

COVER SHEET

6 0 3 1 2

S. E. C. Registration Number

I R C P R O P E R T I E S , I N C .

(Company's Full Name)

3 5 T H F L O O R R U F I N O  
P A C I F I C T O W E R A Y A L A A V E

M A K A T I C I T Y

Mr. Delfin P. Angcao

817 6791

DEFINITIVE INFORMATION STATEMENT

FORM TYPE

1 2 3 1  
Month Day  
Fiscal Year

0 7  
Month Day  
Annual Meeting

Secondary License Type, If Applicable

C F D  
Dept. Requiring this Doc

N/A  
Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LGU

Document ID

Cashier

STAMPS

## IRC PROPERTIES, INC.

35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City  
Tel No. 750-2000 Fax No. 884-2913



### NOTICE OF SPECIAL STOCKHOLDERS' MEETING

Dear Stockholder:

Please be notified that the special meeting of the stockholders of IRC PROPERTIES, INC. will be held on December 11, 2014, Thursday at 2:00 p.m. at the Holiday Inn Suites, Palm Drive, Ayala Center, Makati City, with the following agenda:

1. Call to Order
2. Proof of notice and certification of quorum
3. Amendment of the Articles of Incorporation (provision for the denial of preemptive rights)
4. Other Matters
5. Adjournment

For purposes of the meeting, the stockholders of record as of October 30, 2014 are entitled to notice and to vote during the said meeting.

Registration for the said meeting starts at 1:00 p.m. For convenience in registering your attendance, please have available some form of identification, such as, driver's license, voter's ID, TIN card, SSS card or passport.

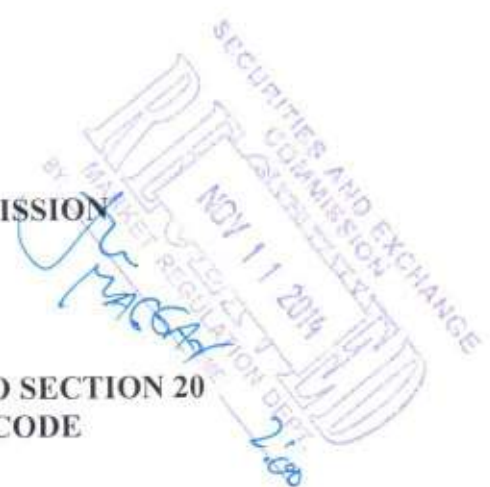
**WE ARE NOT ASKING YOU FOR A PROXY.** However if you send us one the Corporate Secretary must receive the same at the office of the Corporation at 35F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, not later than November 27, 2014. Corporate Stockholders should attach to the proxy their respective Board Resolutions vis-à-vis the authority of their proxies. When signing as attorney-in-fact, executor, administrator, guardian or in any representative capacity, please give full title and file papers showing your authority. Validation of proxies shall be held on December 4, 2014 at 2:00 p.m. at the office of the Corporation's stock and transfer agent, Rizal Commercial Banking Corporation, at the RCBC Plaza, 6819 Ayala Avenue, Makati City.

  
**DELFIN P. ANGCAO**  
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:

- Preliminary Information Statement
- Definitive Information Statement**

2. Name of Registrant as specified in its charter: IRC PROPERTIES, INC.

3. PHILIPPINES  
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number 60312

5. BIR Tax Identification Code 000-464-876-000

6. 35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City 1223  
Address of principal office Postal Code

7. Registrant's telephone number, including area code (632) 750-2000

8. December 11, 2014, Thursday at 2:00 p.m. at the Holiday Inn Suites, Palm Drive, Ayala Center, Makati City

Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders November 20, 2014

10. In case of Proxy Solicitations: Not Applicable

Name of Person Filing the Statement/Solicitor: \_\_\_\_\_  
Address and Telephone No.: \_\_\_\_\_

11. Securities registered pursuant to Sections 8 and 12 of the Securities Regulations Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding
Common	999,870,322

12. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**PHILIPPINE STOCK EXCHANGE - COMMON SHARES OF STOCK**



**PART I.**  
**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, Time and Place of Meeting of Security Holders.**

The special stockholders' meeting of IRC PROPERTIES, INC. (the "Registrant" or the "Company") shall be on December 11, 2014, Thursday at 2:00 p.m. at the Holiday Inn Suites, Palm Drive, Ayala Center, Makati City.

The mailing address of the Registrant is at 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, 1223.

The approximate date on which this Information Statement is first to be sent or given to stockholders is on November 20, 2014.

**Item 2. Dissenters' Right of Appraisal**

A stockholder has the right to dissent and demand payment of the fair value of his shares: (i) in case any amendment to the Company's Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences over the outstanding shares, or of extending or shortening the term of corporate existence; (ii) in case of any sale, lease, mortgage or disposition of all or substantially all of the corporate property or assets; (iii) in case of merger or consolidation; and (iv) in case of investment of corporate funds in another corporation or business or for any purpose other than the primary purpose.

Among the agenda in this special stockholders' meeting is the proposed amendment of the Company's Articles of Incorporation to provide for the denial of pre-emptive rights of stockholders. Said proposed amendment would have the effect of changing or restricting the rights of stockholders thus giving rise to the right of appraisal.

Conformably with the Section 82 of the Corporation Code of the Philippines, any stockholder who voted against the proposed action and who wishes to exercise such right must make a written demand, within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing

his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: and Provided, further, That upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No person who is or has been a director or officer of the Registrant, or an associate of the said persons, has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon during the meeting.

None of the persons mentioned above has informed the Registrant in writing of any intention to oppose any action to be taken at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

- (a) The Registrant has the following shares subscribed and outstanding as of October 30, 2014, the Record Date:

Common shares	-	999,870,322
---------------	---	-------------

Of the said subscribed and outstanding shares, 54,877,872 shares or 5.49% are owned by foreigners, while 944,992,450 or 94.51% are owned by Philippine nationals.

- (b) Number of Votes entitled: Every stockholder entitled to vote as of the Record Date shall be entitled to one (1) vote per share of stock.
- (c) The Record Date is on October 30, 2014. All stockholders of record as October 30, 2014 are entitled to notice and to vote at the Special Stockholders' Meeting.
- (d) Security Ownership of Certain Beneficial Owners and Management
- (1) Security Ownership of Certain Record and Beneficial Owners

Stockholders owning more than 5% of the Registrant's shares of stocks as of October 30, 2014:

Title of Class	Name And Address Of Record Owner And Relationship With Issuer	Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation (F) * G/F MSE Building 6767 Ayala Avenue, Makati City, Stockholder	ATC Securities, Inc. BPI Securities Corporation, MDR Securities, Inc., Value Quest Securities Corporation and R. Coyiuto Securities, Inc.	Filipino	455,734,031	46
Common	T&M Holdings, Inc.** 35/F, Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, Stockholder	T&M Holdings, Inc.	Filipino	262,605,200	26
Common	Alexander G. Asuncion, President and Stockholder	Alexander G. Asuncion	Filipino	90,014,000	9.00
Common	PrimeEast Properties, Inc.***, Stockholder	PrimeEast Properties, Inc.	Filipino	69,815,500	7.00
Common	PCD Nominee Corporation (NF) **** G/F MSE Building 6767 Ayala Avenue, Makati City, Stockholder	The Hongkong & Shanghai Banking Corp,	Non-Filipino	50,057,000	5.00
TOTAL				928,225,731	9392.71

\* Out of the total shares held by PCD, 66,267,000 shares is in the name of ATC Securities, Inc 38,337,035 shares is in the name of BPI Securities Corporation 30,765,900 shares in the name of MDR Securities, Inc., 35,573,000 shares in the name of Value Quest Securities Corporation and 42,022,395 shares in the name of R. Coyiuto Securities, Inc. which are the only participants under the PCD that owns 5% or more of the Company's voting stock. Registrant is not yet aware of the identity of the proxy, if any, of BPI Securities Corp. and MDR Securities, Inc. entitled to vote in the forthcoming special stockholders' meeting. The same will be known only when it submits its proxy for this year's special stockholders' meeting. T & M Holdings, Inc. holds 34,910,000 and 20,259,425 shares of Value Quest Securities Corp. and R. Coyiuto Securities, Inc. respectively while Mr. Alexander Asuncion and PrimeEast Properties, Inc. holds 26,337,000 and 37,139,000 shares of ATC Securities, Inc. respectively.



\*\* It is believed that the person who will vote the shares of T&M Holdings, Inc. is its President, Mr. Esteban G. Peña Sy. Mr. Peña Sy is also the Chairman and CEO of the Registrant.

\*\*\* It is believed that the person who will vote the shares of PrimeEast Properties, Inc. is its Vice-Chairman, Mr. Alexander G. Asuncion. Mr. Asuncion is the President of the Registrant.

\*\*\*\* Out of the total shares held by PCD (NF), 34,674,000 shares is in the name of The Hongkong & Shanghai Banking Corp. which is the only participant under the PCD Nominee Corp. (NF) that owns 5% or more of the Company's voting stock.

(2) Security Ownership of Management.

The following directors and officers are the direct/indirect owners of the Registrant's shares as indicated opposite their names as of October 30, 2014:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (All direct ownership unless otherwise indicated)	Citizenship	Percent of Ownership
Common	Esteban G. Peña Sy Director/Chairman of the Board and CEO	250- Direct; 692,000- Indirect	Filipino	0.07
Common	Alexander G. Asuncion President	90,014,000- Direct; 26,692,000- Indirect	Filipino	11.67
Common	Gil Miguel T. Puyat Director	11,000	Filipino	.0011
Common	Roberto V. San Jose Director	1,000	Filipino	.00010
Common	Frisco F. San Juan Director	1,000	Filipino	.00010
Common	Ana Maria A. Katigbak-Lim Director	150	Filipino	.00002
Common	Wong Peng Chong Director	10,000	Malaysian	.0010
Common	Kong Muk Yin	10,000	Chinese	.0010
Common	Rodrigo B. Supeña Director	150	Filipino	.00002
Common	Antonio V. Syypap Director	1,000	Filipino	.00010
Common	Steven Gamboa Virata Director	150	Filipino	.00002
Common	Georgina A. Monsod Director/Treasurer	1,000	Filipino	.00010
Common	Delfin P. Angcao Corporate Secretary	150	Filipino	.00002



Common	Araceli C. Molina			350	Filipino	.00004
<b>Total</b>				<b>117,434,200</b>		<b>11.74</b>

(3) Voting Trust Holders of 5% or more

Registrant is not aware of any person holding more than 5% of the shares of Registrant under a voting trust or similar agreement.

(4) Changes in Control

There has been no change in control of the Registrant since the beginning of its last fiscal year. Neither is Registrant aware of any arrangement which may result in a change in control of it.

**D. OTHER MATTERS**

**Item 15. Action with Respect to Reports**

The Amendment of the Amended Articles of Incorporation for the denial of pre-emptive rights will be submitted to the stockholders for ratification.

**Item 17. Amendment of Charter, Bylaws or Other Documents**

The Amendment of the Amended Articles of Incorporation for the denial of pre-emptive rights will be submitted to the stockholders for ratification.

Section 39 of the Corporation Code allows the denial of preemptive rights in the Articles of Incorporation or in an amendment to the Articles. The Board of Directors deemed that it would be in the best interest of the Company to amend the Articles to address current corporate needs. Said proposed amendment would have the effect of changing or restricting the rights of stockholders thus giving rise to the right of appraisal.

**Item 19. Voting Procedures**

The vote required for acts requiring stockholders' approval is majority of stocks present in a quorum unless the law provides otherwise. Thus, for this special stockholders' meeting during which the proposal to amend the Articles of Incorporation to include a provision for the denial of pre-emptive rights, vote required is at least 2/3 of the outstanding capital stock.

Counting of votes will be done *viva voce* or by raising of hands, unless a stockholder requests for balloting. Votes cast during the special stockholders' meeting shall be counted by the Corporate Secretary.

ACCOMPANYING THIS INFORMATION STATEMENT IS A COPY OF THE NOTICE OF THE SPECIAL STOCKHOLDERS' MEETING CONTAINING THE AGENDA THEREOF, AS WELL AS A COPY OF THE REGISTRANT'S MANAGEMENT REPORT AS REQUIRED UNDER SRC RULE 20 (4), AS AMENDED.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT IN SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING:

IRC PROPERTIES, INC.  
35/F Rufino Pacific Tower  
6784 Ayala Avenue, Makati City  
Attention: Ms. Araceli Canlas Molina

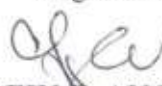
**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on November 10, 2014.

**IRC PROPERTIES, INC.**

Registrant

By:



**DELFIN P. ANGCAO**

Corporate Secretary

**IRC PROPERTIES, INC.**

**MANAGEMENT REPORT  
Pursuant To SRC Rule 20 (4)**

**For the 2014 Special Stockholders' Meeting**

---

***A. AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2013 AND SEPTEMBER 30, 2014 INTERIM FINANCIAL STATEMENTS***

Registrant's consolidated audited financial statements for the fiscal year ended December 31, 2013 and interim financial statements for the period ended September 30, 2014 are attached.

***B. THERE WERE NO DISAGREEMENTS WITH THE ACCOUNTANTS***

***C. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS***

The Company is currently in the real estate development business after having shifted away from its oil exploration activities. Its concentration is in the development of its properties in Binangonan, Rizal. A joint venture agreement with Dreamhauz Management & Development Corporation to develop an estimated 15 hectares was arranged by the company on August 5, 2010. The company contributes 15 hectares of cleared lots to the Project while the developer undertakes all the necessary land development and house construction, including the application for permits. The developer acts as the principal agent for the sale of finished housing units. The company receives, as its share in the Project, an amount equivalent to 12% of the total units sold. The first phase of the project is 95% sold and 90% completed.

