

SEC Number 43798  
File Number \_\_\_\_\_

**ETON PROPERTIES PHILIPPINES, INC.  
(formerly BALABAC RESOURCES AND  
HOLDINGS CO. INC.)**

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**12<sup>th</sup> Floor, Allied Bank Center, 6754 Ayala Avenue  
Makati City**

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(Company's Address)

**750-5912**

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(Telephone Number)

**April 30**

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(Fiscal Year Ending)  
(month & day)

**Form 17-Q**

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Form Type

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Amendment Designation (if applicable)

**October 31, 2007**

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Period Ended Date

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(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q  
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(B) THEREUNDER**

1. For the quarterly period ended October 31, 2007
2. SEC Identification No. – 43798
3. BIR Tax Identification No.: 320-000-438-132
4. ETON PROPERTIES PHILIPPINES, INC.  
(Exact name of registrant as specified in its charter)
5. Makati City  
(Province, Country or other jurisdiction  
of incorporation of principal office)
6. \_\_\_\_\_ (SEC Use Only)  
Industry Classification Code
7. 12F Allied Bank Center, 6754 Ayala Avenue,  
Makati City  
(Address of principal office)
- 1200  
Postal Code
8. (632) 750-5912  
(Registrant’s telephone number, including area code)
9. BALABAC RESOURCES AND HOLDINGS CO., INC.  
7/F Allied Bank Center, 6754 Ayala Avenue, Makati City  
(Former name, former address & former fiscal year, if changed since last report)
10. 

<u>Title of Each Class</u> Common	<u>Number of Shares of Common Stock Outstanding</u> 1,305,348,701 shares
(Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA)	
11. Are any or all of these securities listed on the Philippine Stock Exchange?  
  
YES
12. Checked whether the registrant:
  - a. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);  
  
YES
  - b. Has been subject to such filing requirements for the past 90 days.  
YES

## **PART I - FINANCIAL INFORMATION**

### **Item 1 – Financial Statements**

The Company's interim financial statements as of October 31, 2007 are filed with this report.

### **Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations and Plan of Operations**

#### **1. Plan of Operation**

Eton Properties Philippines, Inc. (EPPI, the Company) is the real estate arm of the Lucio Tan Group of Companies, one of the Philippines' biggest and well-established business conglomerates. The Company is a prestigious property development company specializing in high-end and mid-income luxury residences, state-of-the-art IT and BPO office developments, and township projects.

On September 19, 2007 an All-LOFT residential condominium was launched in the heart of Makati dubbed as Eton Parkview Greenbelt with a refreshing view of verdant Washington Sycip Park and Legaspi Park right from the balcony of your spacious and stylish loft unit.

The Company builds momentum in the development of high quality projects as it unveils two more residential condominiums and two BPO office buildings. Soon to grace the country's choicest locations are Belton Place in Makati, One Archers Place in Manila, Eton Cyberpod Corinthian and Eton Centris Cyberpod.

Belton Square, is a mixed-use development mastepanned for three residential condominiums, an office tower and a businessman's hotel. Within this one-hectare township project is a residential haven – Belton Place. Designed to complement anybody's vibrant lifestyle and offers the comforts of home plus all the conveniences of city living located along Pasong Tamo corner Malugay and Yakal Streets in Makati City.

A new landmark in Taft Avenue is soon to rise, a 29-storeys condominium designed to offer a world of convenience to students and young urban professionals the One Archers Place that will stand on a prime location beside De La Salle University and a short distance away from College of St. Benilde, UP Manila, St. Paul College, and St. Scholastica's College.

Eton Cyberpod Corinthian and Eton Cyberpod Centris will be among the first state-of-the-art Information Technology and BPO office development to be constructed to address the shortage in office buildings for the coming years, located in Ortigas Avenue and Efipanio delos Santos Avenue corner Quezon Avenue, respectively.

On November 8, 2007, a groundbreaking and construction commencement ceremony was held for Eton Baypark Manila and The Eton Residences Greenbelt, respectively.

