

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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C	O	R	P	O	R	A	T	I	O	N																			

Principal Office (No./Street/Barangay/City/Town)Province)

O	N	E		B	A	L	E	T	E	,		1		B	A	L	E	T	E		D	R	I	V	E				
C	O	R	N	E	R		N	.		D	O	M	I	N	G	O		S	T	.		B	R	G	Y	.			
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Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

vfischer@philrealty.com.ph

Company's Telephone Number/s

636-1170

Mobile Number

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No. of Stockholders

2,393

Annual Meeting
Month/Day

June 30

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Vincent Fischer

Email Address

vfischer@philrealty.com.
ph

Telephone Number/s

636-1170

Mobile Number

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Contact Person's Address

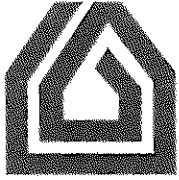
Andrea North Complex, 1 BaleteBalete Drive cor. N. Domingo StreetNew Manila, Quezon City

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

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

PHILIPPINE REALTY AND HOLDINGS CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2017, 2016 AND 2015



Philippine Realty & Holdings Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

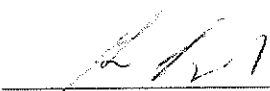
The management of **PHILIPPINE REALTY AND HOLDINGS CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, 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 and error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

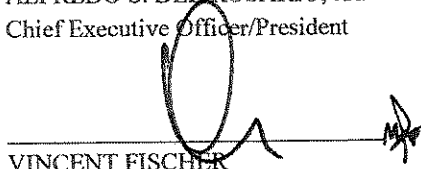
Maceda Valencia and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of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



GEKARDO LANUZA, JR.
Chairman of the Board



ALFREDO S. DEL ROSARIO, JR.
Chief Executive Officer/President



VINCENT FISCHER
Chief Financial Officer/Treasurer

Signed this 12th day of APRIL 2018



Philippine Realty & Holdings Corporation

SUBSCRIBED AND SWORN to before me this APR 23 2018 day of APR 23 2018, 2018, affiants exhibiting to me their Tax Identification No., as follows:

NAME/NO.	Tax Identification No.
Gerardo O. Lanuza, Jr.	121-199-566
Alfredo S. Del Rosario, Jr.	108-160-980
Vincent Fischer	456-620-519

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Florimond C. Rous
ATTY. FLORIMOND C. ROUS
Notary Public for Quezon City
Until December 31, 2018
PTR No. 5521227 / 1-3-13 Q.C.
IBP LIFETIME NO. 00315
ROLL NO. 25769 / T.W. 142-154-935
MCLE 5 Comp-00001540, 1-22-2014
Adm Matter No. 156 / RTC-QC / 2018

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

The Shareholders and Board of Directors
Philippine Realty and Holdings Corporation
One Balete, 1 Balete Drive corner N. Domingo Street
Brgy. Kaunlaran District 4
Quezon City

We have audited the accompanying separate financial statements of Philippine Realty and Holdings Corporation, as at and for the year ended December 31, 2017, on which we have rendered our report dated April 12, 2018.

In compliance with Securities Regulation Code Rule 68, As Amended, and based on the certification received from the Company's corporate secretary and the results of our work done, as of December 31, 2017, the said Company has two thousand three hundred forty eight (2,348) shareholders each owning one hundred (100) or more shares.

MACEDA VALENCIA & CO


JOSE T. VALENCIA
Partner

CPA License No. 32659

PTR No. 6643970

Issued on January 24, 2018 at Makati City

SEC Accreditation No. (individual) as general auditor 1535-A Category A,

Effective until February 11, 2019

SEC Accreditation No. (firm) as general auditors 0196-FR-2;

Effective until March 29, 2020

TIN 119-894-676

BIR Accreditation No. 08-001987-008-2018

Issued on April 6, 2018; effective until April 5, 2021

BOA/PRC Reg. No. 4748, effective until December 31, 2018

April 12, 2018
Makati City

REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Directors
Philippine Realty and Holdings Corporation
One Balete, 1 Balete Drive corner N. Domingo Street
Brgy. Kaunlaran District 4
Quezon City

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Philippine Realty and Holdings Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2017 and 2016, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the three years in the period ended December 31, 2017, and notes to the separate financial statements, including a summary of significant accounting policies.