On July 25, 2012, the Company entered into a Joint Development Agreement with Dell Equipment to undertake another affordable economic housing residential subdivision project totaling 8.718 hectares which is the Company's contribution to the said project. The Company shall receive, as its share, an amount equivalent to 12% of the total fair market value of all the units in the project.

The clearing of the Company's Binangonan property is the focus of the Company's operations in order to completely free from third party claims the first 455 hectares of the 2,200-hectare property where the first phase of the Binangonan Master Plan consisting of the housing estate project will be situated. As of July 29, 2014, the Company has already cleared approximately 164.7 hectares of Binangonan property with 198 titles of "cleared properties" in its possession (2013 – 142.4 hectares).

On April 14, 2010, the Philippine Stock Exchange has approved the Parent Company's stock rights offering and has accumulated a total of P399.9 million to partially fund the development and construction of real estate development projects in its property in Binangonan, Rizal. The Company also repaid maturing loans from the proceeds.



The Company has received from warrant holders P199,913,992 for the exercise price of their bonus warrants and 198,280,746 corresponding underlying common shares have actually been issued as of March 31, 2014.

As of September 30, 2014, the Company is finalizing negotiations with a key real estate industry player to develop a huge portion of its Binangonan property, whether pursuant to a purchase or joint venture, into a mixed-use township project.

## **DISCUSSION OF THE REGISTRANT'S FINANCIAL CONDITION, CHANGES IN FINANCIAL CONDITION & RESULTS OF OPERATIONS FOR EACH OF THE LAST 3 FISCAL YEARS**

The company has three ongoing residential subdivision projects, namely 1) Sunshine Fiesta Subdivision, 2) Fiesta Casitas Subdivision, and 3) Casas Aurora. The mid-rise condominium project is put on hold while funding is finalized.

Sunshine Fiesta Subdivision is a joint venture development project between the Company and Dreamhauz Management & Development Corporation, with the latter responsible for the land development and house construction. The first phase seven-hectare is still on-going with 869 number of house-and-lot units. From the total 869 units, 103 units are assigned to the company, representing its 12% share in the joint venture project. As of September 30, 2014, 671 units have already been sold with a total contract price of P450 million. Out of the 103 units assigned to the company, 72 have already been sold with a total contract price of P48.8 million.

Fiesta Casitas Subdivision is also a residential subdivision located in the same area where Sunshine Fiesta is situated. This project is a joint development agreement with Dell Equipment & Construction Corporation, who is responsible for the land development and house construction. It has 1,015 house and lot units, with 123 units assigned to the Company. Reservation on Fiesta Casitas units is on-going.

Casas Aurora is a residential project located within the 30-hectare Sunshine Fiesta Project and is considered Phase III, after Sunshine Fiesta and Fiesta Casitas. This is the first project of the company that it is implementing on its own. It has contracted Dell Equipment & Construction Corporation to do the land development, which includes road construction, drainage, utilities and amenities. For the house construction, it has contracted VGNPineda Construction Corporation using a new technology of on-site fabrication. It has 486 units with P850,000 as an introductory price.

### **Results of Operations**

December 31, 2013

On September 10, 2013, the Company entered into a Contract to Sell with Hundred Lake Development Corporation, whereby the company agreed to sell its land located in Binangonan, Rizal, with an area of 183,729 square meters at P475/m<sup>2</sup>. The company received P75 million as down payment upon execution of the Contract to Sell and the balance of P12,271,275.00 is payable upon the transfer of the title of the property in the name of Hundred Lake.

Substantially, most of the warrant holders have exercised their shares of bonus warrants totaling to 147,291,992 and have been issued the corresponding underlying common shares of 147,291,992 during the year. Any bonus warrants which have not been exercised upon the expiry date on June 18, 2013 had already lapsed and ceased to be valid for any purpose whatsoever.

During the year, 23 assigned units from the joint venture with Dreamhauz Management and Development Corp. were sold with total revenue of P15, 938,700.

Appraisal of Binangonan properties conducted by an independent appraiser valued the property (undeveloped lots) at P1000/sqm as of December 17, 2013 (2012- P650/sqm).

The company issued a promissory note to T & M Holdings, Inc. amounting to 15,500,000 with interest at 15% per annum during the year. The proceeds were used to pay clearing costs.

As at December 31, 2013, Wedgemore Property, is pursuing the acquisition of a portion of the 2000- hectare Binangonan lot of the company, either through purchase or joint development agreement.

#### December 31, 2012

On July 25, 2012, the Company entered into another Joint Development Agreement with a developer to develop a residential subdivision in Binangonan, Rizal. The company contributes 8.7177 hectares to the Project while the developer shall likewise undertake all the necessary development. The company also receives 12% share of the aggregate fair value of all the units in the project.

The Company identified additional 30 hectares of land that can be recovered/ cleared and re-titled in the name of the Company.

#### December 31, 2011

In 2011, the Company entered into a joint development project with a third party developer to develop social housing units (the Project). Under the agreement, the Company shall contribute 15 hectares of cleared lots to the Project while the developer will undertake all the necessary construction, including the application for permits. The developer shall also act as the principal agent for the sale of finished housing units. The Company shall receive, as its share in the Project, an amount equivalent to 12% of the total units sold. Total share of the Company from sold units amounted to P16 million for the year ended December 31, 2011. Total cost of lots sold amounted to P8.86 million.



## **Financial Condition**

### December 31, 2013

The financial position of the Company as of December 31, 2013, shows total assets of P2, 777,621,138. Noncurrent assets were P1, 679,915,105. The noncurrent assets consist of investment properties, property and equipment (net of accumulated depreciation) and other assets. Current assets as of December 31, 2013 stood at P1, 097,706,033.

The total liabilities of the Company as of December 31, 2013 is P1,540,994,124 while current liabilities stood at P612,053,254. Noncurrent liabilities is P928, 940,870 which includes the P353, 999,970 deferred tax liability and 574,940,900 provision for clearing costs. Total stockholders' equity as of December 31, 2013 is P1, 236,627,013.

### Material changes (2013 vs. 2012)

Cash was up by 405% or P2.9 million due to the proceeds from sale of assigned units in the Joint Venture Project, sale of raw land to Hundred Lake Development Corp., issuance of notes to major stockholder and exercise of warrants during the year.

Receivables grew by 81% or P7.2 million mainly due to the sale of raw land to Hundred Lake Development Corp.

Prepayments likewise increased by 28% or P3.1 million due to creditable withholding tax from sale of property to Hundred Lake Development Corp.

Land held for development also increased by 6% or P57.8 million mainly due to the reclassification of Eastridge properties from Investment properties and incidental costs incurred during the year.

Real Properties held for sale and development was higher by 270% or P0.68 million due to the increase of completed and unsold units as of the end of the year.

Investment property increased by 32% or P406.7 million mainly due to the recognition of fair value gain on investments and the capitalizing of borrowing costs.

Accounts payable and accrued expenses decreased by P21.6 million or 7% mainly due to the payment of accrued realty tax and accrued salaries of officers.

Provision for clearing costs, current portion dropped by P47.1 million or 90% due to partial payment on MOA 3 with Prime East Properties, Inc.



Notes Payable grew by P15.5 million or 6% due to the issuance of notes to T & M Holdings, Inc., a major stockholder of the company.

Provision for clearing costs, noncurrent is lower by P100 million or 15% due to the reclassification to current portion.

Deferred tax liability was up by 84% or P161 million due to provision for income tax deferred.

Share capital expanded by 17% or P147,291,992 due to the issuance of underlying common shares from the exercise of warrants by some warrant holders.

### December 31, 2012

The financial position of the Company as of December 31, 2012, shows total assets of P2, 299,108,366. Noncurrent assets were P1, 273,312,362. The noncurrent assets consist of investment properties, property and equipment (net of accumulated depreciation) and other assets. Current assets as of December 31, 2012 stood at P1, 025,796,004.

The total liabilities of the Company as of December 31, 2012 is P1,532,764,301 while current liabilities stood at P665,102,555. Noncurrent liabilities is P867, 661,746 which includes the P192,720,846 deferred tax liability and 674,940,900 provision for clearing costs. Partial payments were settled during the year which was taken from the proceeds of the rights offering during the year. Total stockholders' equity as of December 31, 2012 is P766, 344,065.

### Material changes (2012 vs. 2011)

Cash was down by 63% or P1.2 million due to partial payment of land clearing to PrimeEast Properties, Inc.

Receivables grew by 174% from P3, 282,321 to P8, 985,104 mainly due to the sales of assigned units in the joint venture with DMDC.

Prepayments slightly increased by 6% or P0.57 million due to prepaid taxes and input vat.

Land held for development was lower by 5% or P52.6 million mainly due to the reclassification to Investment properties.

Real Properties held for sale and development decreased by 68% or P0.55 million due to the sale of units held under the account.

Investment property increased by 35.7% or P334.5 million mainly due to the recognition of additional recoverable land area of 30 hectares, reclassification from Land held for development, recognition of fair value gain on investments and the capitalizing of borrowing costs.

Accounts payable and accrued expenses also increased by P28 million or 10% mainly due to the accrual of interest on loans and salaries of Officers for the year.

Provision for clearing costs, current portion dropped by P44.5 million or 46% due to partial payment on MOA 3 with Prime East Properties, Inc.

Provision for clearing costs, non current portion expanded by P105 million or 18% due to the recognition of additional recoverable land area of 30 hectares.

Deferred tax liability was up by 30% or P44 million due to provision for income tax deferred.

Share capital expanded by 7% or P52, 622,000 due to the issuance of underlying common shares from the exercise of warrants by some warrant holders.

### December 31, 2011

The financial position of the Company as of December 31, 2011, shows total assets of P2,012,448,576. Noncurrent assets were P938,907,963. The noncurrent assets consist of investment properties, property and equipment (net of accumulated depreciation) and other assets. Current assets as of December 31, 2011 stand at P1,073,540,613.

The total liabilities of the Company as of December 31, 2011 is P1,382,578,144 while current liabilities stand at P669,265,614. Noncurrent liabilities is P713,312,530 which includes the P143,371,630 deferred tax liability and 569,940,900 provision for clearing costs. Partial payments were settled during the year which was taken from the proceeds of the rights offering during the year. Total stockholders' equity as of December 31, 2011 is P629,870,432.

### Material changes (2011 vs. 2010)

Decrease in cash of P19 million or 91% due to partial payment of loan to Mabuhay Holdings Corp. and land clearing.

Decrease in receivables of P117 million or 97% mainly due to payment received from installment sales of Apo Island.

Prepayments decreased by P2.7 million or 21% due to the settlement of VAT for 2010.

Land held for development increased by P354 million or 51% mainly due to reclassification from investment properties.

Decrease in investment property of P203 million or 18% mainly due to reclassification to land held for development offset by additional land clearing and fair value gain.

Accounts payable and accrued expenses decreased by P98 million or 25% mainly due to payment of accrued liability for land acquisition.

Increase in notes payable of P89.5 million or 52% due to the additional loan extended by Mabuhay Holdings Corporation offset by payment of loan from Prime East Properties, Inc.

Provision for clearing costs decreased by P63 million or 39% due to partial payment on MOA 3 with Prime East Properties, Inc.

Increase in deferred tax liability of P25 million or 21% due to provision for income tax deferred.

**REGISTRANT’S FINANCIAL SOUNDNESS INDICATORS ARE AS FOLLOWS:**

	September 30, 2014	Dec. 31, 2013*	Dec. 31, 2012*
Working Capital	438,608,106	485,652,779	360,693,449
Current Ratio	1.640	1.793	1.542
Quick Ratio	.085	.059	.039
Asset to Equity Ratio	2.320	2.246	3.000
Debt to Assets Ratio	.569	.555	.666
Debt to Equity Ratio	1.320	1.246	2.000
Gross Profit Margin	.536	.796	.969
Operating Profit Margin	-nil-	.767	.859
Net Profit Margin	-nil-	.511	.574
Return on Assets	-nil-	.116	.039
Return on Equity	-nil	.261	.116
Interest Coverage Ratio	-nil-	-nil-	-nil-

**Interim Report (September 30, 2014)**

The Company employed total assets of P2, 836,789,986 financed by total liabilities of P1,613,789,704 and total stockholders’ equity of P1,223,000,282. Noncurrent assets amounted to P1,713,333,046 consisting of investment property, property and equipment (net of accumulated depreciation) and other assets. Current assets stood at P1,123,456,941.

A comparative review of the Company’s financial operations for the quarter ended September 30, 2014 *vis-à-vis* the same period last year showed the following:



Total income decreased by P83,569,684 or 99% mainly due to the sale of land to Hundred Lake Development Corporation last year and decrease in sale of units in the joint venture project on the third quarter of 2014.. Total cost and expenses decreased by P119,409,507 or 94% mainly due to the corresponding decrease in cost of land arising from the sale of real estate and units from joint venture project..

For the year ending September 30, 2014 vs. year ending September 30, 2013, total revenue is lower by 91% or P81,344,333 due to the decrease of sale of raw land and units in the joint venture project with matching decrease in the total cost and expenses by 84% or P115,506,851.

#### **Material changes (September 30, 2014 vs. December 31, 2013)**

Cash increased by 653% or in the amount of P23.7 million mainly due to the collection of receivables from Hundred Lake Development Corporation and advances from the Japanese Investor for the Casas Aurora project which is also situated in Binangonan, Rizal.

Receivables decreased by 14% or P2.3 million due to the collection of receivables from Hundred Lake Development Corporation for the sale of raw land.

Prepayments grew by 5% or .68 million due to the recognition of input vat from purchase of goods and other services for company operation.