#### **2. Results of Operations and Financial Condition**

##### **Results of Operations**

The Company's investment and other income increased by ₱2,612,718 or 26% for the first six (6) months of operation from May to October 2007 compared to the same period last year due to interest income from money market placements. Meanwhile, foreign exchange loss increased by ₱5,581,033 or 43% compared to last year primarily due to the appreciation of Philippine peso against the US dollar from ₱ 45.611 to ₱43.947 in April 30 and October 31, respectively. General and administrative expenses of ₱ 106,425,536 increased by 5,922% compared to last year, mainly due to advertising and promotion

expenses amounting to ₱71,906,201 as a result of change in primary purpose from holding company to real estate developer. Expenses such as personnel cost, professional fees, taxes and licenses as well as other expenses contributed to the tremendous increase in expenses.

Consequently, operations from May to October 2007 resulted to net loss of ₱112,998,071, 2,2849% lower than last year of the same period due to the Company's adoption of Philippine Accounting Standard (PAS) 18 on Revenue. The Company will be adopting the percentage-of-completion in recognizing revenue during the commencement of construction. Under this method, revenue and cost on sale is recognized as the acts are performed (revenue recognition is discussed in note #2 in the Financial Statements). Awaiting recognition of revenue, collections received from buyers are recorded under Deposits from Customers, shown in the liabilities section of the Balance Sheet. As of October 31, 2007, aggregate deposits from customers amounting to ₱564,739,073.

### **Financial Condition**

Current Assets amounting to ₱543,598,318 increased by ₱414,718,169 or 322% from end of April 2007 principally due to increase in cash and cash equivalents by ₱342,667,221 or 281% due to deposits from customers. Real estate project in progress increased by 1,335% due to additional capitalized expenditure related to construction. Property and equipment increased by 365% due to additional purchases of office equipment, furniture and fixtures, transportation equipment and others. Input tax and other current assets increased by 752%, due to higher input tax recognized on purchases and refundable deposits. Advances to officers and employees and accrued interest receivable increased by 100% and 401%, respectively. On the other hand available-for-sale investment decreased by 13% and investment properties by 9%.

Current liabilities amounting to ₱8,084,506 decreased by ₱3,030,546 or 27% from end of April 2007 basically due lower accounts payable and accrued liabilities due to payment of accounts payable. Deposits from customers increased by ₱535,608,319 or 1,839% represents the reservation fee received from customers of The Eton Residences Greenbelt, Eton Baypark Manila, Eton Emerald Lofts and Belton Square. The decrease in income tax payable represents payment of income tax and decrease in deferred income tax liabilities is due to the revaluation of the available-for-sale investment.

The Company's top three (3) key performance indicators are:

1. Net Income – The Company's operations for the six months ended October 31, 2007 resulted to a net loss of ₱112,998,071 compared to net loss of ₱4,739,102 for the same period last year. The loss is attributed to the change in primary purpose from holding to real estate developer and the recognition of revenue as adopted based on IAS 18 as discussed in the results of operations.
  2. Current Ratio – Current ratio as of October 31, 2007 is 67.24:1 compared to 11.6:1 as of April 30, 2007. The increased is attributed to the increase in deposits from customers.
  3. Earnings (Loss) Per Share – The Company reported a loss per share of ₱0.0866 for the six months ended October 31, 2007 compared to loss per share of ₱0.0036 for the same period in 2006.
- (i) There are no known trends or any known demands, events of uncertainties that will affect the Company's liquidity. Expected inflows from operations are deemed sufficient to sustain the Company's operations for the next 12 months.
  - (ii) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
  - (iii) There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

- (iv) The Company is in the process of constructing the model units for the projects mentioned above. In addition to the various expenses related to the pre-construction stage.
- (v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues of income from continuing operations.
- (vi) There is no significant element of income that did not arise from continuing operations.
- (vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item:

Results of our vertical analyses showed the following material changes:

1. Cash and cash equivalents – 60%
2. Real estate project in progress – 7%
3. Available-for-sale investment – 25%
4. Property and equipment – 3%
5. Deposits from customers – 73%

Results of our horizontal analyses showed the following material changes:

1. Cash and cash equivalents – 281%
2. Real estate project in progress – 1,335%
3. Available-for-sale investment – (13%)
4. Investment properties – (9%)
5. Property and equipment – 365%
6. Accounts payable and accrued liabilities – (20%)
7. Deposits from customers – 1,839%
8. Deferred income tax liabilities – (49%)

All of these material changes were explained in detail in the Management's Discussion and analysis of Financial Condition and Results of Operations stated above.