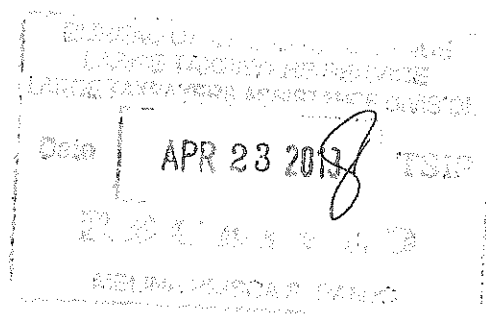
In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Real Estate Inventories

The Risk

Real estate inventories constitute a material component in the Company's statement of financial position. Real estate inventories amounted to P1.45 billion representing 32% of the total assets as at December 31, 2017. Real estate inventories include properties under construction and newly built properties that are held for sale in the ordinary course of business. Real estate inventories are valued at the lower of cost or market and net realizable value.

The valuation of real estate inventories are influenced by assumptions and estimates regarding construction costs to be incurred, and future selling prices. Weak demand and the consequential over supply of residential units might exert downward pressure on transaction volumes and selling prices of residential properties.

Our Response

Based on a sample selected according to qualitative and quantitative factors, our audit procedures included the following:

- Evaluation of recognized costs for selected projects in terms of eligibility for capitalization and allocation on the basis of the respective financial forecast;
- Identification of deviations between financial forecasts and the respective project accounts together with a critical assessment of these deviations through discussions with project managers, and reconciliation of actual costs with construction cost statements; and
- Analysis of realizable values by inspecting the most recent sales contracts and comparing expected future costs, costs already capitalized and expected sales proceeds from remaining properties.

Allowance for Impairment Losses on Trade and Other Receivables

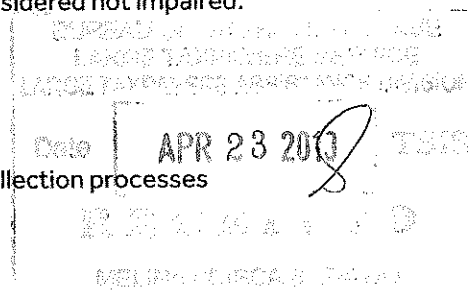
The Risk

The allowance for impairment losses on trade and other receivables is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. As of December 31, 2017, trade and other receivables has a total carrying amount of P1.06 billion contributing 24% of the Company's total assets. Out of the total trade and other receivables P596.25 million are already past due for more than a year but considered not impaired.

Our Response

Our audit procedures included the following:

- Testing the Company's controls over the receivables collection processes



- Testing the adequacy of the Company's provisions against trade receivables by assessing management's assumptions, taking account of externally available data on trade credit exposures and our own knowledge of recent bad debt experience in this industry.
- We also considered the adequacy of the Company's disclosures about the degree of estimation involved in arriving at the provision.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

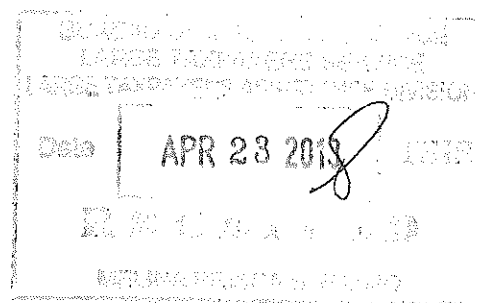
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

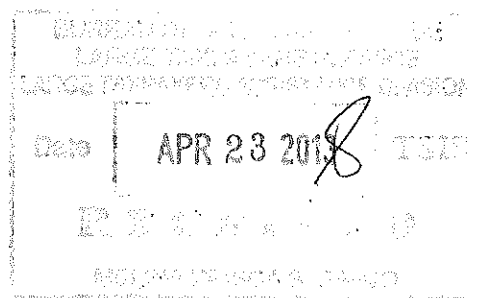
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information on taxes and license fees required for purposes of filing with the Bureau of Internal Revenue is presented by the management of Philippine Realty and Holdings Corporation in a separate schedule. Revenue Regulation 2-2014 and 15-2010 requires the information to be presented in the notes to the separate financial statements. Such information is the responsibility of management and is not a required part of the basic separate financial statements. Our opinion on the basic separate financial statements is not affected by the presentation of the information in a separate schedule.



The engagement partner on the audit resulting in this independent auditor's report is Jose T. Valencia.

MACEDA VALENCIA & CO.