Property and equipment increased by 1392% or P1.8 million due to the purchase of vehicle for Company use.

Accounts payable and accrued expenses is higher by P32.3 million or 11% due to the accrued interest on notes issued to Mabuhay Holdings Corporation, T&M Holdings, Inc., Tagaytay Properties Holdings Corp and Marilaque Land, Inc., and installment payable for the purchase of Toyota Grandia for Company use.

Provision for clearing costs- current portion was down by P1.7 million or 34% due to the partial payment of land clearing costs.

Payable to Joint Venture decreased by 117% or .3 million due to settlement.

There is no significant element of income that did not arise from the Registrant's continuing operations. Neither is the Company's operations affected by any seasonality or cyclical trends.

#### ***D. GENERAL NATURE AND SCOPE OF BUSINESS***

IRC Properties, Inc. (IRC), a domestic corporation with office address at 35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City, was incorporated on February 24, 1975 in the Philippines primarily to engage in the acquisition, reclamation, development or exploration of land, forests, minerals, oil, gas and other resources. The company initially ventured into oil exploration activities and drilled two (2) wells in Southern Mindoro and the Sulu Sea areas.

World recession in the late 1970's forced the company to cut down on exploration activities. On July 28, 1978, the company acquired a 2,200-hectare property in Binangonan, Rizal which signalled its shift in its major business activity from oil exploration to real estate development. In February, 2012, the Company changed its name from Interport Resources Corporation to IRC Properties, Inc. to highlight this new focus on property development.

The clearing of the Company's Binangonan property is the target of the Company's operations in order to completely free from third party claims the first 455 hectares of the 2,200-hectare property where the first phase of the Binangonan Master Plan consisting of the housing estate project will be situated.

The company has one (1) affiliate, Interport Development Corporation (IDC), a 100%-owned subsidiary where future acquisitions of assets of the company may be made. IDC was incorporated on December 21, 1993 in the Philippines primarily to acquire and sell real estate of all kinds or hold such properties for investment purposes.

The company entered into a joint venture agreement with Dreamhauz Management and Development Corporation on August 5, 2010 to develop 15-hectare of Binangonan land into a residential subdivision. The development thereof shall be in phase of at least seven and a half (7.5) hectares each.

Also in July 25, 2012, the company entered into a Joint Development Agreement with Dell Equipment & Construction Corporation. The company contributes 8.7177 hectare property located in Binangonan, Rizal. Under the agreement, Dell shall develop the property at its own expense and the Company shall likewise have 12% share of the aggregate fair value of all the house and lot units in the project.

The Company's last annual stockholders' meeting was on July 29, 2014.

**DEPENDENCE ON A FEW CUSTOMERS.** This disclosure is currently not applicable to the Registrant's business and concerns.

**TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES.** The Registrant's transactions with its subsidiaries and affiliates mainly consist of the granting of advances to/from them.

**NEED FOR GOVERNMENTAL APPROVAL OF PRODUCTS AND SERVICES.** Aside from being regulated by the PSE and the SEC, the Registrant generally is not subject to any other specific government regulation.

**EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS TO THE BUSINESS.** This disclosure is currently not applicable to the Registrant's business and concerns.



**ESTIMATE OF AMOUNT SPENT FOR RESEARCH AND DEVELOPMENT ACTIVITIES.** This disclosure is currently not applicable to the Registrant's business and concerns.

**COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS.** This disclosure is currently not applicable to the Registrant's business and concerns.

**TOTAL NUMBER OF EMPLOYEES AND NUMBER OF FULL TIME EMPLOYEES.** Presently, the Company has a total of six (9) personnel excluding the Chairman, President, and Corporate Secretary. Management intends to hire additional personnel as need arises.

**E. DIRECTORS AND OFFICERS - Pls. refer to SEC Form 20- IS**

**F. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY**

**Principal Market**

The Company's shares of common stock are being traded at the Philippine Stock Exchange. Of the authorized capital stock of one billion shares, 999,870,322 shares have been subscribed.

**Dividends**

No dividend declarations were made during the two recent fiscal years of the Company. Aside from the accumulated deficit sustained by the company, there is no restriction that limits the ability to pay dividends on common equity.

**Common Equity**

The shares of IRC traded along the following bands during 2014, 2013 and 2012:

	2014		2013		2012	
	High	Low	High	Low	High	Low
First Quarter	1.47	1.25	1.30	1.10	2.06	.74
Second Quarter	1.40	1.20	1.45	1.10	1.84	1.04
Third Quarter	1.44	1.30	1.66	1.25	1.36	1.09
Fourth Quarter			1.54	1.32	1.41	1.10

The listed price of IRC shares as of November 3, 2014 18, 2014 is 1.52.

**Stockholders**

The number of stockholders of record as of October 30, 2014, the Record Date of the 2014 special stockholders' meeting is 571. Common shares outstanding as of October 30, 2014 amounted to 999,870,322.



The top 20 stockholders as of October 30, 2014 are as follows:

	<b>Name of Stockholder</b>	<b>Number of Shares</b>	<b>Percentage Ownership</b>
1	PCD NOMINEE CORP. (F)	455,734,031	45.58%
2	T & M HOLDINGS, INC.	262,605,200	26.26%
3	ASUNCION, ALEXANDER G.	90,014,000	9.00%
4	PRIMEEAST PROPERTIES, INC	69,815,500	6.98%
5	PCD NOMINEE CORP. (NF)	50,057,000	5.01%
6	MABUHAY HOLDINGS CORPORATION	38,160,643	3.82%
7	MARILAQUE LAND, INC.	5,998,000	0.60%
8	DEE, ALICE T.	2,995,000	0.30%
9	VALMORA INVESTMENT AND MANAGEMENT	2,300,000	0.23%
10	TAN, PEDRO O.	1,235,000	0.12%
11	EQUITY MANAGERS ASIA, INC.	1,000,000	0.10%
12	GUPIT, JEANETTE A.	750,000	0.08%
13	DAVID GO SECURITIES CORPORATION	729,000	0.07%
14	SIGUION-REYNA, LEONARDO T.	700,000	0.07%
15	GOKONGWEI JR., JOHN	642,000	0.06%
16	UY, IMELDA T.	621,000	0.06%
17	TAN, HENRY L.	600,000	0.06%
18	BLUE RIDGE CORPORATION	500,000	0.05%
19	LAO, ALEX L.	500,000	0.05%
20	TANCHAN III, SANTIAGO	500,000	0.05%

There had been no sales of unregistered or exempt securities of the Registrant, or issuance of its securities constituting exempt transaction.

***G. DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE***

The compliance officer is currently in charge of evaluating the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.

Measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance;

Due to company's limited operations, measures are slowly being undertaken to fully comply with the adopted leading practices on good corporate governance.

Any deviation from the company's Manual of Corporate Governance shall be fully disclosed to the Commission.

Other than the disclosure enumerated above, the company has nothing to report on the following:

- a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity
- b) Events that will trigger direct or contingent financial obligation that is material to the company
- c) Material off-balance sheet transactions, arrangements or obligations;
- d) Any material commitment for capital expenditures;
- e) Any significant elements of income or loss that did not arise from the issuers continuing operations and
- f) Any seasonal aspects that had a material effect on the financial condition or results of operation

***H. UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT IN SEC FORM 17- A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS. ALL REQUESTS MAY BE SENT TO THE FOLLOWING:***

***IRC PROPERTIES, INC.  
35/F. Rufino Pacific Tower, 6784 Ayala Avenue  
Makati City 1223  
Attention: Ms. Araceli Canlas Molina***



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of IRC PROPERTIES, INC. AND SUBSIDIARY is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, in accordance with the prescribed financial reporting framework indicated, including the additional components attached 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 or members.

Isla Lipana & Co., PwC (PricewaterhouseCoopers) member firm, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

ESTEBAN G. PEÑA SY
Chairman of the Board/ Chief Executive Officer

ALEXANDER G. ASUNCION
President

ARACELI C. MOLINA
Chief Financial Officer

SUBSCRIBED AND SWORN TO before me, a Notary Public, for and in Makati City, this APR 11 2014 day of April 2014, affiants exhibiting to me their Community Tax Certificates and/or Passports, as follows:

Table with 4 columns: Affiant, CTC No. / Passport No., Date of Issue, Place of Issue. Rows include Esteban G. Peña Sy, Alexander G. Asuncion, and Araceli C. Molina.

Doc. No.
Page No.
Book No.
Series of 2014

NOTARY PUBLIC
OFFICE OF THE NOTARY PUBLIC
104 Urban Ave., Brgy. Pio del Pilar, Makati City

Office: 35/F Rufino Pacific Tower, 6784 Ayala Avenue, Makati City 1223, Philippines
Landline: (+632) 750.2000 Fax (+632) 751.0773
Website: www.ircproperties.com



# COVER SHEET

6 0 3 1 2

S.E.C. Registration Number

I R C P R O P E R T I E S I N C ( F O R M E R L Y  
I N T E R P O R T R E S O U R C E S  
C O R P O R A T I O N ) A N D S U B S I D I A R Y

(Company's Full Name)

3 5 T H F L O O R R U F I N O T O W E R  
6 7 8 4 A Y A L A A V E N U E M A K A T I C I T Y

(Business Address: No. Street City/Town/Province)

GEORGINA A. MONSOD

Contact Person

750 2000

Company Telephone Number

12

Month

3 1

Day

Fiscal Year

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks - pls. use black ink for scanning purposes

***IRC Properties, Inc.  
and Subsidiary***

Consolidated Financial Statements

As at December 31, 2013 and 2012 and for each of the three  
years in the period ended December 31, 2013



Isla Lipana & Co.

**Independent Auditor's Report**

To the Board of Directors and Shareholders of  
**IRC Properties, Inc.**  
35th Floor, Rufino Pacific Tower  
6784 Ayala Avenue  
Makati City

***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of IRC Properties, Inc. and its Subsidiary (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and 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 consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

---

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 845 2728, F: +63 (2) 845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)





Isla Lipana & Co.

Independent Auditor's Report  
To the Board of Directors and Shareholders of  
IRC Properties, Inc.  
Page 2

*Opinion*

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

Isla Lipana & Co.

Cherrilyn M. Javier  
Partner

CPA Cert. No. 68556

P.T.R. No. 0007703; issued on January 3, 2014 at Makati City

SEC A.N. (individual) as general auditors 0055-AR-3, Category A; effective until January 17, 2016

SEC A.N. (firm) as general auditors 0009-FR-3; effective until August 15, 2015

T.I.N. 112-071-216

BIR A.N. 08-000745-9-2013; issued on April 4, 2013; effective until April 3, 2016

BOA/PRC Registration No. 0142; effective until December 31, 2016

Makati City  
April 15, 2014



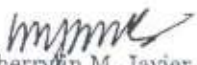
## Isla Lipana & Co.

Statements Required by Rule 68,  
Securities Regulation Code (SRC),  
As Amended on October 20, 2011

To the Board of Directors and Shareholders of  
**IRC Properties, Inc.**  
35th Floor, Rufino Pacific Tower  
6784 Ayala Avenue  
Makati City

We have audited the consolidated financial statements of IRC Properties, Inc. and subsidiary as at and for the year ended December 31, 2013, on which we have rendered the attached report dated April 15, 2014. The supplementary information shown in the Map of the Group of Companies within which the Reporting Entity Belongs and the Schedule of Philippine Financial Reporting Standards effective as at December 31, 2013, as required by Part I, Section 4 of Rule 68 of the SRC, and Schedules A, B, C, D, E, F, G, and H, as required by Part II, Section 6 of Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information are the responsibility of management and has been subjected to the auditing procedures applied in the audits of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Parts I and II of Rule 68 of the SRC.

**Isla Lipana & Co.**

  
Cherrylin M. Javier  
Partner  
CPA Cert. No. 68556  
P.T.R. No. 0007703; issued on January 3, 2014 at Makati City  
SEC A.N. (individual) as general auditors 0055-AR-3, Category A; effective until January 17, 2016  
SEC A.N. (firm) as general auditors 0009-FR-3; effective until August 15, 2015  
T.I.N. 112-071-216  
BIR A.N. 08-000745-9-2013; issued on April 4, 2013; effective until April 3, 2016  
BOA/PRC Registration No. 0142; effective until December 31, 2016

Makati City  
April 15, 2014

---

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines*  
T: +63 (2) 845 2728, F: +63 (2) 845 2806, [www.pwc.com/ph](http://www.pwc.com/ph)

**IRC Properties, Inc. and Subsidiary**

Consolidated Statements of Financial Position  
December 31, 2013 and 2012  
(All amounts in Philippine Peso)

	Notes	2013	2012
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash	6	3,630,412	719,500
Receivables, net	7	16,218,793	8,985,104
Available-for-sale financial assets	8	620,380	620,380
Prepayments	9	14,063,909	10,952,157
Funds held by custodian bank	10	15,722,650	15,555,512
Land held for development	11	1,046,511,452	988,709,510
Real properties held for sale and development	11	938,437	253,841
Total current assets		1,097,706,033	1,025,796,004
<b>Non-current assets</b>			
Investment property	12	1,678,607,000	1,271,950,151
Property and equipment, net	13	132,566	221,486
Other assets	14	1,175,539	1,140,725
Total non-current assets		1,679,915,105	1,273,312,362
<b>Total assets</b>		<b>2,777,621,138</b>	<b>2,299,108,366</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	15	300,819,687	322,394,769
Accrual for clearing costs - current portion	16	5,141,017	52,282,374
Notes payable	17	290,369,900	274,869,900
Liability for refund of stock rights subscription	10,18	15,722,650	15,555,512
Total current liabilities		612,053,254	665,102,555
<b>Non-current liabilities</b>			
Deferred tax liability, net	22	353,999,970	192,720,846
Accrual for clearing costs - non-current portion	16	574,940,900	674,940,900
Total noncurrent liabilities		928,940,870	867,661,746
Total liabilities		1,540,994,124	1,532,764,301
<b>Equity</b>			
Share capital	18	999,913,978	852,621,986
Treasury shares	18	(14)	(14)
Fair value reserve	8	(8,943)	(8,943)
Deficit		236,721,993	(86,268,964)
Total equity		1,236,627,014	766,344,065
<b>Total liabilities and equity</b>		<b>2,777,621,138</b>	<b>2,299,108,366</b>

The notes on pages 1 to 36 are an integral part of these financial statements.