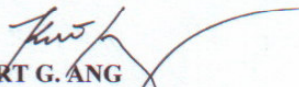
**PART II – OTHER INFORMATION**


**SIGNATURES**

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

**ETON PROPERTIES PHILIPPINES, INC.**

By:

  
**KURT G. ANG**  
Chief Finance Officer  
December 10, 2007

  
**DANILO E. IGNACIO**  
President and COO  
December 10, 2007

SEC Number 43798  
File Number \_\_\_\_\_

**ETON PROPERTIES PHILIPPINES, INC.**

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(Company's Full Name)

**12<sup>th</sup> Floor, Allied Bank Center, 6754 Ayala Avenue  
Makati City**

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(Company's Address)

**750-5912**

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(Telephone Number)

**April 30**

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(Year Ending)  
(month & day)

**Interim Financial Statements**

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Form Type

Amendment Designation (If applicable)

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**October 31, 2007**

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Period Ended Date

(Secondary License Type and File Number)

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**ETON PROPERTIES PHILIPPINES, INC.****BALANCE SHEETS**

	<b>Audited</b>	
	<b>October 31, 2007***</b>	<b>April 30, 2007</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 4)	<b>₱464,567,786</b>	₱121,900,565
Accrued interest receivable (note 5)	<b>10,451,053</b>	2,084,407
Advances to officers and employees	<b>5,910,217</b>	
Real estate project in progress (note 6)	<b>51,612,473</b>	3,597,632
Input tax and other current assets	<b>11,056,789</b>	1,297,545
<b>Total Current Assets</b>	<b>543,598,318</b>	128,880,149
<b>Noncurrent Assets</b>		
Available-for-sale investment (note 5)	<b>196,225,536</b>	226,454,150
Investment properties – net (note 7)	<b>7,621,522</b>	8,399,868
Property and equipment – net (note 8)	<b>25,829,228</b>	5,554,679
<b>Total Noncurrent Assets</b>	<b>229,676,286</b>	240,408,697
<b>TOTAL ASSETS</b>	<b>₱773,274,604</b>	₱369,288,846
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 9)	<b>₱6,960,611</b>	₱8,710,890
Income tax payable	<b>676,529</b>	1,956,796
Dividends payable	<b>447,366</b>	447,366
<b>Total Current Liabilities</b>	<b>8,084,506</b>	11,115,052
<b>Noncurrent Liabilities</b>		
Deposits from customers (note 10)	<b>564,739,073</b>	29,130,754
Deferred income tax liabilities	<b>5,632,770</b>	11,090,650
<b>Total Noncurrent Liabilities</b>	<b>570,371,843</b>	40,221,404
<b>Total Liabilities</b>	<b>578,456,349</b>	51,336,456
<b>Equity</b>		
Share capital - ₱1 par value [held by 1,750 and 1,848 equity holders in 2007 and 2006, respectively] (note 13)	<b>381,691,029</b>	381,691,029
Cumulative changes in fair value of available-for-sale investment, net of related deferred income tax liability	<b>10,139,590</b>	20,275,654
Deficit	<b>(197,004,409)</b>	(84,006,338)
Treasury shares – 10,000 shares at cost (note 15)	<b>(7,955)</b>	(7,955)
<b>Total Equity</b>	<b>194,818,255</b>	317,952,390
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱773,274,604</b>	₱369,288,846

See accompanying Notes to Financial Statements.