JOSE T. VALENCIA

Partner

CPA License No. 32659

PTR No. 6643970

Issued on January 24, 2018 at Makati City

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Effective until March 29, 2020

TIN 119-894-676

BIR Accreditation No. 08-005063-1-2015

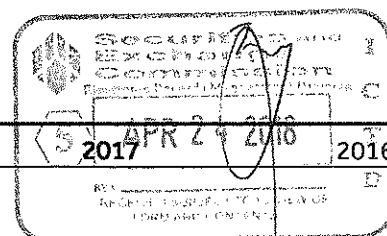
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April 12, 2018

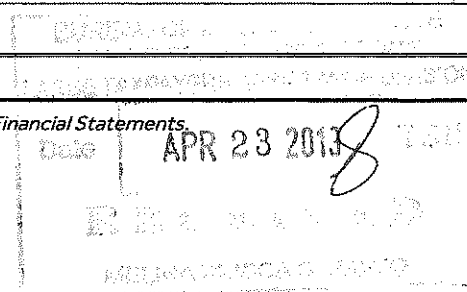
Makati City

PHILIPPINE REALTY AND HOLDINGS CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016



	<i>Note</i>	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	6,8	P134,541,137	P43,647,268
Financial assets at fair value through profit or loss	5,9	26,006,562	23,439,020
Available-for-sale financial assets	5,10	37,526,520	129,272,936
Trade and other receivables, net - current portion	6,11	972,534,777	299,050,527
Advances to subsidiaries and associates	6,16	95,923,055	80,059,343
Real estate inventories	12	1,446,663,139	1,670,321,175
Prepayments and other current assets - net	13	169,812,992	128,224,097
Total Current Assets		2,883,008,182	2,374,014,366
Non-current Assets			
Investments in subsidiaries	14	20,100,000	20,100,000
Investments in associates	15	88,875,080	88,875,080
Trade and other receivables - net of current portion	6,11	88,313,369	500,769,478
Real estate held for development	17	458,546,179	188,653,713
Investment properties	19	846,028,710	194,997,158
Property and equipment - net	20	102,942,207	82,642,761
Deferred tax assets - net	33	-	37,300,335
Total Non-current Assets		1,604,805,545	1,113,338,525
		P4,487,813,727	P3,487,352,891
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables - current portion	6,21	P192,346,157	P260,559,727
Loans payable - current portion	23	92,462,966	137,131,075
Unearned income	22	4,797,416	18,018,915
Total Current Liabilities		289,606,539	415,709,717
Non-current Liabilities			
Trade and other payables - net of current portion	6,21	154,427,283	26,763,768
Loans payable - net of current portion	23	764,358,197	150,584,964
Retirement benefit obligation	25	12,956,036	124,439,889
Other non-current liabilities		65,063,582	59,046
Deferred tax liability - net	33	80,195,216	-
Total Non-current Liabilities		1,077,000,314	301,847,667
Total Liabilities		1,366,606,853	717,557,384
Equity			
Capital stock	34,35	2,344,198,495	2,257,878,523
Additional paid-in capital	34,35	557,014,317	557,014,317
Reserves	36	193,471,154	176,374,797
Retained earnings (deficit)		136,235,347	(111,759,691)
Treasury stock	34	(109,712,439)	(109,712,439)
Total Equity		3,121,206,874	2,769,795,507
		P4,487,813,727	P3,487,352,891

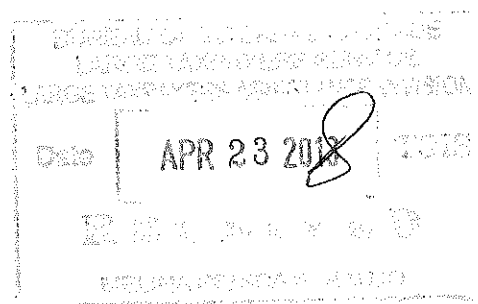
See Notes to the Separate Financial Statements.



PHILIPPINE REALTY AND HOLDINGS CORPORATION
SEPARATE STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	<i>Note</i>	2017	2016	2015
INCOME				
Sales of real estate		P785,934,606	P356,678,738	P268,214,803
Rent	19,27	45,435,764	17,944,770	19,756,161
Interest	28	11,427,597	11,050,641	14,728,125
Gain on sale of land invested in a joint arrangement	18	-	156,916,474	-
Gain on sale of shares of stocks of affiliated company		19,205,993	-	-
Gain on sale of property and equipment		238,988	-	-
Other income	29	340,872,864	9,330,948	9,759,973
		1,203,115,812	551,921,571	312,459,062
COSTS AND EXPENSES				
Cost of real estate sold	12	471,047,441	223,046,461	203,958,701
Cost of services	30	41,433,257	24,972,878	26,681,848
General and administrative expenses	31	302,635,365	259,940,836	196,849,760
Finance cost	23	9,547,530	7,425,655	1,839,401
Other expenses	32	934,942	123,949	21,368,369
		825,598,535	515,509,779	450,698,079
INCOME (LOSS) BEFORE INCOME TAX		377,517,277	36,411,792	(138,239,017)
INCOME TAX EXPENSE	33	129,522,239	8,417,152	1,515,314
NET INCOME (LOSS)		P247,995,038	P27,994,640	(P139,754,331)
Other Comprehensive Income (Loss)				
Item that may be subsequently reclassified to profit or loss				
Unrealized holding gain (loss) on AFS financial assets	10, 36	27,071,492	36,057,812	(39,548,847)
Item that will not be reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefit obligation, net of tax	36	(9,975,135)	1,637,547	(4,076,468)
		17,096,357	37,695,359	(43,625,315)
TOTAL COMPREHENSIVE INCOME (LOSS)		P265,091,395	P65,689,999	(P183,379,646)
BASIC EARNINGS (LOSS) PER SHARE	37	P0.05	P0.01	(P0.03)