## IRC Properties, Inc. and Subsidiary

Consolidated Statements of Total Comprehensive Income  
For each of the three years in the period ended December 31, 2013  
(All amounts in Philippine Peso)

	Notes	2013	2012	2011
<b>Income</b>				
Sale of real estate		93,859,481	7,667,416	16,041,234
Interest income		4,272	2,244	280,287
Fair value gain on investment property	12	537,597,080	147,572,862	99,570,797
Reversal of accrued interest	15	-	-	32,928,173
Miscellaneous income		-	-	2,546,052
Total income		631,460,833	155,242,522	151,366,543
<b>Expenses</b>				
Cost of sales	11	128,659,059	4,873,189	8,864,732
Salaries, wages and employee benefits	19	5,207,027	6,874,848	7,113,535
Rent	21	3,708,646	3,783,412	3,744,429
Professional fees		2,066,969	1,240,115	1,765,297
Taxes and licenses		1,276,751	779,996	8,951,179
Transportation and travel		1,563,761	348,396	652,718
Office supplies		169,185	128,469	70,270
Depreciation	13	88,920	90,955	142,988
Research and development		-	-	250,000
Interest, penalties and related charges	15	-	-	1,774
Other	20	4,450,434	3,722,877	2,112,951
Total expenses		147,190,752	21,842,257	33,669,873
<b>Net income before income tax</b>		484,270,081	133,400,265	117,696,670
Provision for income tax	22	161,279,124	44,271,859	29,871,240
<b>Net income for the year</b>		322,990,957	89,128,406	87,825,430
<b>Other comprehensive income</b>	8	-	-	-
<b>Total comprehensive income for the year</b>		322,990,957	89,128,406	87,825,430
<b>Basic and diluted earnings per share</b>	18	0.32	0.11	0.11

The notes on pages 1 to 36 are an integral part of these financial statements.

**IRC Properties, Inc. and Subsidiary**

Consolidated Statements of Changes in Equity

For each of the three years in the period ended December 31, 2013

(All amounts in Philippine Peso)

	Notes	Share capital (Note 18)	Treasury Shares (Note 18)	Fair value reserve (Note 8)	Deficit	Total
<b>Balances at January 1, 2011</b>		799,999,986	(14)	(8,943)	(263,222,800)	536,768,229
Comprehensive income						
Net income		-	-	-	87,825,430	87,825,430
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	87,825,430	87,825,430
<b>Transactions with owners</b>						
Issuance of shares		-	-	-	-	-
<b>Total transactions with owners</b>		-	-	-	-	-
<b>Balances at December 31, 2011</b>		799,999,986	(14)	(8,943)	(175,397,370)	624,593,659
Comprehensive income						
Net income		-	-	-	89,128,406	89,128,406
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	89,128,406	89,128,406
<b>Transactions with owners</b>						
Issuance of shares	18	52,622,000	-	-	-	52,622,000
<b>Total transactions with owners</b>		52,622,000	-	-	-	52,622,000
<b>Balances at December 31, 2012</b>		852,621,986	(14)	(8,943)	(86,268,964)	766,344,065
Comprehensive income						
Net income		-	-	-	322,990,957	322,990,957
Other comprehensive income		-	-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	-	322,990,957	322,990,957
<b>Transactions with owners</b>						
Issuance of shares	18	147,291,992	-	-	-	147,291,992
<b>Total transactions with owners</b>		147,291,992	-	-	-	147,291,992
<b>Balances at December 31, 2013</b>		999,913,978	(14)	(8,943)	236,721,993	1,236,627,014

The notes on pages 1 to 36 are an integral part of these financial statements.

## IRC Properties, Inc. and its Subsidiary

Consolidated Statements of Cash Flows  
For each of the three years in the period ended December 31, 2013  
(All amounts in Philippine Peso)

	Notes	2013	2012	2011
<b>Cash flows from operating activities</b>				
Income before income tax		484,270,081	133,400,265	117,696,670
Adjustments for:				
Depreciation	13	88,920	90,955	142,988
Interest income		(4,272)	(2,244)	(280,287)
Reversal of accrued interest	15	-	-	(32,928,173)
Loss on sale of investment property	12	44,423,850	-	-
Fair value gain on investment property	12	(537,597,080)	(147,572,862)	(99,570,797)
Operating loss before changes in operating assets and liabilities		(8,818,501)	(14,083,886)	(14,939,599)
Changes in operating assets and liabilities				
(Increase) decrease in:				
Land held for development		(1,554,942)	2,990,477	5,009,995
Receivables		(7,233,689)	(5,702,783)	116,751,079
Prepayments		(3,111,752)	(799,594)	2,708,519
Real properties held for sale and development		(684,596)	546,732	(800,573)
Other assets		(34,815)	53,197	34,642
Increase (decrease) in:				
Accounts payable and accrued expenses		(61,253,826)	39,482,309	(98,139,029)
Accrual for clearing costs		(147,141,357)	(44,450,000)	(62,609,368)
Net cash used in operations		(229,833,478)	(21,963,548)	(51,984,334)
Interest received		4,272	2,244	280,287
Net cash used in operating activities		(229,829,206)	(21,961,304)	(51,704,047)
<b>Cash flows from investing activities</b>				
Acquisitions of:				
Investment property	12	(5,051,874)	(32,365,204)	(56,662,803)
Property and equipment	13	-	-	(58,737)
Proceeds from sale of land		75,000,000	-	-
Net cash generated from (used in) investing activities		69,948,126	(32,365,204)	(56,721,540)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of notes	17	15,500,000	500,000	113,529,300
Payment of notes	17	-	-	(24,000,000)
Proceeds from stock rights offering		147,291,992	52,622,000	-
Net cash generated from financing activities		162,791,992	53,122,000	89,529,300
Net increase (decrease) in cash		2,910,912	(1,204,508)	(18,896,287)
<b>Cash</b>				
January 1		719,500	1,924,008	20,820,295
December 31		3,630,412	719,500	1,924,008

The notes on pages 1 to 36 are an integral part of these financial statements.



## **IRC Properties, Inc. and subsidiary**

Notes to Financial Statements

As at December 31, 2013 and 2012

and for each of the three years in the period ended December 31, 2013

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

### **Note 1 - General information**

IRC Properties, Inc. (Parent Company) and Interport Development Corporation (IDC) (Subsidiary), (collectively referred to as the "Group"), both domestic corporations were incorporated on February 24, 1975 and December 21, 1993, respectively. The Parent Company is primarily involved in the acquisition, reclamation, development or exploitation of land, forests, minerals, oil, gas and other resources. IDC is primarily involved in the acquisition and selling of real estate of all kinds or hold such properties for investment purposes.

The Parent Company is 37.50%, both directly and indirectly, owned by Mabuhay Holdings Corporation (MHC). The remaining interest is owned by various corporate and individual shareholders. The Parent Company became a public company through an initial public offering in February 27, 1978. There are no other offerings made other than new shares issued arising from stock rights offering in 2010 as discussed below.

On April 14, 2010, the Philippine Stock Exchange has approved the Parent Company's stock rights offering which generated a total of P399 million to partially fund the development and construction of real estate development projects in its property in Binangonan, Rizal. The Parent Company also repaid its maturing loans out of the proceeds.

The Group entered into a joint development agreement with a local real estate developer to develop an estimated 29 hectares of clean Binangonan properties. Moreover, the Group is actively in the process of clearing and re-titling the large portion of the property in Binangonan for future developments (Notes 11 and 12).

As at December 31, 2013, Wedgemore Property, a subsidiary of Ayala Land Inc. is pursuing the acquisition of a portion of the 2000-hectare Binangonan lot of the Group. The on-going negotiations are expected to be completed in the next 6 months. The entry of Ayala Land Inc. is seen to jumpstart the development of a new mixed-use community south of Metro Manila. To date, a total of 142.4 hectares are ready for immediate development.

The Group's management believes that ongoing developments of Trocadero Residences and Sunshine Fiesta Subdivision projects, both situated in prime locations (Trocadero is located inside the Eastridge Golf Village while Sunshine is among neighboring subdivisions such as St. Monique, Crystal East, East Ville, among others), will provide for additional funds that will finance other planned developments that are currently in place. The Group plans a mixed development of condominium and townhouses within a 1.34 hectare property also in Binangonan adjacent to Thunderbird Resort and Casino and the 18-hole EastRidge Golf Club. With a commanding view of the Laguna Lake and valley view of Rizal town, the project is intended to cater to golf members of Eastridge, and the mid to high end market of northern Metro Manila. The project will have a total of 40 townhouses for primary markets and 180 condominium units. The Group has acquired the development permits from government agencies for both projects and has already signed an agreement with a local developer (Note 11).

Other major operational developments are discussed in Notes 11 and 12.

On January 27, 2013, the Securities and Exchange Commission ("SEC") approved the Amended Articles of Incorporation of the Parent Company on change of corporate name to IRC Properties, Inc., changes in the primary purpose and declassification of stock (Note 19).

The registered office of the Company and its principal place of business is at 35th Floor, Rufino Pacific Tower, Ayala Avenue, Makati City.

The Parent Company has its primary listing on the Philippine Stock Exchange. As at December 31, 2013, the Company has 592 shareholders (2012 - 632) owning at least 100 shares each.

The Parent Company has 6 employees at December 31, 2013 and 2012.

The financial statements have been approved and authorized for issue by the Board of Directors on April 11, 2014. There were no material subsequent events that occurred between April 11, 2014 and April 15, 2014.

#### **Note 2 - Summary of significant accounting policies**

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

##### **2.1 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment property.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.



## Changes in accounting policies and disclosures

### (a) New and amended standards adopted by the Group

The following standards have been adopted by the Group effective January 1, 2013:

- *PAS 1 (Amendment), Financial Statement Presentation - Other Comprehensive Income* (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The required change has had no effect on the separate statement of total comprehensive income in the absence of other comprehensive income item.
- *PAS 28 (Revised), Investments in Associates and Joint Ventures* (effective January 1, 2013). PAS 28 (Revised) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of PFRS 11. See Note 13 for the disclosures of the investments in and advances to subsidiaries and associates. The Group has no investments in joint ventures.
- *PFRS 10, Consolidated Financial Statements* (effective January 1, 2013). The objective of PFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes control as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The adoption is not expected to have a significant impact on the financial statements.
- *PFRS 11, Joint Arrangements* (effective January 1, 2013). This new standard focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. See Note 5 for the impact of the adoption on the consolidated financial statements.
- *PFRS 12, Disclosures of Interests in Other Entities* (effective January 1, 2013). This new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. See Note 13 for the disclosures of the investments in and advances to subsidiaries and associates.
- *PFRS 13, Fair Value Measurement* (effective January 1, 2013). This new standard aims to improve consistency and reduce complexity by providing a clarified definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements, which are largely aligned with IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within PFRS. See Note 3.4 for the disclosures required by this standard.



*(b) New standards, amendments and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements.

- *PFRS 9, Financial Instruments.* This new standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of PAS 39, Financial Instruments: Recognition and Measurement, that relate to the classification and measurement of financial instruments, and hedge accounting. PFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. PFRS 9 also details the changes in requirements to hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. The mandatory effective date of PFRS 9 which is for annual periods beginning January 1, 2015 has been deferred and left open pending the finalization of the impairment classification and measurement requirements. The Group has yet to assess the full impact of PFRS 9 and intends to adopt PFRS 9 upon completion of the IASB project. The Group will also consider the impact of the remaining phase of PFRS 9 when issued.

No other standards, amendments or interpretations that are not yet effective that are expected to have a material impact on the consolidated financial statements of the Group.

## **2.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of Parent Company and IDC, a 100%-owned subsidiary as at December 31, 2013 and 2012. The Subsidiary's financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies. The accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(a) Subsidiary*

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial reporting and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share in the net assets acquired, the difference is recognized directly in profit or loss.

Intercompany transactions, balances and intragroup gains on transactions between the Group of companies are eliminated. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The results of the subsidiaries acquired or disposed during the year are included in profit or loss from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Business combinations under common control are accounted for using the predecessor cost method (similar to merger accounting/pooling of interests method). Under this method, the Group does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which financial statements are prepared. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination. The financial statements incorporate the net assets and results of operations of the combining entities or businesses as if they had always been combined or from the date when the combining entities or businesses first became under common control, whichever period is shorter. The difference between the consideration given and the aggregate book value of the assets and liabilities acquired as at the date of the transaction is charged to a reserve account in equity.



*(b) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investment in associates is carried in the separate financial statements at cost, less allowance for impairment losses.

The Group determines at each reporting date whether there is any indicator of impairment that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying value and the difference is recognized in profit or loss.