\*\*\* **UNAUDITED**

**ETON PROPERTIES PHILIPPINES, INC.****STATEMENTS OF INCOME****FOR THE THREE MONTHS AND SIX MONTHS ENDED OCTOBER 31, 2007 AND 2006**

	2007		2006	
	August 1 to October 31	May 1 to October 31	August 1 to October 31	May 1 to October 31
FOREIGN EXCHANGE LOSS (note 5)	<b>₱ (6,879,770)</b>	<b>₱ (18,572,444)</b>	₱ (10,849,428)	₱ (12,991,411)
INVESTMENT AND OTHER INCOME (note 11)	<b>₱7,402,878</b>	<b>₱12,676,438</b>	₱4,937,458	₱10,063,720
GENERAL AND ADMINISTRATIVE EXPENSES (note 12)	<b>(67,060,203)</b>	<b>(106,425,536)</b>	(904,712)	(1,767,234)
INTEREST EXPENSE				
INCOME (LOSS) BEFORE INCOME TAX	<b>₱ (66,537,095)</b>	<b>₱ (112,321,542)</b>	₱ (6,816,682)	₱ (4,694,925)
PROVISION FOR INCOME TAX	<b>425,308</b>	<b>676,529</b>	22,285	44,177
NET INCOME (LOSS)	<b>₱ (66,962,403)</b>	<b>₱ (112,998,071)</b>	₱ (6,838,967)	₱ (4,739,102)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (note 14)	<b>₱ (0.0513)</b>	<b>₱ (0.0866)</b>	₱ (0.0052)	₱ (0.0036)

*See accompanying Notes to Financial Statements.*

**\*\*\*UNAUDITED**

**ETON PROPERTIES PHILIPPINES, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED OCTOBER 31, 2007 AND 2006**

	<b>2007***</b>	<b>2006***</b>
<b>CAPITAL STOCK - ₱1 par value</b>	₱ 381,691,029	₱ 381,691,029
<b>DEFICIT</b>		
Balance at beginning of period	₱ (84,006,338)	(64,810,128)
Net changes in fair values of available-for-sale investments, net of related deferred tax liability	10,139,590	23,102,673
Net income (loss) for the period	(112,998,071)	4,739,102
Balance at end of period	<b>(186,864,819)</b>	(46,446,557)
TREASURY STOCK – 10,000 shares, at cost	<b>(7,955)</b>	(7,955)
	<b>₱ 194,818,255</b>	<b>₱ 335,236,517</b>

*See accompanying Notes to Financial Statements*

**\*\*\*UNAUDITED**

**ETON PROPERTIES PHILIPPINES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR SIX MONTHS ENDED OCTOBER 31, 2007 AND 2006**

	2007***	2006***
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	(₱112,321,542)	(₱4,739,102)
Adjustments for:		
Unrealized foreign exchange loss – net	18,572,444	12,991,441
Interest income	(4,221,579)	(10,019,543)
Depreciation	2,224,679	1,532,924
Operating loss before working capital changes	(95,745,998)	(234,310)
(Increase) decrease in:		
Accrued interest receivable	(8,366,646)	
Advances to officers and employees	(5,910,217)	
Real estate project in progress	(48,014,841)	
Input tax and other current assets	(9,759,244)	(11,228)
Accounts payable and accrued liabilities	(1,750,282)	(14,089)
Cash used in operations	(169,547,228)	(259,627)
Interest received	4,898,107	10,746,244
Income taxes paid, including final taxes		(1,994,993)
Net cash from operating activities	(164,649,121)	8,491,624
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(21,720,882)	–
	(21,720,882)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt of deposits from customers	535,608,319	–
Payment of due to related parties		–
Net cash from financing activities	535,608,319	–
<b>NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	(6,571,095)	5,140,028
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	342,667,221	3,351,596
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
	121,900,565	114,468,654
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>		
	₱464,567,786	₱117,820,251

*See accompanying Notes to Financial Statements.*

**\*\*\*UNAUDITED**

# **ETON PROPERTIES PHILIPPINES, INC.**

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## **NOTES TO FINANCIAL STATEMENTS**

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

#### Corporate Information

Balabac Resources and Holdings Co., Inc. (the Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 2, 1971 under the name “Balabac Oil Exploration & Drilling Co., Inc.” to engage in oil exploration and mineral development projects in the Philippines. On May 12, 1988, the Company’s shares were approved for registration and licensing by the Philippine SEC.