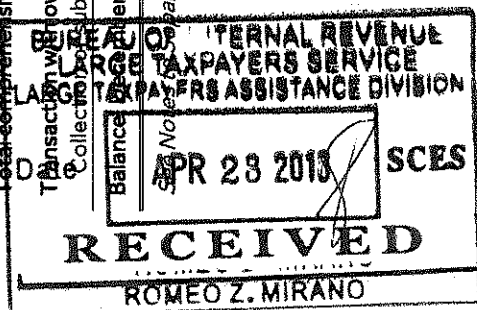
See Notes to the Separate Financial Statements.



PHILIPPINE REALTY AND HOLDINGS CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Capital Stock (Notes 34 and 35)	Additional Paid-in Capital (Notes 34 and 35)	Reserves (Note 36)	Deficit	Treasury Stock (Note 34)	Total Equity
Balance at January 1, 2015	P4,515,696,244	P114,751	P182,304,753	(P1,700,948,556)	(P109,712,439)	P2,887,454,753
Comprehensive loss						
Net loss for the year	-	-	-	(139,754,331)	-	(139,754,331)
Other comprehensive loss for the year	-	-	(43,625,315)	-	-	(43,625,315)
Total comprehensive loss for the year	-	-	(43,625,315)	(139,754,331)	-	(183,379,646)
Transaction with owners						
Collection of subscriptions receivable	30,401	-	-	-	-	30,401
Balance at December 31, 2015	4,515,726,645	114,751	138,679,438	(1,840,702,887)	(109,712,439)	2,704,105,508
Comprehensive income						
Net income for the year	-	-	-	27,994,640	-	27,994,640
Other comprehensive income for the year	-	-	37,695,359	-	-	37,695,359
Total comprehensive income for the year	-	-	37,695,359	27,994,640	-	65,689,999
Transaction with owners						
Reduction of par value of capital stock	(2,257,848,122)	556,899,566	-	1,700,948,556	-	-
Balance, December 31, 2016	2,257,878,523	557,014,317	176,374,797	(111,759,691)	(109,712,439)	2,769,795,507
Comprehensive income						
Net income for the year	-	-	-	247,995,038	-	247,995,038
Other comprehensive income for the year	-	-	17,096,357	-	-	17,096,357
Total comprehensive income for the year	-	-	17,096,357	247,995,038	-	265,091,395
Transaction with owners						
Collection of subscriptions receivable	86,319,972	-	-	-	-	86,319,972
Balance at December 31, 2017	P2,344,198,495	P557,014,317	P193,471,154	P136,235,347	(P109,712,439)	P3,121,206,874

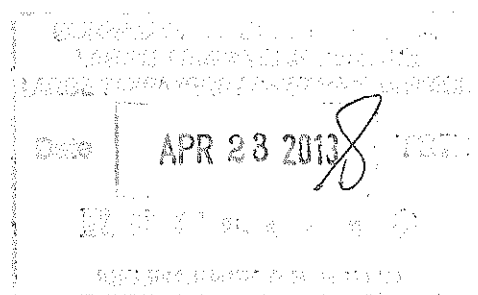
See Notes to the Separate Financial Statements.