Investments in associates are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates at which time the cost and the related accumulated impairment loss are removed in the statement of condition. Any gains and losses on disposal is determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

*(c) Joint arrangements*

The Group has applied PFRS 11 to all joint arrangements effective January 1, 2013 and has applied accounting retrospectively. Under PFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group has entered into a joint arrangement agreement with a third party to develop a portion of its landbank located in Binangonan, Rizal. Under the terms of the agreement, the Group will contribute lots to the joint arrangement. The Group's contribution and share to the arrangement is limited to the value of the land it contributed. The counterparty in return will be primarily responsible in the development and the construction of the property into saleable housing units. The counterparty will likewise be in charge in marketing these completed units. The Group recognizes revenue based on the sales of the pre-determined lots assigned in accordance with the provisions of the agreement.

The Group has assessed the nature of its joint arrangement and determined it to be joint operations. The Group classifies the land contributed in accordance with PAS 2, Inventories.

The contractual arrangement establishes the parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding revenues and obligations for the corresponding expenses.

**2.3 Cash**

Cash consist of cash on hand and deposits held at call with banks. Funds that are restricted and designated for particular purpose are separated from cash on hand and in bank account and presented as a separate line item and classified as current or non-current depending on the expected timing the funds will be disbursed. Cash is stated at face value or nominal amount.



## **2.4 Financial assets**

### **2.4.1 Classification of financial assets**

The Group classifies its financial assets in the following categories: (i) at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *(a) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group does not hold financial assets under this category.

#### *(b) 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 included in current assets, except for those that will mature more than 12 months after the reporting date.

The Group loans and receivable comprise cash in banks, receivables, funds held by custodian bank and refundable deposits under other assets in the statement of financial position.

#### *(c) Held-to-maturity investments*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date which are classified as current assets.

The Group does not hold financial assets under this category.

#### *(d) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting date.

The Group's available-for-sale financial assets in the statement of financial position are classified under this category.

#### 2.4.2 Recognition and measurement

##### *(a) Initial recognition and measurement*

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

##### *(b) Subsequent measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in profit or loss in the year in which they arise. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in profit or loss. Dividends on equity instruments are recognized in profit or loss when the Group's right to receive payment is established.

#### 2.4.3 Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. If risks and rewards have not been substantially transferred, the Group performs tests of control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition.

#### 2.4.4 Impairment of financial assets

##### *(i) Assets carried at amortized cost*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial assets or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial 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 impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (recoverable amount).

Impairment loss is recognized in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

*(ii) Available-for-sale financial assets*

For available-for-sale debt securities, the Group uses the criteria referred to above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Generally, the Group treats 20% or more as 'significant' and greater than twelve months as 'prolonged'. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

## **2.5 Financial liabilities**

### **2.5.1 Classification and measurement of financial liabilities**

The Group classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and (ii) financial liabilities at amortized cost.

*(a) Financial liabilities at fair value through profit or loss*

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

The Group does not hold financial liabilities under this category.



*(b) Other liabilities at amortized cost*

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

The Group's accounts payable and accrued expenses, notes payable, accrual for clearing cost and liability for refund of stock rights subscription are classified under this category.

**2.5.2 Initial recognition and subsequent measurement**

Financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

**2.5.3 Derecognition of financial liabilities**

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

**2.6 Offsetting of financial instruments**

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

**2.7 Prepayments**

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to receipt of services and measured at the amount of cash paid, which is equal to its nominal amount. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Prepayments are included in current assets, except when the related services are expected to be received or rendered for more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

**2.8 Investment property**

Investment property is defined as property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

The Group's investment property, principally comprising of properties in Binangonan, Rizal are held for capital appreciation and is not occupied by the Group. The Group has adopted the fair value model for its investment properties.

After initial recognition, investment property is carried at fair value as determined by an independent firm of appraisers. Fair value is based on market data approach, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the independent appraiser. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Subsequent expenditure (i.e. provision for clearing costs) is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Changes in fair values are recorded in profit or loss.

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment (Note 2.10), and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset. This is recognized in profit or loss.

Property that is being constructed or developed for future use as investment property is classified as investment property.

## **2.9 Real properties held for sale and development; Land held for development**

Real properties held for sale and development and Land held for development are stated at the lower of cost and net realizable value. The cost comprises purchase price plus costs directly attributable to the acquisition of the assets including clearing, retitling, site preparation and subsequent development costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Borrowing costs associated with ongoing development of these properties are capitalized during its construction period.

The fair value of the land transferred from investment property to land held for development account due to change in use on the property is deemed as cost for subsequent accounting. Transfers from investment property to land held for development happen when the Group comes up with a concrete plan to clear the lots and/or when the Group enters into a Memorandum of Agreement (MOA) with a third party to perform retitling and related clearing activities.

Upon disposal, the asset accounts are relieved of the pertinent costs of acquisition and improvements, and provision for decline in value (if any) and the related realized profit on sale is recognized in profit or loss.

At December 31, 2013 and 2012, 142.4 hectares of the cleared and retitled Binangonan Property are either under development or intended for immediate development. The cost of such property is presented as land held for development.

Real properties held for sale and development amounting to P921,324 (2012 - P253,498) represents completed and fully developed lots under the joint development agreement.

## 2.10 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization and impairment, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the year in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Office equipment	5 years
Furniture and fixtures	5 years
Transportation equipment	5 years
Communication equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their related accumulated depreciation are removed from the accounts. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss in the period the item is derecognized.

## 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land and investment properties (carried at fair value) and investment in subsidiary, are not subject to depreciation and amortization and are tested annually for impairment. Assets that have definite useful life 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 by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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 that are impaired are reviewed for possible reversal of the impairment at each reporting date.

## 2.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.



The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

*(a) Financial instruments*

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. 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 transactions on an arm's length basis. These instruments are included in Level 1. There are no financial instruments that fall under the Level 1 category.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. There are no financial instruments that fall under the Level 2 category.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. There are no financial instruments that fall under the Level 3 category.

*(b) Non-financial assets or liabilities*

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a Group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Level 2 fair values of have been derived using the sales comparison approach. This comparison approach considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

The investment properties of the Group are classified under Level 2 category. The Group has no non-financial assets or liabilities classified under Level 3 category.

### **2.13 Accounts payable and accrued expenses**

Accounts payable and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method.

### **2.14 Borrowings and borrowing costs**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred.

### **2.15 Income tax**

The tax expense comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **2.16 Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the obligation.

## **2.17 Share capital**

### *(a) Common shares*

Common shares are classified as equity.

Issuance of new shares as a result of options, rights and warrants are shown in equity as an addition to the balance of common shares.



*(b) Treasury shares*

Where any member of the Group purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's equity holders.

**2.18 Earnings per share**

Basic earnings per share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares in issue during the year. Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

There are no dilutive potential common shares as at December 31, 2013 and 2012.

**2.19 Revenue and expense recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of real estate in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the Group and specific criteria have been met for each of its activities as described below.

*(a) Sale of real estate and cost of sales*

Revenue is recognized when the substantial risks and rewards are transferred to the buyer which coincides with actual delivery of title and/or when the right of exclusive use is conveyed to the buyer. For properties sold through a financing agreement with PAG-IBIG, revenue is recognized upon receipt of the approved Request for Payment (RFP) instruction from PAG-IBIG.

Cost of sales is recognized simultaneously with revenue. Cost of sales include cost of land allocated to the Group based on assigned lots stated in the agreement entered into with the developer and all other incidental costs incurred by the Group.

*(b) Interest income and expense*

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

Interest income on bank deposits is recognized when earned, net of final tax.

*(c) Dividend income*

Dividend income is recognized when the right to receive payment is established.

*(d) Other income*

Other income is recognized when earned.

*(e) Expenses*

Operating expenses are recognized when they are incurred.

**2.20 Leases**

*(a) The Group is the lessor*

Rental income under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease.

*(b) The Group is the lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

**2.21 Foreign currency transactions and translation**

*(a) Functional and presentation currency*

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

**2.22 Related party transactions and relationships**

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprises and their key management personnel, directors, or their shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**2.23 Subsequent events (or events after the reporting date)**

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

**Note 3 - Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Management, under the direction of the Board of Directors of the Group is responsible for the management of financial risks. Its objective is to minimize the adverse impacts on the Group's financial performance due to the unpredictability of financial markets.

**3.1 Market risk**

*(a) Currency risk*

The Group is not exposed to currency risk as it is not currently engaged in any foreign currency transactions.

*(b) Price risk*

The Group's exposure on price risk is minimal and limited only to investments classified as available-for-sale securities (Note 8). Changes in market prices of these investments are not expected to impact significantly the financial position or results of operations of the Group.



(c) *Interest rate risk*

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include various loans payable and borrowings (Note 17). These financial instruments are not exposed to fair value interest rate risk as they are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as they carry fixed interest rates.

**3.2 Credit risk**

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation.

2013	Current	Past due but not impaired	Impaired	Allowance for impairment	Total
Cash in bank	3,630,412	-	-	-	3,630,412
Receivables, net	16,218,793	-	7,473,000	(7,473,000)	16,218,793
Funds held by custodian bank	15,722,650	-	-	-	15,722,650
Refundable deposits	1,007,763	-	-	-	1,007,763
	36,579,618	-	7,473,000	(7,473,000)	36,579,618

2012	Current	Past due but not impaired	Impaired	Allowance for impairment	Total
Cash in bank	709,500	-	-	-	709,500
Receivables, net	8,985,104	-	7,473,000	(7,473,000)	8,985,104
Funds held by custodian bank	15,555,512	-	-	-	15,555,512
Refundable deposits	921,600	-	-	-	921,600
	26,171,716	-	7,473,000	(7,473,000)	26,171,716

(a) *Cash in bank and funds held by custodian bank*

The Group manages credit risk on its cash in bank by depositing in banks that qualified in the criteria of the Group. Some of these criteria are stability, financial performance, industry-accepted ratings, quality, diversity and responsiveness of products and services.

As at December 31, 2013 and 2012, the Group's funds are maintained with universal banks.

(b) *Receivables*

Fully performing accounts receivables at December 31, 2013 represents trade receivables from sale of 18.37 hectares of raw land to Hundred Lake Development Corp. and from the joint arrangement representing the Group's share in the proceeds from sold units (Note 7). Credit risk is not deemed significant because the Group holds the title until the amount is fully paid.

The impaired receivables are long overdue and arose from non-operating activities. Debtors are mainly individuals without credit history reference.

### (c) Refundable deposits

Refundable deposits are considered highly recoverable as the counterparty is assessed to have strong capacity to meet its obligation.

The Group has no financial assets that are considered to as past due but not impaired as at December 31, 2013 and 2012.

### 3.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations to repay creditors and fulfill commitments.

As at December 31, 2013, the Group does not require intensive working capital requirements. In accordance with the provisions of its joint arrangement agreement with a third party developer, the Group's involvement is limited to the value of the land contributed. The developer will undertake the construction and selling of completed units.

All financial assets and liabilities are current as at reporting dates, except for the non-current portion of accrual for clearing costs (Note 16).

To manage liquidity, funding of maturing obligation will come either from future sale of developed properties or additional advances from shareholders.

Expected future interest payments of the Group for the next three years is P39.5 million as at December 31, 2013 and 2012.

### 3.4 Fair value of financial assets and liabilities

The table below summarizes the carrying amount and fair value of those significant financial assets and liabilities not presented on the statement of financial position at fair value as at December 31:

	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Cash	3,620,412	3,620,412	719,500	719,500
Receivables, net	16,218,793	16,218,793	8,985,104	8,985,104
Funds held by custodian bank	15,722,650	15,722,650	15,555,512	15,555,512
Refundable deposits	1,007,763	1,007,763	921,600	921,600
<b>Total assets</b>	<b>36,569,618</b>	<b>36,569,618</b>	<b>26,181,716</b>	<b>26,181,716</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	270,550,360	270,550,360	290,307,650	290,307,650
Accrual for clearing cost	580,081,917	580,081,917	727,223,274	727,223,274
Notes payable	290,369,900	290,369,900	274,869,900	274,869,900
Liability for refund of stock rights subscription	15,722,650	15,722,650	15,555,512	15,555,512
<b>Total liabilities</b>	<b>1,156,724,827</b>	<b>1,156,724,827</b>	<b>1,307,956,336</b>	<b>1,307,956,336</b>

### **3.5 Fair value hierarchy**

The Group follows the fair value measurement hierarchy to disclose the fair values of its financial assets and liabilities. At December 31, 2013 and 2012, the Group's available-for-sale financial assets and investment properties are classified under Level 1 and 2 categories, respectively.

#### **Note 4 - Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide future returns to its shareholders and to maintain an optimal capital structure to reduce its cost of capital. For this purpose, capital is represented by total equity as shown in the statements of financial position, less fair value reserve.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's main objective is to ensure it has adequate capital moving forward to pursue its major land development and housing projects.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Group has fully complied with this requirement.

There are no externally imposed capital requirements on the Group.

#### **Note 5 - Critical accounting estimates, assumptions and judgments**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **5.1 Critical accounting estimates**

###### *(a) Estimate of fair value of investment properties (Note 12)*

The Parent Company's Binangonan property has an estimated market value of P1,000 per square meter (2012 - P650 per square meter) at December 31, 2013 based on the following significant assumptions used by the independent appraiser.

- current prices in an active market for properties of similar nature, condition or location, adjusted to reflect possible differences; and
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Management expects that the value of the Binangonan property will increase significantly when clearing and horizontal developments are undertaken in the very near future.



The Group considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the estimation of the fair value of investment property as the major assumptions used may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year are different from assumptions could require a material adjustment to the carrying amount of investment property.

Fair value gain on investment property represents significant amounts both in value of property and income. Any +/- 10% change in fair value per square meter increases/decreases total assets and income before tax by P107,011,196.