On August 19, 1996, the Company’s Articles of Incorporation (the Articles) was amended to : (a) change the Company’s primary purpose from oil exploration and mineral development to that of engaging in the business of a holding company; and (b) include real estate development and oil exploration as among its secondary purposes.

On February 21, 2007, the Company’s Board of Directors (Board) adopted the following amendments:

- (a) Change the corporate name to Eton Properties Philippines, Inc.;
- (b) Change the primary purpose to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential, including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop and sell subdivision lots; to erect, construct, alter, manage, operate, lease buildings and tenements; to engage or act as real estate broker.
- (c) Increase the number of directors from eleven (11) to fifteen (15).

The above amendments were subsequently adopted by the Company’s shareholders on April 19, 2007 and approved by the Philippine SEC on June 8, 2007.

The Company’s registered business address is 12th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City.

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

#### Basis of Preparation

The financial statements have been prepared using the historical cost basis, except for available-for-sale investment that has been measured at fair value, and are presented in Philippine Peso (Peso), which is the Company’s functional currency.

#### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year, except for the

changes in accounting policies resulting from adoption of the following amendments to existing standards and Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) effective beginning May 1, 2006:

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition, and that are subject to an insignificant risk of change in value.

#### Financial Instruments

Financial instruments (financial assets and financial liabilities) are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss. Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Company recognizes a financial instrument in the balance sheet when it becomes a party to the contractual provisions of the instrument. The Company determines the classification at initial recognition and re-evaluates this classification at every financial reporting date.

#### *Financial assets or financial liabilities at fair value through profit or loss*

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and those designated upon initial recognition as at fair value through profit or loss.

Financial assets or liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on financial instruments held for trading are recognized in the statement of income.

Financial instruments may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial instruments or recognizing the gains or losses on them on a different basis; or (b) the financial instruments are part of a group of financial assets or financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (c) the financial instruments contain an embedded derivative that would need to be separately recorded.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for

impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date. Otherwise, these are classified as noncurrent assets. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

#### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Company has the positive intention and ability to hold to maturity. After the initial measurement, held-to-maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity in the net unrealized gains reserve. When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the statement of income. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate method. Dividends earned on investments are recognized in the statement of income as 'Dividend income' when the right of payment has been established.

#### *Other financial liabilities*

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the amortization process.

### Derecognition of Financial Assets and Financial Liabilities

#### *Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; or (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or (c) the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

### *Financial liabilities*

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

### Impairment of Financial Assets

The Company assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

#### *Assets carried at amortized cost*

If there is objective evidence that an impairment loss on loans and receivable carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rates (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss, if any, is recognized in the statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### *Assets carried at cost*

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

#### *Available-for-sale financial assets*

If an available-for-sale financial asset is impaired, the amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment

loss previously recognized in the statement of income, is transferred from equity to statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the statement of income. Reversals of impairment losses on debt instruments are reversed through the statement of income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of income.

#### Offsetting of Financial Instruments

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

#### Real Estate Project in Progress

Real estate project in progress is carried at the lower of cost and net realizable value. Cost primarily consists of acquisition costs and expenditure for the development and improvement of land. Interest on loans (borrowing costs) incurred during the development phase are also capitalized as part of the cost of the real estate projects. Net realizable value is the estimated selling price less costs to complete and sell.

#### Investment Properties

Investment properties consist of parcels of land, office condominium and improvements and residential unit and are measured at cost less accumulated depreciation and impairment in value, if any. Office condominium and improvements and residential unit are depreciated on a straight-line basis over their estimated useful lives of 5 to 20 years.

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

Investment property is derecognized when it has either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of an investment property are recognized in the statement of income in the year of derecognition.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by cessation of owner-occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment in value.