PHILIPPINE REALTY AND HOLDINGS CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	<i>Note</i>	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		P377,517,277	P36,411,792	(P138,239,017)
Adjustments for:				
Depreciation and amortization	19,20	26,252,527	22,177,239	21,677,010
Finance costs	23	9,547,530	7,425,655	1,839,401
Provision for retirement benefits	25	6,865,957	80,170,171	8,194,429
Impairment loss on trade and other receivables	11,31	1,576,440	929,643	17,244,728
Unrealized foreign exchange loss (gain)	29,32	161,501	(109,258)	(539,016)
Gain on sale of land invested in a joint arrangement	18	-	(156,916,474)	-
Gain on sale of property and equipment		(238,988)		
Dividend income	29	(400,915)	(306,679)	(313,904)
Impairment loss on other assets	31	-	-	7,770,831
Impairment loss on advances to subsidiaries and associates	24,31	-	-	2,736,538
Impairment loss on investments in subsidiaries and associates	31	-	-	11,250
Holding loss (gain) on trading investments	9,29	(2,567,542)	(7,559,984)	21,253,539
Interest income	28	(11,427,597)	(11,050,641)	(14,728,125)
Gain on change to fair values of investment properties	19	(336,789,196)	-	-
Operating income (loss) before working capital changes		70,496,994	(28,828,536)	(73,092,336)
Decrease (increase) in:				
Trade and other receivables		(262,604,581)	(55,083,675)	99,708,074
Prepayments and other current assets		(41,588,895)	(3,154,738)	(8,972,598)
Real estate inventories		223,658,036	(452,955,447)	(97,120,471)
Real estate held for development and sale		(269,892,466)	-	-
Increase (decrease) in:				
Trade and other payables		59,449,944	43,808,022	57,667,195
Unearned income		(13,221,498)	(25,447,424)	(18,653,838)
Other non-current liabilities		65,004,535	59,046	-
Net cash used in operations		(168,697,931)	(521,602,752)	(40,463,974)
Interest received		11,427,597	11,050,641	14,728,125
Contributions to retirement fund	25	-	-	(6,000,000)
Retirement benefits paid		(132,600,000)	-	-
Dividends received		400,915	306,679	313,904
Net cash used in operating activities		(289,469,419)	(510,245,432)	(31,421,945)

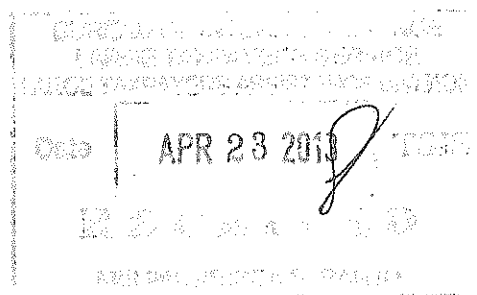
Forward



PHILIPPINE REALTY AND HOLDINGS CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	<i>Note</i>	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of available-for-sale financial assets	10	P110,513,319	P -	P -
Proceeds from sale of property and equipment		1,493,191	-	-
Increase in advances to subsidiaries and associates	16	(15,863,712)	(28,056,610)	(34,458,890)
Additions to property and equipment	20	(33,098,415)	(3,421,295)	(4,057,757)
Additional investments in joint arrangement	18	-	-	(282,705)
Proceeds from sale of land invested in a joint arrangement	18	-	218,299,727	-
Additions to investment properties	19	(329,274,552)	-	-
Net cash provided by (used in) investing activities		(266,230,169)	186,821,822	(38,799,352)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans payable	23	827,554,118	246,098,000	75,510,132
Proceeds from collections of subscriptions receivable		86,319,972	-	30,401
Finance costs paid	23	(8,670,139)	(7,287,198)	(1,558,876)
Payments of loans payable	23	(258,448,994)	(17,641,958)	(16,250,135)
Net cash provided by financing activities		646,754,957	221,168,844	57,731,522
Effects of exchange rate changes in cash and cash equivalents		(161,501)	109,258	539,016
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		90,893,869	(102,145,508)	(11,950,759)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		43,647,268	145,792,776	157,743,535
CASH AND CASH EQUIVALENTS AT END OF YEAR		P134,541,137	P43,647,268	P145,792,776

See Notes to the Separate Financial Statements.



PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. Reporting Entity

Philippine Realty and Holdings Corporation (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 13, 1981. The principal activities of the Company include the acquisition, development, sale and lease of all kinds of real estate and personal properties, and as an investment and holding company.

The Company was listed with the Philippine Stock Exchange (PSE) on September 7, 1987.

The Company is 35.67% owned by Greenhills Properties, Inc. (GPI), a corporation incorporated under the laws of the Philippines. The remaining shares are owned by various individuals and institutional stockholders.

The Company's registered address is at One Balete, 1 Balete Drive Corner N. Domingo St. Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines.