*(b) Estimate of clearing costs (Note 16)*

As discussed in Note 12, the Supreme Court affirmed the validity of the Parent Company's titles over its 2,200 hectares Binangonan property. However, due to a number of factors, including the recognition of Supreme Court over the superior rights of the bonafide occupants as well as potential challenges in clearing and re-titling of this large area of land, management has estimated that only 455 hectares is expected to be recovered/cleared and re-titled in the name of the Parent Company as at December 31, 2013 (2012 - 455 hectares).

Given the above, management has estimated total clearing and re-titling costs to be approximately P580 million and P727.2 million as at December 31, 2013 and 2012, respectively. This estimate is based on the existing contracts with a contractor which charges the Group at an average price of P300 to P350 per square meter, depending on location. The outstanding provisions do not include retitled lots which have been reclassified to Land held for development in the statement of financial position.

Management believes that the above is the best estimate based on existing conditions and circumstances as at December 31, 2013 and 2012.

The Group considers it impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the accrual for clearing costs as the major assumptions used may differ significantly. With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of accrual for clearing costs.

*(c) Impairment of trade and other receivables*

The provision for impairment of receivables is based on the Group's assessment of the collectability of payments from its debtors. This assessment requires judgment regarding the ability of the debtors to pay the amounts owed to the company and the outcome of any disputes. Any change in the Group's assessment of the collectability of receivables could significantly impact the calculation of such provision and results of its financial performance. Total receivables subjected to this assessment are shown in Note 7. The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the impairment of receivables.

## **5.2 Critical accounting judgment**

*(a) Recognition of deferred income tax assets (Note 22)*

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income 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 the non-recognition of deferred income tax assets of P81.99 million (2012 - P85.63 million) is appropriate due to the Group's limited capacity to generate sufficient taxable income in the immediately succeeding five years given current development activities.

*(b) Joint arrangements*

Management enters into joint arrangements for the development of its properties. Per contractual agreements, the Group's contribution on the joint arrangements is limited only to the value of the land and any obligations related to development are on the account of the counterparty in the joint operations. The joint arrangements are not structured through a separate vehicle and the Group has direct access to assets and obligations for liabilities. As such, the arrangement is classified as joint operations.

Total land contributed to joint operations as at December 31, 2013 and 2012 is 17.68 hectares amounting to P113 million and is recorded as part of 'Land held for development' in the statement of financial position.

**Note 6 - Cash on hand and in bank**

Cash on hand and in bank at December 31 consist of:

	2013	2012
Cash on hand	10,000	10,000
Cash in bank	3,620,412	709,500
	3,630,412	719,500

**Note 7 - Receivables**

Current receivables at December 31 consist of:

	2013	2012
Receivables from sale of land	15,796,503	8,526,235
Receivables from quitclaim agreements	7,473,000	7,473,000
Others	422,290	458,869
	23,691,793	16,458,104
Allowance for impairment	(7,473,000)	(7,473,000)
	16,218,793	8,985,104

Receivables from sale of land represent receivable from joint arrangement arising from the proceeds of sold units attributable to the Group and from the sale of raw land to Hundred Lake Development Corp. (Note 12).

Receivables from quitclaim agreements represent the balances of the consideration due to the Group on its agreement to transfer titles of certain parcels of land on its Binangonan property to certain third parties holding title to the same property. Under the said agreements, the third parties concerned shall pay the Group the agreed amounts as consideration for the transfer of absolute ownership to the properties.

There were no movements in the allowance for impairment during 2013 and 2012.

**Note 8 - Available-for-sale financial assets**

Available-for-sale financial assets at December 31 consist of:

	2013	2012
Listed	2,880	2,880
Unlisted	626,443	626,443
	629,323	629,323
Fair value adjustment	(8,943)	(8,943)
	620,380	620,380

Listed available-for-sale financial assets pertain to an insignificant number of equity shares held in a publicly listed universal bank (level 1). Unlisted available-for-sale financial assets pertain to club membership shares (level 1).

There are no available-for-sale financial asset additions and disposals at December 31, 2013 and 2012.

**Note 9 - Prepayments**

Prepayments at December 31 consist of:

	2013	2012
Creditable withholding tax	13,669,657	9,306,094
Input taxes	341,642	1,597,987
Prepaid taxes	52,610	48,076
	14,063,909	10,952,157

**Note 10 - Funds held by custodian bank**

The account represents restricted fund from the proceeds of the Parent Company's cancelled stock rights offering in 1996 which were deposited with a local custodian bank. The local custodian bank is responsible for monitoring withdrawals or disbursements from the funds, and ensuring that all withdrawals and orders for payment made are in connection with, or relating to, any of the purposes specified in the work program submitted by the Parent Company to the SEC in connection with the stock rights offering.

The balance of funds held by custodian bank at December 31 consists of:

	2013	2012
Special savings deposit	15,730,000	15,540,000
Receivables	27,528	29,602
Demand deposit	623	1,747
Payables	(35,501)	(15,837)
	15,722,650	15,555,512

Following SEC's order to refund the money, the proceeds have been presented as liability in the statement of financial position. The Group does not have legal right to defer payment beyond one year, hence, presented as current liability.



There were no withdrawals from the fund during 2013 and 2012.

**Note 11 - Land held for development and real properties held for sale and development**

Land held for development at December 31 consists of:

	2013	2012
Balance at January 1	988,709,510	1,041,310,472
Additions, including capitalized interest	9,247,867	400,575
Reclassifications (to) from investment properties	56,247,000	(49,610,485)
Sold or transferred to completed lots	(7,692,925)	(3,391,052)
Balance at December 31	1,046,511,452	988,709,510

In 2012, the Parent Company entered into a joint development agreement with a third party developer to develop social housing units (the Project). Under the agreement, the Group shall contribute 15.125 hectares of cleared lots to the Project while the developer will undertake all the necessary construction, including the application for permits. The developer shall also act as the principal agent for the sale of finished housing units. The Group shall receive, as its share in the Project, the amount of sale of finished housing units assigned to the Group. Total share of the Group from sold units in 2013 amounted to P93.86 million (2012 - P7.67 million). Total cost of lots sold amounted to P128.66 million (2012 - P4.87 million).

In 2013, the Group sold parcels of its investment property located in Binangonan to Hundred Lake with a carrying amount of P119.42 million for P87.27 million. The disposal of the property resulted in a loss of P32.15 million.

Relative to agreement with Wedgemore Property, a subsidiary of Ayala Land, Inc., legal due diligence of titles and tax declarations are being conducted. Reclassification for the Phase 1-A lots has been applied with the Binangonan Local Government and awaiting approval. Total cost of reclassification and DAR conversions for additional areas covered in the supplement to the Memorandum of Agreement with Wedgemore amounting to P4.98 million are being capitalized in the Land held for development.

Total borrowing costs capitalized in land held for development at December 31, 2013 amounts to P3,025,000 (2012 - P18,736,597).

Real properties held for sale and development amounting to P938,437 (2012 - P253, 841) represents completed and fully developed lots under the agreement.

**Note 12 - Investment property**

The Group's investment property as at December 31, 2013 and 2012 is situated in Binangonan, Rizal with fair value amounting to P1.679 billion (2012 - P1.272 billion). The property was acquired in 1978 primarily for the development of a subdivision project. These properties have a total area of about 2,200 hectares and were registered in the Group's name under various Transfer Certificate of Titles.

On November 21, 1991, the Supreme Court affirmed previous decisions by the Court of Appeals and the Regional Trial Court confirming the validity of the Group's titles over its Binangonan property. However, in the same Supreme Court decision, it was also declared that the Group's ownership of the titles shall be subject to the declared superior rights of bonafide occupants with registered titles within the area covered by the questioned decree and bonafide occupants therein with lengths of possession which had ripened to ownership. The area of present claimants to certain parcels of land within the Group's titled property is currently being identified and verified by the Group's legal counsel.

The Group does not currently earn income and does not incur direct operating expenses from its investment properties.

The movements in investment property at December 31 are summarized as follows:

	2013	2012
Balance at January 1	1,271,950,151	937,401,600
Additions, including capitalized interest	44,730,619	137,365,204
Reclassification from (to) Land held for development	(56,247,000)	49,610,485
Disposal of property	(119,423,850)	-
Fair value gain	537,597,080	147,572,862
Fair value at December 31	1,678,607,000	1,271,950,151

Increase in fair value of the investment property is attributed to ongoing developments on the property.

Total borrowing costs capitalized at December 31, 2013 amounts to P125,789,663 (2012 - P86,110,918).

Deductions refer to the cost of 18.37 hectares of raw land sold to Hundred Lake Development Corporation which is recorded at appraised value of P650 per square meter. The property was sold on September 10, 2013 at P475 per square meter. The Group received P75 million as down payment upon execution of the Contract to Sell and the balance of P12,271,275 is payable upon the transfer of title of the property to the buyer.

In 2012, the Group identified additional 30 hectares of land that can be recovered/cleared and re-titled in the name of the Group. Accordingly, provision for clearing costs amounting to P105 million pertaining to the 30 hectares of land was recognized. The increase in investment property and additional provision are considered as non-cash transactions.

Fair value of investment property is determined on the basis of appraisal made by an external appraiser duly certified by the management. Valuation methods employed by the appraisers mainly include the market data approach (Note 2.8). As at December 31, 2013, the cumulative fair value gains amount to P1.2 billion (2012 - P643.1 million).

**Note 13 - Property and equipment, net**

Details and movements of the account as at and for the years ended December 31, 2013 and 2012 follow:

	Office equipment	Furniture and fixtures	Transportation equipment	Communication equipment	Total
<b>Cost</b>					
Balances at January 1, 2012	2,084,354	2,122,399	431,818	202,278	4,840,849
Additions	-	-	-	-	-
Balances at December 31, 2012	2,084,354	2,122,399	431,818	202,278	4,840,849
Additions	-	-	-	-	-
Balances at December 31, 2013	2,084,354	2,122,399	431,818	202,278	4,840,849
<b>Accumulated depreciation</b>					
Balances at January 1, 2012	1,939,277	1,955,041	431,817	202,273	4,528,408
Depreciation	44,224	46,731	-	-	90,955
Balances at December 31, 2012	1,983,501	2,001,772	431,817	202,273	4,619,363
Depreciation	42,189	46,731	-	-	88,920
Balances at December 31, 2013	2,025,690	2,048,503	431,817	202,273	4,708,283
<b>Net book value</b>					
December 31, 2012	100,853	120,627	1	5	221,486
December 31, 2013	58,664	73,896	1	5	132,566

**Note 14 - Other assets**

Other assets at December 31 consist of:

	2013	2012
Refundable deposits	1,007,763	921,600
Computer software, net	105,726	157,075
Others	62,050	62,050
	1,175,539	1,140,725

Computer software is net of accumulated amortization amounting to P163,220 (2012 - P111,872). Amortization expense charged to profit or loss as at December 31, 2013 amounted to P51,348 (2012 - P53,197). There were no additions or disposals during 2013 and 2012.



**Note 15 - Accounts payable and accrued expenses**

Accounts payable and accrued expenses at December 31 consist of:

	Notes	2013	2012
Liability for land acquisition	11,12	82,251,920	82,251,920
Accounts payable		5,247,941	5,247,941
Accrued expenses and other payables			
Interest, penalties and related charges		170,417,439	168,282,993
Real property taxes		29,208,251	31,288,003
Salaries, wages and benefits	19,24	-	23,200,000
Professional fees		976,038	975,493
Customer's deposits		359,430	-
Others		12,358,668	11,148,419
		300,819,687	322,394,769

Liability for land acquisition represents the outstanding payable to PrimeEast which are payable on demand.

Interest, penalties and related charges represent interest arising from Parent Company's notes payable to MHC, PrimeEast and T&M Holdings, Inc. (Note 17) bearing annual interest ranging from 12% to 22%.

In 2011, the Parent Company recorded a reversal of accrued interest and penalties amounting to P32.93 million pertaining to notes payable to Penta Capital Investment Corporation, the principal of which was paid in 2010. The reversal took place after the creditor signed a waiver condoning all the unpaid interest.

In 2012, the Parent Company recorded a reversal of accrued interest, which was previously capitalized as part of investment properties, amounting to P15.51 million related to notes payable to PrimeEast Properties, Inc. The reversal took place after the creditor signed a waiver condoning all the unpaid interest. The reversal is considered as non-cash transaction.

**Note 16 - Accrual for clearing costs**

Accrual for clearing cost represents the Group's expected cost to clear a portion of its Binangonan property from bonafide occupants with superior rights over the Company's investment property (Note 12). The amount is based on the average estimated clearing and titling cost of P300 to P350 per square meter consistent with the agreement with PrimeEast, the contractor. Such amount represents the peso value (net present value) at each reporting date as quoted by PrimeEast.

Expected timing of actual cash flow at December 31 follows:

	2013	2012
Within 1 year (current)	5,141,017	52,282,374
2 to 3 years	354,940,900	454,940,900
4 to 5 years	220,000,000	220,000,000
Total noncurrent, net of current portion	574,940,900	674,940,900
	580,081,917	727,223,274

The movements in accrual for clearing costs are summarized as follows:

	Note	2013	2012
At January 1		727,223,274	666,673,274
Payments		(147,141,357)	(44,450,000)
Additional accrual	12	-	105,000,000
At December 31		580,081,917	727,223,274

**Note 17 - Notes payable**

Notes payable at December 31 consists of:

	2013	2012
MHC	224,869,900	224,869,900
Prime East Properties, Inc.	50,000,000	50,000,000
T&M Holdings, Inc.	15,500,000	-
	290,369,900	274,869,900

The notes payable to MHC is an unsecured borrowing with no definite payment terms and bears interest at 12% and 18% per annum. MHC is the largest stockholder of the Parent Company.