The initial costs of property and equipment consist of their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are recognized in the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property

and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the property and equipment.

Depreciation commences once the assets are available for use and is provided on all property and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of the assets using the straight-line basis over their respective estimated useful lives as follows:

	Years
Transportation equipment	5
Machinery and equipment	5
Office equipment	3
Office furniture and fixtures	5

The estimated useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment. The assets' estimated residual values are reviewed periodically and, if appropriate, adjusted at every financial reporting date.

When assets are retired or otherwise disposed of, the cost and the accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in the statement of income.

#### Impairment of Nonfinancial Assets

The Company assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Revenue Recognition

The Company has adopted the Philippine Interpretation – PAS 18, Appendix, paragraph number 9 –

## Revenue Recognition for Real Estate Sales.

The Standard states that the law in different countries may determine the point in time at which the entity transfers the significant risks and rewards of ownership and that the examples in the Appendix need to be read in the context of the laws relating to the sale of goods in the country in which the transaction takes place. In the Philippines, equitable interest may vest in the buyer before a condominium building is complete and before legal title passes since the concept of equitable interest is recognized in Presidential Decree 957, "The Subdivision and Condominium Buyer's Protective Decree.

Revenue is normally recognized when legal title passes to the buyer. However, in some jurisdictions the equitable interest in a property may vest in the buyer before legal title passes and therefore the risks and rewards of ownership have been transferred at that stage. In such cases, provided that the seller has no further substantial acts to complete under the contract, it may be appropriate to recognize revenue. In either case, if the seller is obliged to perform any significant acts after the transfer of the equitable and/or legal title, revenue is recognized as the acts are performed. An example is a building or other facility on which construction has not been completed.

There are 3 approaches for revenue recognition, full accrual, percentage of completion and deposit method. **Full accrual** is applied when all five (5) conditions are met: (a) expiration of refund period – buyer has made the down payment and each required subsequent payment until the period of cancellation with refund has expired (b) sufficient cumulative payments – cumulative payments of principal and interest equal or exceeds 10% of contract price (c) collectibility of receivables – based on collection experience; down payment of at least 20% is an indication of collectibility (d) nonsubordination of receivables – receivable is not subject to subordination to new loans on the property (e) completion of development – the seller is not obligated to complete improvements of lots sold or to construct amenities or other facilities applicable to lots sold. **Percentage-of-completion** is applied when all first 4 conditions under full accrual are met and (f) there has been progress on improvements – the projects improvements have progressed beyond preliminary stages, and there has been indication that the work will be completed according to plan (g) developmental is practical – there is a reasonable expectation that the land can be developed for the purposes represented and the properties will be useful for those purposes at the end of the normal payment period. If the above conditions are not met, **Deposit Method** is used for the recognition of revenues. As such, (a) the seller does not recognize any profit, does not record receivable and continues to report property in its FS (b) cash received from the buyer is reported as a deposit and (c) when a contract is canceled without a refund, deposits forfeited are recognized as income.

Interest income is recognized as the interest accrues using the effective interest rate method.

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

### Borrowing Costs

Borrowing costs are recognized as expense in the year these are incurred except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

### Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income for the year by the weighted

average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any.

The Company does not have any instrument with dilutive effect hence, the basic and diluted earnings per share are of the same amount.

### Income Tax

#### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the balance sheet date.

#### *Deferred income tax*

Deferred income tax is recognized on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused tax losses from net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused excess MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

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

Income tax relating to items recognized directly in equity is recognized in equity.

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

### Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded in Peso using the applicable exchange rate prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated using the applicable exchange rate at balance sheet date. Foreign exchange gains or losses arising from foreign currency-denominated transactions and translations are recognized in the statement of income.

### Treasury Shares

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### Segment Information

Segment information is reported on both a business unit (primary) and geographical (secondary) basis. This approach is based on the manner in which segments are organized and managed as well as management's assessment that the risks and rates of return are affected predominantly by differences in the products produced and services rendered rather than the geographical location of its activities. Currently, the Company has a single business and geographical segment and therefore, segment disclosures have not been included in the accompanying financial statements.

### Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made on the amount of the obligation.

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

### Events After the Balance Sheet Date

Any post-year-end event that provides additional information about the Company's position at the balance sheet date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

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## **3. Summary of Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the accompanying financial statements in accordance with PFRS requires the Company's management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

### Classification of Financial Instruments

The Company classifies a financial instrument, or its component parts, on initial recognition and re-evaluates this designation at every financial reporting date as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the balance sheets.

### Determination of Fair Value of Financial Instruments

Financial assets and liabilities on initial recognition are accounted for at fair value. The fair values of financial assets and financial liabilities on initial recognition are normally the transaction prices. The fair value of due to related parties was based on the present value of estimated future cash flows using a discount rate of 11%. The fair value of the Company's investment in US dollar-denominated

bond is based on its quoted market price. This price is indicative of actual and regularly occurring market transactions on an arm's length basis.

#### Impairment of Nonfinancial Assets

The Company determines whether its nonfinancial assets are impaired, at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the assets belong. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

#### Estimation of Useful Lives of Investment Properties and Property and Equipment

The Company estimates the useful lives of investment properties and property and equipment based on internal technical evaluation and experience with similar assets. Estimated useful lives of investment properties are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

#### Recognition of Deferred Income Tax Assets

The Company assesses at each balance sheet date and recognizes deferred income tax assets to the extent probable that taxable profit will allow the deferred income tax assets to be utilized in the future.

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#### 4. Cash and Cash Equivalents

	<b>October 31, 2007</b>	April 30, 2007
Cash on hand and in bank	<b>₱147,108,953</b>	121,900,565
Short term investments	<b>317,458,833</b>	
	<b>₱464,567,786</b>	<b>₱121,900,565</b>

Cash in bank and short term investments earn interest at the respective bank deposit rates.

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#### 5. Available-for-sale Investment

The available-for-sale investment pertains to investment in US Dollar-denominated, Philippine-government bond carried at fair value amounting to ₱196,225,536 and ₱226,454,150 as of October 31, 2007 and April 30, 2007, respectively. The cumulative changes in fair value amounting to ₱10,139,590 and ₱20,275,654 (net of deferred income tax liability of ₱5,632,770 and ₱10,917,660) were recognized as a separate component of equity as of October 31, 2007 and April 30, 2007, respectively. The fair value of this investment is based on its quoted market price as of October 31, 2007 and April 30, 2007. Said price is indicative of actual and regularly occurring market transactions on an arm's length basis. Foreign exchange rate of ₱1 against US\$1 is ₱43.947 and ₱45.611 in April 30 and October 31, 2007 respectively.

Accrued interest receivable on this available-for-sale investment amounted to ₱10,451,053 and ₱2,084,407 as of October 31, 2007 and April 30, 2007, respectively.

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#### 6. Real Estate Project in Progress

This account consists of professional and consultancy fees and project management cost incurred by the Company in connection with its construction project.

7. **Investment Properties**

October 31, 2007

	Land	Residential Unit	Office Condominium and Improvements	Total
<b>Cost</b>	<b>₱4,413,100</b>	<b>₱7,620,000</b>	<b>₱11,695,999</b>	<b>₱23,729,099</b>
<b>Accumulated Depreciation</b>				
<b>Beginning balances</b>	–	4,010,525	11,318,706	15,329,231
<b>Depreciation</b>	–	401,053	377,293	778,346
<b>Ending balances</b>	–	4,411,578	11,695,999	16,107,577
<b>Net Book Value</b>	<b>₱4,413,100</b>	<b>₱3,208,422</b>	<b>₱0</b>	<b>₱7,621,522</b>

April 30, 2007

	Land	Residential Unit	Office Condominium and Improvements	Total
<b>Cost</b>	<b>₱4,413,100</b>	<b>₱7,620,000</b>	<b>₱11,695,999</b>	<b>₱23,729,099</b>
<b>Accumulated Depreciation</b>				
<b>Beginning balances</b>	–	3,208,420	9,054,964	12,263,384
<b>Depreciation</b>	–	802,105	2,263,742	3,065,847
<b>Ending balances</b>	–	4,010,525	11,318,706	15,329,231
<b>Net Book Value</b>	<b>₱4,413,100</b>	<b>₱3,609,475</b>	<b>₱377,293</b>	<b>₱8,399,868</b>