Status of Company's Operations

On March 18, 2014, as recommended by the Rehabilitation Receiver for the successful implementation of the court-approved Rehabilitation Plan, the Company's Motion to Terminate Rehabilitation Proceeding on Account of the Successful Implementation of the Rehabilitation Plan was granted. Accordingly, the Stay Order issued in this case was lifted. As a result, the Company was able to resume normal business operations without the supervision of a court approved receiver. On February 9, 2016, the SEC approved the Company's quasi-reorganization reducing the par value of its shares from P1.00 to P0.50 and the additional paid in capital arising from the reduction of the par value was applied to the Company's accumulated deficit (see Note 35). On January 4, 2017, the Regional Trial Court Branch 93 of Quezon City has issued a Certificate of Finality to certify that the order issued dated March 18, 2014 has become final and executory.

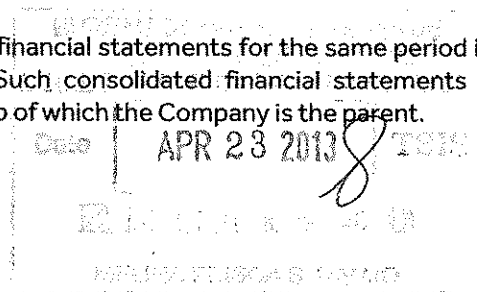
The Company earned total comprehensive income of P265.5 million in 2017 and P65.7 million in 2016 and incurred a total comprehensive loss of P183.4 million in 2015. The Company plans to leverage its key understanding of the property market through its Medium-Term Business and Financial plan. The objective of the plan is to serve as a roadmap which will drive the Company's profitability primarily by generating operating income from recurring revenue sources and the proposed projects to be undertaken. First, major properties owned by the Company and GPI, who has undertaken to provide operational and financial support to the Company, will be developed for sale and lease. The Company plans to also maximize the utilization of all its existing developments and investment properties. The Company is likewise looking to grow its business through acquisition of revenue generating assets or developments in key cities within and outside Metro Manila. Lastly, aside from internally-generated funds, the Company will continue to consider securing necessary and sufficient funding from various financial sources.

2. Basis of Preparation

Statement of Compliance

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

The Company also prepares and issues consolidated financial statements for the same period in which it consolidates all its investments in subsidiaries. Such consolidated financial statements provide information about the economic activities of the group of which the Company is the parent.



PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements as of and for the year ended December 31, 2017 were reviewed by the Company's Audit Committee and authorized for issuance by the Board of Directors (BOD) on April 12, 2018.

Basis of Measurement

The Company's separate financial statements have been prepared under the historical cost convention, except for the following which are measured using alternative basis at each reporting date:

Financial assets at fair value through profit or loss	Fair value
Available-for-sale investments	Fair value
Investment property	Fair value
Retirement benefit obligation	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the presentation and functional currency of the Company. All financial information presented have been rounded to the nearest peso, unless otherwise stated.

Use of Estimates and Judgments

The preparation of the separate financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements are described in Note 4.

3. Significant Accounting Policies

Adoption of New and Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards starting January 1, 2017. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

- *PAS 7, 'Statement of Cash Flows'* - The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12)*. The amendments clarify that:
 - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

- the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
- the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

Effective January 1, 2018:

- PFRS 9, Financial Instruments issued in November 2009. PFRS 9 replaces the multiple classification models in PAS 39 Financial Instruments: Recognition and Measurement with a single model that has initially only two classification categories: amortized cost and fair value.

Classification of financial assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: (a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, (b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value.

All fair value movements on financial assets are taken through the statement of income, except for equity investments that are not held for trading, which may be recorded in the statement of income or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option, entities will need to recognize the part of the of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than in profit or loss.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In July 2014, the final phase of PFRS 9 was issued. Further changes to the classification and measurement rules and introduction of a new impairment model were made. The changes introduce:

- a third measurement category, fair value through other comprehensive income (FVOCI) for certain financial assets that are debt instruments;
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate

PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

Effective January 1, 2019:

- PFRS 16, *Leases* issued in January 2016. This new standard replaces PAS 17, 'Leases' and other related interpretations. For lessees, an entity obtains the right to use an asset at the start of the lease, and if lease payments are paid over time, it also obtains financing. Accordingly, PFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by PAS 17 and, instead, introduces a single lessee accounting model. In applying that model, a lessee is required to recognize (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. For lessors, this new standard carries forward the lessor accounting requirements in PAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those types of leases differently.

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

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- *PFRS 15 Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The Company is currently assessing the impact of the above new standards and amendments to standards effective subsequent to December 31, 2017 in its separate financial statements in the period of initial application. Additional disclosures as required will be included in the separate financial statements accordingly.

PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

The accounting policies set out below have been applied consistently to all periods presented in the separate financial statements.

Cash and Cash Equivalents

Cash includes cash on hand and in banks and is stated at its face value. Cash in banks earns interest at the prevailing interest rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Financial Instruments

Financial Assets

Financial assets are recognized in the Company's separate financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Company's financial assets, except for investments classified as at fair value through profit or loss. Subsequently, financial assets are recognized either at fair value or at amortized cost.

Current financial assets include financial assets that are consumed or realized as part of the normal operating cycle even when they are not expected to be realized within twelve months after the reporting period, otherwise, they are classified as non-current assets.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. As of the reporting date, the Company has the following categories of financial assets:

Financial assets at fair value through profit or loss

Financial assets are classified as investments at fair value through profit or loss when these are acquired for trading or are designated upon initial recognition. Financial assets under this category are initially recorded and are subsequently measured at fair value with gains and losses arising from changes in fair value being included in profit or loss for the year. Transaction costs on purchases and sale of financial assets under this category are recognized as expense in profit or loss.

A financial asset is classified as at FVPL if:

- a. it has been acquired principally for the purpose of selling in the near future; or
- b. it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- c. it is a derivative that is not designated and effective as a hedging instrument.

The Company's investment in equity securities of various listed Companies presented as "financial asset at FVPL" in the separate statements of financial position are classified under this category.

Loans and receivables

Cash and cash equivalents, trade and other receivables and advances to subsidiaries and associates that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Available-for-sale investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value plus incremental direct transaction costs and subsequently are carried at fair value. Unrealized gains and losses arising from changes in fair value are recognized directly in other comprehensive income, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. When the available-for-sale financial asset is disposed of or is determined to be impaired, the cumulative unrealized gain or loss previously recognized in equity is included in profit or loss as a reclassification adjustment even if the financial asset (AFS) has not been derecognized.

The Company's investment in listed shares of stocks and golf and country club shares presented as available-for-sale financial assets in the separate statements of financial position are classified under this category.

Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Available-for-sale financial assets

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 Company treats 'significant' as 20% or more and 'prolonged' as greater than twelve months. 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 for an investment in an equity instrument classified as Available-for-sale financial assets shall not be reversed through profit or loss but in other comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit and loss for the year, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss for the year.

Loans and receivables

For loans and receivables category, the Company first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables 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.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate, i.e., the effective interest rate computed at initial recognition. The carrying amount of the financial assets carried at amortized cost is reduced directly by the impairment loss, with the exception of trade receivables wherein the carrying amount is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate

PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the profit or loss for the year.

Other financial assets carried at cost

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

Derecognition of Financial Asset

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

- The right to receive cash flows from the asset has expired;
- 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
- The Company has transferred its right to receive cash flows from the asset and either has:
(a) 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.

Financial Liabilities

Financial liabilities are recognized in the Company's separate financial statements when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Company's financial liabilities, which do not include any debt instruments classified as at fair value through profit or loss.

The Company classifies its financial liabilities in the following categories; financial liabilities at fair value through profit or loss and other financial liabilities.

A financial liability is classified as at fair value through profit or loss 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. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortized cost. Financial liabilities measured at amortized cost are subsequently measured using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period.

PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

The Company has no financial liability at fair value through profit or loss. Other financial liabilities include trade and other payables (except for payables to government), other non-current liabilities and loans payable.

Derecognition of Financial Liabilities

Financial liabilities are derecognized only when they are extinguished, when the obligation specified in the contract is discharged, cancelled or has expired. Any difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognized in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the separate statements 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.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the separate statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Investments in Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company has control as an entity when the Company 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Investment in shares of stock of subsidiaries is accounted for using the cost method in the separate financial statements. Under this method, investments are recognized at cost and income from investment is recognized in profit or loss only to the extent that the investor receives distribution from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Investments in Associates

An associate is an entity over which the Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

In the separate financial statements of the Company, investment in shares of stock of associates is accounted for using the cost method. The reporting dates of the investee companies and the Company are identical and the investee companies' accounting policies conform to those used by the Company for like transactions and events in similar circumstances. Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Investments in Joint Arrangements

Investments in joint arrangements whereby the Company and the other parties has joint control of the arrangement are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

A joint operation is a joint arrangement whereby the Company and the other parties have rights to the assets, and obligations for the liabilities, relating to the arrangements. A joint venture is a joint arrangement whereby the Company and the other parties have rights to the net assets of the arrangement.