There was a partial settlement amounted to P24 million in 2012 which was taken from the proceeds of stock rights offering in June 2012.

In 2013, the Parent Company issued notes payable to T&M Holdings, Inc., a related party, amounting to P15.5 million (2012 - nil). These new borrowings are unsecured and carry an interest rate of 15% per annum.

PrimeEast loan arose directly from reacquisition of land in Binangonan and is unsecured and have no definite payment terms.

Interest, penalties and related charges from these borrowings for the years ended December 31, 2013 and 2012 amounted to P39.7 and P39.4 million, respectively. The borrowing costs amounting to P39.7 million (2012 - P39.4 million) are capitalized as part of the cost of Investment property and Land held for development.

In 2013 and 2012, there had been no land acquired through loan.

Notes payable is presented as current liability as balance is deemed payable on demand.

**Note 18 - Share capital; Earnings per share**

*(a) Share capital*

Authorized capital at December 31, 2013 and 2012 consists of:

2013	Authorized		Issued	
	Number of Shares	Amount	Number of Shares	Amount
Common shares, at P1 par value per share				
Common shares	1,000,000,000	1,000,000,000	999,913,978	999,913,978

Movement represents new shares issued.

2012	Authorized		Issued	
	Number of Shares	Amount	Number of Shares	Amount
Common shares, at P1 par value per share				
Common shares	1,000,000,000	1,000,000,000	852,621,986	852,621,986

Class A and Class B shares have the same rights, voting powers, preferences and restrictions, except that Class A shares are restricted in ownership to citizens of the Philippines or corporations and associations at least 60% of the share capital of which is owned by citizens of the Philippines. Class B shares may be subscribed for and/or transferred to and/or owned by any person or entity. On January 27, 2012, Securities and Exchange Commission has approved the declassification of its Class A and Class B shares into one type of share without classification.

On April 14, 2010, the Philippine Stock Exchange has approved the Parent Company's stock rights offering and has generated a total of P399 million for additional 281,475,773 Class A shares and 118,524,213 Class B shares issued and fully paid.

In 2013, 147,291,992 (2012-52,622,000) new shares were issued at a price of P1 per share.

*(b) Treasury shares*

The Parent Company acquired some of its shares of stock as a reserve for future claims of shareholders which are shown in its transfer agent's records but not in its accounts. It is the Company's policy to honor such claims and therefore, issue the said reacquired shares to shareholders upon their presentation of the original unrecorded stock certificates.

(c) *Earnings per share*

Basic and diluted earnings per share is computed as follows:

	2013	2012	2011
Net income for the year	322,990,957	89,128,406	87,825,430
Divide by weighted average shares	999,913,978	824,253,044	799,999,986
Earnings per share	0.32	0.11	0.11

Basic and earnings per share are the same due to the absence of dilutive potential common shares.

On February 19, 1996, the SEC approved the Company's application for the issuance of 40 billion shares, by way of stock rights offering, at an offer price of P0.012 per share. The Company commenced its stock rights offering on March 31, 1997. However, on July 15, 1997, the SEC revoked the Certificate of Permit to Sell Securities and ordered the Company and its custodian bank to immediately return to subscribers the proceeds from the rights offering currently held in escrow (see Note 10). The proceeds from the said offering, which were not yet claimed by the subscribers, are shown as "Liability for refund of stock rights subscription" in the liability section of the statements of financial position.

**Note 19 - Salaries and employee benefits**

The balance of employee benefits at December 31 consists of:

	2013	2012	2011
Salaries and wages	4,632,930	6,458,738	6,732,726
Bonus and allowances	509,033	348,824	303,832
SSS, Philhealth and HDMF	65,064	67,286	76,977
	5,207,027	6,874,848	7,113,535

The total compensation of the Company's executive officers for the years ended December 31, 2013, and 2012 amounted to P3.5 million and P4.8 million respectively (Note 24).

As at December 31, 2013, the Company has less than 10 employees. Consequently, it is exempted from complying with minimum retirement benefit under R.A. 7641.



**Note 20 - Other expenses**

Other expenses for the years ended December 31 follow:

	2013	2012	2011
Meeting expenses	997,019	334,954	408,310
Gasoline, oil and parking	357,194	85,315	82,329
Light and water	335,825	356,434	341,357
Medical	264,471	321,816	207,524
Association dues	254,770	254,770	288,235
Christmas expenses	180,648	199,665	167,058
Repairs and maintenance	127,151	94,440	54,009
Membership dues	116,232	104,880	47,455
Telephone, telegram and postage	97,414	104,985	103,616
Miscellaneous	1,719,710	1,865,618	413,058
	4,450,434	3,722,877	2,112,951

Miscellaneous expenses include contractual fees, training expenses, repairs and maintenance and other operating costs.

**Note 21 - Lease commitments**

The Company has entered into a non-cancellable lease agreement with a related party for its office space. The lease agreement has a term of 3 years, expiring on 2014.

Rent expense charged to operations amounts to P3.71 million in 2013 (2012 - P3.78 million). As at December 31, the minimum aggregate rental commitments for future years are as follows:

	2013	2012	2011
Within one year	3,398,126	3,707,046	3,783,412
After one year but not more than five years	-	7,414,092	14,828,184
	3,398,126	11,121,138	18,611,596

**Note 22 - Income taxes**

Provision for income tax for the years ended December 31 follows:

	2013	2012	2011
Current	-	-	-
Deferred	161,279,124	44,271,859	29,871,240
Provision for income tax	161,279,124	44,271,859	29,871,240

A reconciliation between the provision for income tax at statutory income tax rate and the actual provision for income tax at December 31 follows:

	2013	2012	2011
Income before income tax	484,270,081	133,400,265	117,696,670
Tax calculated at income tax rate of 30%	145,281,024	40,020,080	35,309,001
Effects of:			
Income subject to final tax	(1,281)	(674)	(84,086)
Unrecognized DTA on expired NOLCO	15,339,381	4,252,535	(4,601,679)
Unrecognized DTA on accruals	-	-	(763,815)
Non-deductible expenses	660,000	-	11,819
	161,279,124	44,271,941	29,871,240

The details of net deferred income tax liabilities (assets) follow:

	2013	2012
Fair value gains on investment property	353,999,970	192,920,261
MCIT	-	(199,415)
	353,999,970	192,720,846

All deferred taxes are recoverable beyond 12 months after reporting date.

The movements in deferred income tax liability arising from fair value gains on investment property are charged to profit or loss.

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable.

The deferred income tax assets of the Group which were not recognized as at December 31, 2013 and 2012 since management believes that these may not be recovered due to the Group's limited capacity to generate taxable income follow:

	2013	2012
Net operating loss carryover (NOLCO)	19,591,834	13,156,989
Accrued interest, penalties and related charges	51,125,232	50,485,423
Allowance for impairment losses	2,513,918	5,907,096
Accrued salaries, wages and benefits	-	6,960,000
Accrued real property taxes	8,762,475	9,116,907
	81,993,459	85,626,415

The details of NOLCO at December 31, which could be carried over as deduction from taxable income for three consecutive years following the year of incurrence, follow:

Year Incurred	Valid Until	2013	2012
2013	2016	51,131,270	-
2012	2015	14,174,842	14,174,842
2010	2013	29,681,789	29,681,789
2009	2012	-	14,321,214
		94,987,901	58,177,845
Expired		(29,681,789)	(14,321,214)
		65,306,112	43,856,631
Deferred income tax asset not recognized at 30%		19,591,834	13,156,989

The Group did not recognize the deferred tax asset from NOLCO since management believes that this may not be recovered within the prescription period.

The Group is liable to MCIT equivalent to 2% of gross income, as defined in the tax regulations. The details of the Group's MCIT which are recognized as deferred tax assets and can be claimed as deduction against future corporate income tax due are as follows:

Year	Valid Until	2013	2012
2012	2015	55,885	55,885

There is no MCIT paid in 2010.

#### **Note 23 - Contingencies**

The Group has contingent liabilities with respect to claims, lawsuits and taxes which are pending decision by the courts or being contested, the outcome of which are not presently determinable. Management is of the opinion that an adverse judgment in any one case will not materially affect its financial position and financial performance. Management believes that liability arising is not probable thus no provisions were made during the year.

The Group has also unbooked contingent assets pertaining to Binangonan properties. Such assets will be recognized when assets are cleared and/or under the legal and economic possession of the Group.

**Note 24 - Related party transactions and balances**

The table below summarizes the Group's transactions and balances with its related parties as at and for the years ended December 31.

	2013		Terms and conditions
	Transactions	Outstanding balances Receivable (Payable)	
Rental expenses Investor	3,707,046	-	The transactions arise from a lease agreement with MHC, its largest stockholder (Note 22). The balance is unsecured, is payable on demand and bears no interest.
Notes Payable, including related interest Investor	15,500,000	(240,369,900)	
Liability for land acquisition Key Management personnel	-	(82,251,920)	The balance is unsecured and bears no interest. Payable in cash on demand.
Salaries, wages and employee benefits Key Management personnel	3,500,000	-	The balance is unsecured and is payable on demand.
	2012		
	Transactions	Outstanding balances Receivable (Payable)	Terms and conditions
Rental expenses Investor	3,783,412	(357,473)	The transactions arise from a lease agreement with MHC, its largest stockholder (Note 22). The balance is unsecured, is payable on demand and bears no interest.
Notes Payable, including related interest Investor	500,000	(224,869,900)	The balance is unsecured, consists of several promissory notes payable with no definite payment terms and bearing interest of 12-18% per annum.
Liability for land acquisition Key management personnel	(5,331,080)	(82,251,920)	The balance is unsecured and bears no interest. Payable in cash on demand.
Salaries, wages and employee benefits Key management personnel	4,800,000	(23,200,000)	The balance is unsecured and is payable on demand.



**Note 25 - Agrarian reform law and land use**

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the Department of Agrarian Reform (DAR), land classified for agricultural purposes as at or after June 15, 1988 cannot be converted to non-agricultural use without the prior approval of DAR.

The Group obtained from concerned Government Agencies Exemption/Exclusion Orders dated August 11, 2008 and October 17, 2008 over several parcels of land with an area of 29.23 hectares and 27.97 hectares, respectively, in Binangonan, Rizal.

Land use may be also limited by zoning ordinances enacted by local government units. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome. The Group's management considers it impracticable to disclose with sufficient reliability the possible financial impact surrounding the above provisions.

**IRC Properties, Inc.**  
Schedule of Philippine Financial Reporting Standards  
effective as at December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards (PFRS)</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Consolidation for Investment Entities		✓	
<b>PFRS 11</b>	Joint Arrangements	✓		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Consolidation for Investment Entities		✓	
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS				
		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Consolidation for Investment Entities	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32 (Revised)	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures		✓	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓



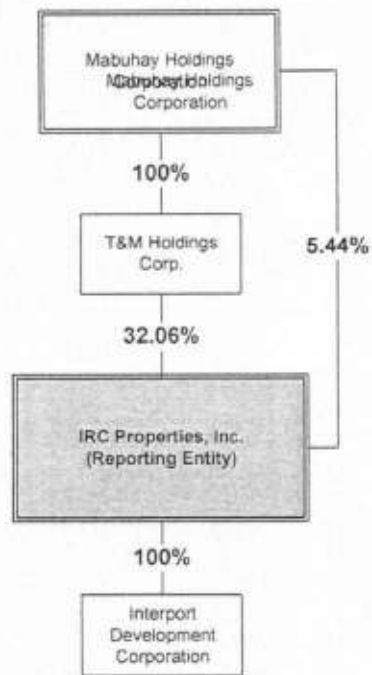
<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>				
		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intra-group Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives			✓
<b>PAS 40</b>	Investment Property			✓
<b>PAS 41</b>	Agriculture			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓
<b>IFRIC 11</b>	PFRS 2 - Group and Treasury Share Transactions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretation IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreement for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The standards and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2013 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.

The standards, amendments and interpretations that have been issued but are not yet effective as at December 31, 2013 are marked as "Not Adopted".

**IRC Properties, Inc.**  
Map of the Group of Companies within which the Reporting Entity Belongs  
December 31, 2013



**IRC Properties, Inc.**

Schedule A. Financial Assets  
December 31, 2013

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
Equitable Banking Corp.	120 shares	2,880	2,880	-
Victorias Milling Corp.	70,000 shares	-	-	-
Tower Club	1 share	617,500	617,500	-
<b>Total</b>		<b>620,380</b>	<b>620,380</b>	<b>-</b>



**IRC Properties, Inc.**

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and  
Principal Stockholders (Other Than Related Parties)**

December 31, 2013

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
NONE							

**IRC Properties, Inc.**

Schedule C. Amounts Receivable from Related Parties which are Eliminated  
during the Consolidation of the financial statements  
December 31, 2012

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Interport Development Corporation	83,240,516	106,848	-	-	83,347,364	-	83,347,364
Total	83,240,516	106,848	-	-	83,347,364	-	83,347,364



**IRC Properties, Inc.**

Schedule E. Long-term debt  
December 31, 2013

Title of issue and type of obligation	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet"
NONE		



**IRC Properties, Inc.**

**Schedule F. Indebtedness to related parties (Long-term loans from Related Companies)  
December 31, 2013**

Name of related party	Balance at beginning of period	Balance at end of period
NONE		

**IRC Properties, Inc.**

Schedule G. Guarantees of Securities of Other Issuers  
December 31, 2013

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
				NONE

IRC Properties, Inc.

