163,419</b>	



## 14. Equity

### *Capital Stock*

The composition of the Company's capital stock as at December 31, 2015 and 2014 is as follows:

	2015		2014	
	Number of Shares	Amount	Number of Shares	Amount
<b>CAPITAL STOCK - P1 par value</b>				
Authorized				
17,830,000,000 shares - December 31, 2015 and December 2, 2014				
50,000 shares - October 27, 2014				
Issued and outstanding				
Balance at beginning of period	50,000	P50,000	-	P -
Issuances	5,348,224,622	5,348,224,622	50,000	50,000
Balance at end of period	5,348,274,622	5,348,274,622	50,000	50,000
Subscribed				
Balance at beginning of period	17,827,365,406	17,827,365,406	-	-
Subscriptions	-	-	17,827,365,406	17,827,365,406
Issuances	(5,348,224,622)	(5,348,224,622)	-	-
Balance at end of period	12,479,140,784	12,479,140,784	17,827,365,406	17,827,365,406
Subscriptions receivable				
Balance at beginning of period		9,359,343,088		-
Subscriptions		-		17,827,365,406
Collections		(1,850,016,570)		(8,468,022,318)
Balance at end of period		7,509,326,518		9,359,343,088
		4,969,814,266		8,468,022,318
		P10,318,088,888		P8,468,072,318

On October 30, 2014, the BOD approved the increase in the Company's authorized capital stock from 50,000 common shares to 17,830,000,000 common shares at P1 par value per share. The aforesaid increase in the authorized capital stock was approved by the SEC on December 2, 2014.

On October 16, 2014, DD entered into an Investment and Shareholders Agreement (ISA) with Benedicto V. Yujuico (BVY), wherein the parties would contribute cash and parcels of land (the "Property"), respectively, that would result in a 70% and 30% interests to DD and BVY. In compliance with the ISA, DD initially invested P3.12 billion and BVY contributed the Property with third-party appraised value of P7.27 billion as determined by an accredited independent appraiser, of which P5.35 billion is treated as payment for BVY's subscribed shares. DD made an additional subscription amounting to P9.36 billion to maintain its 70% equity interest (Notes 7 and 13).

In 2015, the Company collected subscriptions receivable from DD amounting to P1.85 billion.

### *Stock Issuances*

On February 2, 2015, the Company applied with the SEC the confirmation of BVY's land valuation which will be used as the basis of BVY's equity. The SEC approved the P5.35 billion non-cash capital contribution of BVY on February 13, 2015. The Company issued the corresponding number of shares totaling 5,348,224,622.

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## 15. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

The Company has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Executive Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and forecasted results. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's principal financial assets include cash and cash equivalents and receivables. These financial assets are used to fund the Company's operations and capital expenditures.

### Credit Risk

Credit risk represents the risk of loss the Company would incur if the counterparty fails to perform their contractual obligations. The risk arises principally from the Company's cash in bank and short-term placements and receivables. The Company manages credit risk by dealing with recognized and creditworthy financial institutions. The objective is to reduce the risk of loss through default by counterparties.

Exposure to credit risk is monitored on an ongoing basis.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting period follows:

	<i>Note</i>	<b>2015</b>	2014
Cash in bank and short-term placements	5	<b>P651,566,848</b>	P1,250,166,938
Receivables		<b>407,180</b>	1,288,889
		<b>P651,974,028</b>	P1,251,455,827



The Company's financial assets are neither past due nor impaired.

The Company assessed the credit quality of cash in bank and short-term placements as high grade since these are deposited in a reputable bank with low probability of insolvency.

Receivables were assessed as high grade as there is no current history of default. Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

#### Liquidity Risk

Liquidity risk pertains to the risk that the Company will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

The Company manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements.

Management closely monitors the Company's future and contingent obligations and set up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, excluding the impact of netting agreements:

		As at December 31, 2015			
	Note	Carrying Amount	Contractual Cash Flows	1 Year or Less	1 Year - 5 Years
<b>Financial Liabilities</b>					
Accounts payable and other current liabilities*	9	P127,328,089	P127,328,089	P127,328,089	P -
Due to related parties	12	10,487,330	10,487,330	10,487,330	-
Retention payable	10	49,120,773	49,120,773	-	49,120,773

\* Excluding statutory obligations.

		As at December 31, 2014			
	Note	Carrying Amount	Contractual Cash Flows	1 Year or Less	1 Year - 5 Years
<b>Financial Liabilities</b>					
Accounts payable and other current liabilities*	9	P1,202,951	P1,202,951	P1,202,951	P -
Due to related parties	12	123,256,674	123,256,674	123,256,674	-

\* Excluding statutory obligations.

#### Fair Values

The following methods and assumptions was used to estimate the fair values of each class of financial instruments for which it is practicable to estimate such values:

##### *Cash and Cash Equivalents, Receivables, Accounts Payable and Other Current Liabilities and Due to Related Parties*

The carrying amounts of the Company's financial assets and liabilities such as cash and cash equivalents, receivables, accounts payable and other current liabilities and due to related parties approximate their fair values due to the relatively short-term nature of these financial instruments.

### *Retention Payable*

The fair value of retention payable approximates its carrying amount since the Company does not anticipate its carrying amount to be significantly different from the actual value that the retention payable would be eventually paid.

### Capital Management

The Company's objectives when managing capital are to increase the value of shareholders' investment and maintain high growth by applying free cash flows to selective investments. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Company defines capital as total equity, as presented in the statements of financial position. The Company is not subject to externally-imposed capital requirements.

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## **16. Note to Statements of Cash Flows**

The Company's noncash activity in 2014 pertains to BVY's land contribution with an appraised value of P7.27 billion (Notes 7, 12 and 14).

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## **17. Supplementary Information under Revenue Regulations No. 15-2010 as required by the Bureau of Internal Revenue (BIR)**

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, the Company is required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the supplementary tax information for the taxable year ended December 31, 2015:

### **A. Value-added Tax (VAT)**

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1. Input VAT	
Beginning of the year	<b>P5,831,743</b>
Current year's domestic purchases:	
a. Goods other than for resale or manufacture	<b>23,341</b>
b. Services lodged under other accounts	<b>181,810,926</b>
Balance at the end of the year	<b>P187,666,010</b>

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**B. All Other Taxes (Local and National)**

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*Other taxes paid during the year recognized under  
“Taxes and licenses” account under Expenses and  
“Other current assets” accounts*

Real property taxes	P15,555,521
License and permit fees	7,019
	<hr/>
	P15,562,540

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Information on VAT relative to output tax declared during the year, landed cost of imports and amount of custom duties and tariff fees paid or accrued, amount of excise taxes and withholding taxes are not applicable since there are no transactions that the Company would be subjected to these taxes.

**C. Tax Cases and Assessments**

As at December 31, 2015, the Company has no pending tax cases nor has received tax assessment notices from the BIR.