## 8. Property and Equipment

October 31, 2007

	Transportation Equipment	Office Equipment	Furniture and Fixtures	Others	Total
<b>Cost</b>					
Beginning balances	₱13,912,500	3,131,077	₱1,798,683	₱	₱18,842,260
Additions	3,842,857	2,029,900	842,785	3,283,803	9,999,345
Ending balances	17,755,357	5,160,977	2,641,468	3,283,803	28,841,605
<b>Accumulated Depreciation</b>					
Beginning balances		(962)	(1,565,082)		(1,566,044)
Depreciation	(980,506)	(362,124)	(62,298)	(41,405)	(1,446,333)
Ending balances	(980,506)	(363,086)	(1,627,380)	(41,405)	(3,012,377)
Net Book Value	₱16,774,851	4,797,891	₱1,014,088	₱3,242,398	₱25,829,228

April 30, 2007

	Transportation Equipment	Office Equipment	Office Furniture and Fixtures	Total
<b>Cost</b>				
Beginning balances	₱-	₱-	₱1,564,520	₱1,564,520
Additions	5,409,821	34,643	111,739	5,556,203
Ending balances	5,409,821	34,643	1,676,259	7,120,723
<b>Accumulated Depreciation</b>				
Beginning balances	-	-	(1,564,520)	(1,564,520)
Depreciation	-	(962)	(562)	(1,524)
Ending balances	-	(962)	(1,565,082)	(1,566,044)
Net Book Value	₱5,409,821	₱33,681	₱111,177	₱5,554,679

## 9. Accounts Payable and Accrued Liabilities

	October 31, 2007	April 30, 2007
Accounts payable	₱3,915,817	₱5,414,737
Accrued liabilities	191,009	2,581,984
Accrued taxes	1,892,665	361,789
Others	961,120	352,380
	₱6,960,611	₱8,710,890

## 10. Deposits from Customers

Deposits from customers represent reservation fees received by the Company for its condominium project.

As of October 31, 2007 the Company has received deposits of ₱564,739,073 from ₱29,130,754 as of April 30, 2007 for The Eton Residences Greenbelt, Eton Baypark Manila, Eton Emerald Loft and Belton Square.

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### 11. Investment and Other Income

Represents interest income from deposits to banks, money market placements and from US denominated bonds

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### 12. General and Administrative Expenses

	October 31, 2007	Oct 31, 2006
Depreciation	<b>₱2,224,679</b>	₱1,532,924
Personnel cost	<b>15,334,059</b>	–
Advertising and promotion	<b>71,906,201</b>	–
Professional fees	<b>3,984,391</b>	215,857
Taxes and licenses	<b>1,286,814</b>	
Others	<b>11,689,392</b>	18,453
	<b>₱106,425,536</b>	<b>₱1,767,234</b>

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### 13. Share Capital

Details of the Company's share capital as of October 31, 2007 and April 30, 2007 are as follows:

	Number of Shares
Authorized – 5,000,000 shares at ₱1 par value	
Issued and outstanding	373,798,267
Subscribed	931,550,434
Subscriptions receivable	(923,657,672)
	<b>381,691,029</b>

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### 14. Basic/Diluted Earnings (Loss) Per Share

	October 31, 2007	October 31, 2006
Net income (loss)	<b>(₱112,998,071)</b>	₱4,739,102
Divided by weighted average number of common shares outstanding during the year	<b>1,305,348,701</b>	1,305,348,701
	<b>(₱0.0866)</b>	<b>(₱0.0036)</b>

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The Company does not have dilutive potential common shares.

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### 15. Treasury Shares

The Company's future earnings are restricted from the payment of dividends to the extent of ₱7,955, representing the cost of 10,000 treasury shares.