Schedule H. Capital Stock  
December 31, 2013

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
PCD NOMINEE CORP. (F)	455,223,031	455,223,031	-	-	-	455,223,031
T & M HOLDINGS, INC.	214,916,000	214,916,000	-	214,916,000	-	69,815,500
PRIMEAST PROPERTIES, INC.	69,815,500	69,815,500	-	-	63,589,000	-
ASUNCION, ALEXANDER G.	63,589,000	63,589,000	-	-	-	48,247,000
PCD NOMINEE CORP. (NF)	48,247,000	48,247,000	-	-	-	-
T & M HOLDINGS, INC.	47,689,200	47,689,200	-	47,689,200	-	-
MABUHAY HOLDINGS CORPORATION	29,719,197	29,719,197	-	29,719,197	26,425,000	7,499,446
ASUNCION, ALEXANDER G.	26,425,000	26,425,000	-	-	-	-
MABUHAY HOLDINGS CORPORATION	7,499,446	7,499,446	-	-	-	-
MARLAQUE LAND, INC.	4,125,500	4,125,500	-	-	-	4,125,500
VALMORA INVESTMENT AND MGT	2,300,000	2,300,000	-	-	-	2,300,000
DEE, ALICE T.	2,165,000	2,165,000	-	-	-	2,165,000
MARLAQUE LAND, INC.	1,872,500	1,872,500	-	-	-	1,872,500
DAVID GO SECURITIES CORPORATION	1,469,000	1,469,000	-	-	-	1,469,000
TAM, PEDRO O.	1,235,000	1,235,000	-	-	-	1,235,000
EQUITY MANAGERS ASIA, INC.	1,000,000	1,000,000	-	-	-	1,000,000
MABUHAY HOLDINGS CORPORATION	942,000	942,000	-	942,000	-	-
GUPIT, JEANETTE A.	750,000	750,000	-	-	-	750,000
GOKONGWEI JR., JOHN	642,000	642,000	-	-	-	642,000
UY, IMELDA T.	621,000	621,000	-	-	-	621,000
TAM, HENRY L.	600,000	600,000	-	-	-	600,000
Others	19,068,604	19,068,590	-	-	-	19,068,590
	999,913,978	999,913,964	-	293,266,397	97,513,446	609,134,121

**IRC Properties, Inc.**

Schedule H. Capital Stock  
December 31, 2012

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
COMMON SHARES	1,000,000,000	999,913,964	199,913,992	293,266,397	97,513,446	609,134,121
	1,000,000,000	999,913,964	199,913,992	293,266,397	97,513,446	609,134,121



**IRC PROPERTIES, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**

*(All amounts in Philippine Peso)*

	September 2014	DEC. 2013 AUDITED	September 2013
<b><u>A S S E T S</u></b>			
<b>CURRENT ASSETS</b>			
Cash on hand and in banks	P 27,338,559	P 3,630,412	P 32,471,075
Receivables, net	13,889,657	16,218,793	40,871,140
Available-for-sale financial assets	620,380	620,380	620,380
Prepayments	14,749,258	14,063,910	15,801,997
Funds held by custodian bank	15,764,102	15,722,650	15,703,705
Land held for development	1,050,156,548	1,046,511,452	988,108,262
Real properties held for sale and development	938,437	938,437	253,498
<b>Total current assets</b>	<b>P 1,123,456,941</b>	<b>P 1,097,706,035</b>	<b>P 1,093,830,058</b>
<b>NON-CURRENT ASSETS</b>			
Investment property	P 1,710,204,302	P 1,678,607,000	P 1,187,670,657
Property and equipment	1,977,966	132,566	154,796
Other assets	1,150,776	1,175,539	1,188,375
<b>Total non-current assets</b>	<b>P 1,713,333,046</b>	<b>P 1,679,915,105</b>	<b>P 1,189,013,828</b>
<b>Total assets</b>	<b>P 2,836,789,986</b>	<b>P 2,777,621,140</b>	<b>P 2,282,843,886</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	P 322,460,412	P 290,169,227	P 293,270,065
Provision for clearing costs	3,401,017	5,141,017	49,182,374
Payable to JV	(48,505)	291,031	
Advances due to others	49,401,909	10,359,430	16,232,830
Notes payable	293,869,900	290,369,900	274,869,900
Liability for refund of stock rights subscription	15,764,102	15,722,650	15,703,705
<b>Total current liabilities</b>	<b>P 684,848,835</b>	<b>P 612,053,254</b>	<b>P 649,258,874</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	P 353,999,970	P 353,999,970	P 192,720,846
Provision for clearing costs	574,940,900	574,940,900	574,940,900
<b>Total non-current liabilities</b>	<b>P 928,940,870</b>	<b>P 928,940,870</b>	<b>P 767,661,746</b>
<b>Total liabilities</b>	<b>P 1,613,789,704</b>	<b>P 1,540,994,124</b>	<b>P 1,416,920,620</b>
<b>EQUITY</b>			
Share capital	P 999,913,978	P 999,913,978	P 999,913,978
Treasury shares	(14)	(14)	(14)
Fair value and other reserves	(8,943)	(8,943)	(8,943)
Retained earnings (Deficit)	223,095,261	236,721,994	(133,981,755)
<b>Total equity</b>	<b>P 1,223,000,282</b>	<b>P 1,236,627,015</b>	<b>P 865,923,266</b>
<b>Total liabilities and equity</b>	<b>P 2,836,789,986</b>	<b>P 2,777,621,140</b>	<b>P 2,282,843,886</b>

*See accompanying Notes to Consolidated Financial Statements*

**IRC PROPERTIES, INC. AND SUBSIDIARY**  
**STATEMENT OF INCOME AND EXPENSES**

	Quarter Ending September 30		Year Ending September 30	
	2014	2013	2014	2013
<b>INCOME</b>				
Share in the JV-Sunshine Fiesta	P 630,000	P 6,283,750	P 8,379,000	P 11,807,700
Share in the JV-Fiesta Casitas			P -	
Sales of Real Estate	P -	P 77,920,781	P -	P 77,920,781
Interest income	6,390	1,543	7,175	3,778
Reversal of payables	-	-	-	-
Fair value gain on investment property				(1,751)
<b>Total income</b>	<b>P 636,390</b>	<b>P 84,206,074</b>	<b>P 8,386,175</b>	<b>P 89,730,508</b>
<b>EXPENSES</b>				
Cost of Sales	P 289,173	P 122,620,668	P 4,272,037	P 125,514,116
Commission	P 318,528	P 211,465	P 570,060	P 430,355
Interest, penalties and related charges	P 2,450	1,360	3,140	2,260
Salaries, wages and employee benefits	1,873,114	1,061,984	4,135,484	3,625,417
Taxes, fees and licenses	654,535	611,408	1,723,071	1,249,803
Professional fees	1,451,286	366,000	2,644,500	533,714
Transportation and travel	10,559	413,858	15,914	716,700
Rent	926,763	926,762	3,093,305	2,781,885
Office supplies	76,240	45,972	197,485	99,502
Depreciation expense	50,872	22,230	95,718	66,690
Amortization	13,007	12,837	38,681	38,511
Other expenses	2,064,704	846,195	5,094,444	2,331,737
<b>Total expenses</b>	<b>P 7,731,230</b>	<b>P 127,140,737</b>	<b>P 21,883,838</b>	<b>P 137,390,689</b>
(LOSS) INCOME BEFORE INCOME TAX	P (7,094,840)	P (42,934,663)	P (13,497,664)	P (47,660,181)
PROVISION FOR INCOME TAX	6,817	-	129,071	52,610
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>P (7,101,657)</b>	<b>P (42,934,663)</b>	<b>P (13,626,735)</b>	<b>P (47,712,791)</b>
<b>OTHER COMPREHENSIVE LOSS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>P (7,101,657)</b>	<b>P (42,934,663)</b>	<b>P (13,626,735)</b>	<b>P (47,712,791)</b>
<b>BASIC AND DILUTED (LOSS) INCOME PER SHARE</b>				
	(0.007)	(0.043)	(0.014)	(0.048)

**IRC PROPERTIES, INC. AND SUBSIDIARY**  
**STATEMENT OF CHANGES IN EQUITY**

	Quarter Ending September 30		Year Ending September 30	
	2014	2013	2014	2013
Capital Stock, beginning	P 999,913,978	P 999,913,978	P 999,913,978	P 852,621,986
Additional subscription	-	-	-	147,291,992
<b>CAPITAL STOCK</b>	<b>P 999,913,978</b>	<b>P 999,913,978</b>	<b>P 999,913,978</b>	<b>P 999,913,978</b>
<b>RETAINED EARNINGS (DEFICIT)</b>				
Balance beginning	P 230,196,916	P (91,047,093)	P 236,721,994	P (86,268,964)
Cumulative effect of change in accounting policy for investment property		-		-
Prior year adjustment		-		-
	<b>P 230,196,916</b>	<b>P (91,047,093)</b>	<b>P 236,721,994</b>	<b>P (86,268,964)</b>
Net income (loss)	P (7,101,657)	P (42,934,663)	P (13,626,735)	P (47,712,791)
Balance at end of period	P 223,095,261	P (133,981,756)	P 223,095,261	P (133,981,755)
	<b>P1,223,009,239</b>	<b>P 865,932,222</b>	<b>P1,223,009,239</b>	<b>P 865,932,223</b>
Treasury shares	(14)	(14)	(14)	(14)
Fair value reserve	(8,943)	(8,943)	(8,943)	(8,943)
<b>BALANCE, END</b>	<b>P1,223,000,282</b>	<b>P 865,923,266</b>	<b>P1,223,000,282</b>	<b>P 865,923,266</b>

**IRC PROPERTIES, INC. AND SUBSIDIARY**  
**STATEMENT OF CASH FLOW**

	Quarter Ending September 30		Year Ending September 30					
	2014	2013	2014	2013				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
(Loss) income for the period	P	(7,101,657)	P	(42,934,663)	P	(13,626,735)	P	(47,712,791)
Adjustments for:								
Fair value adjustment on investment property		-		-		-		-
Depreciation		50,872		22,230		95,718		66,690
Interest income		(6,390)		(1,543)		(7,175)		(3,778)
Miscellaneous income		-		-		-		-
Operating loss before changes in operating assets and liabilities	P	(7,057,174)	P	(42,913,976)	P	(13,538,192)	P	(47,649,879)
Changes in operating assets and liabilities								
(Increase) decrease in:								
Receivables		2,636,766		(37,885,240)		2,329,136		(31,923,264)
Prepayments		(340,970)		(4,518,511)		(685,348)		(4,849,840)
Real properties held for sale & development		-		-		-		343
Other assets		(912)		12,837		24,763		(47,651)
Land held for development		(5,631,592)		318,221		(3,645,096)		601,248
(Decrease) increase in accounts payable and accrued expenses		(1,101,559)		14,215,761		32,291,185		(29,087,475)
Payable to JV		(48,505)		-		(339,536)		-
(Decrease) increase in provision for clearing costs		-		(29,000,000)		(1,740,000)		(3,100,000)
Advances due to others		-		6,068,800		39,042,479		16,232,830
Net cash used in operations	P	(11,543,946)	P	(93,702,108)	P	53,739,391	P	(99,823,689)
Interest received		6,390		1,543		7,175		3,778
Miscellaneous income received		-		-		-		-
Net cash used in operating activities	P	(11,537,556)	P	(93,700,565)	P	53,746,566	P	(99,819,911)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Acquisition of:								
Available-for-sale financial assets	P	-	P	-	P	-	P	-
Property and equipment		(1,937,643)		-		(1,941,117)		-
Investment property		(10,648,526)		108,567,867		(31,597,302)		84,279,494
Decrease in Provision for clearing cost non current		-		0	P	-		(100,000,000)
Net cash (used in) from investing activities	P	(12,586,169)	P	108,567,867	P	(33,538,420)	P	(15,720,506)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>								
Proceeds from issuance of notes	P	-	P	-	P	3,500,000	P	-
Proceeds from exercise of warrants	P	-	P	-	P	-	P	147,291,992
Payment of notes		0		0		0		0
Advances due to/ from others		51,121,587		-		-		0
Net cash generated from financing activities	P	51,121,587	P	-	P	3,500,000	P	147,291,992
<b>NET INCREASE (DECREASE) IN CASH ON</b>								
HAND AND IN BANKS	P	26,997,862	P	14,867,301	P	23,708,146	P	31,751,575
<b>CASH ON HAND AND IN BANKS</b>								
Beginning balance		340,698		17,603,774		3,630,412		719,500
Balance, September 30	P	27,338,559	P	32,471,075	P	27,338,559	P	32,471,075



**IRC PROPERTIES, INC. AND SUBSIDIARY****AGING OF ACCOUNTS RECEIVABLE**

As of September 30, 2014

	Amount	Current	Over 30 days	Over 60 days	Over 90 days
<b>NON-TRADE</b>					
LGTM Corporation	7,473,000				7,473,000
<b>SUB-TOTAL</b>	7,473,000				7,473,000
<b>OTHERS</b>					
Receivable from JV	871,535	871,535			
Receivable from HDMF	1,037,200	1,037,200			
Advances to M. Carsula	444,000	444,000			
Advances to CLTSJLO	80,000	80,000			
Advances- VGPineda Construction Corp.	7,000,000	7,000,000			
Advances- Dell Equipment	2,791,855	2,791,855			
Advances to officer/ employees	403,890	403,890			
Advances to affiliates	178,793	178,793			
Refundable cash bond	971,820	971,820			
Other Receivable	62,500	62,500			
Advances for liquidation	48,064	48,064			
<b>TOTAL</b>	<b>13,889,657</b>	<b>13,889,657</b>			<b>7,473,000</b>
Less: Allowance for Probable loss	7,473,000	-	-	-	7,473,000
<b>TOTAL ACCOUNTS RECEIVABLE- NET</b>	<b>13,889,657</b>	<b>13,889,657</b>			<b>-</b>