In a joint operation, the Company recognizes in relation to the Company's interest in a joint operation:

- a. Company's assets and liabilities including Company's share of any assets and liabilities held or incurred jointly;
- b. Company's revenue from the sale of the Company's share of the output arising from the joint operation and sale of the output of the joint operation; and
- c. Company's expenses including Company's share of any expenses incurred jointly.

In a joint venture, the Company recognizes its interest in joint arrangement as an investment. In the separate financial statements of the Company, investment in joint venture is accounted for using the cost method. Under this method, investments are recognized at cost and income from investment is recognized in profit or loss only to the extent that the investor receives distribution from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Real Estate Inventories

Property acquired or being developed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value.

Cost includes amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs to sell.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

The provision account, if any, is reviewed on a monthly basis to reflect the reasonable valuation of the Company's inventories. Inventory items identified to be no longer recoverable is written-off and charged as expense for the period.

Real Estate Held for Development

Land held for development is measured at cost less any impairment losses. Expenditures for development and improvements of land are capitalized as part of the cost of the land. Directly identifiable borrowing costs are capitalized while the development and construction is in progress.

PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are initially measured at cost which consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use and are subsequently measured at cost less any accumulated depreciation, amortization and impairment losses, if any.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of years
Building	25
Building improvements	5 to 10
Office furniture, fixtures and equipment	3 to 10
Transportation and other equipment	5

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

Derecognition

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. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties comprised completed property and property under development or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Company. Investment property is initially measured at cost incurred in acquiring the asset and subsequently stated at fair value. Revaluations are made with sufficient regularity by external independent appraisers to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the period. The external independent appraiser uses sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at a different floor levels of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

Prior to the change in accounting policy, depreciation of investment properties (condominium units) is computed using the straight-line method over the estimated useful lives of forty (40) years.

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A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is 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. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Derecognition

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the separate statements of total comprehensive income in the year of retirement or disposal.

Impairment of Non-financial Assets

At each reporting date, the Company assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of the non-financial asset is the higher of fair value less costs of disposal and value-in-use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between participants at 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 Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Distribution to the Company's shareholders is recognized as a liability in the Company's separate financial statements in the period in which the dividends are approved by the Company's Board of Directors.

Capital stock

Capital stock is classified as equity when there is no obligation to the transfer of cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Additional paid-in capital

Additional paid-in capital pertains to premium paid over the par value of shares.

Retained Earnings (Deficit)

Retained earnings (deficit) include all the accumulated income (losses) of the Company, dividends declared and share issuance costs. Retained earnings (deficit) is net of amount offset from additional paid-in capital arising from the quasi-reorganization.

Treasury stock

The Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the separate statements of total comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Employee Benefits

Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Post-employment benefits

The Company has a funded, non-contributory defined benefit retirement plan. The post-employment expense is determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Typically defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the separate statements of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

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Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity through other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, net of discounts, rebates and value added tax (VAT) and represents amounts receivable for goods and services in the normal course of business.

Sales of real estate

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognized only when all the significant conditions are satisfied.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

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

Rent

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

Gain on sale of non-financial assets

Gain on sale of non-financial asset is recognized at the time of disposal of the non-financial asset. The difference between the net disposal proceeds and carrying amount of the non-financial asset is recognized in profit or loss.

Realized and unrealized gains on sale of financial assets at FVPL

Realized gains are recognized at the time of disposal of the securities on a trade date basis. Unrealized gains on changes in fair value of trading securities are recognized in profit or loss upon revaluation at each reporting date.

Interest income

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

PHILIPPINE REALTY AND HOLDINGS CORPORATION
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Other income

Other income is recognized when earned.

Unearned Income

Unearned income represents collections from customers which are as of the reporting period not yet earned. Unearned income are initially recorded as liability and recognized at the amount actually received. Subsequently, these are earned through profit or loss based on the percentage of completion of the property sold.

Cost and Expense Recognition

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

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

Cost of the real estate sold before the completion of the contemplated development is determined based on actual development cost and project estimates as determined by the contractors and the Company's technical staff.

Cost and expenses in the separate statements of total comprehensive income are presented using the function of expense method. General and administrative expenses are costs attributable to general, administrative and other business activities of the Company.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they were incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases

Company as Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the separate statements of total comprehensive income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

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Company as Lessor

Leases where the Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the separate statements of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are restated at the rates prevailing on the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Income Tax

Income tax expense for the period comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent 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 expense is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions in income 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 difference 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 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 Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is 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 and the same taxable entity.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and; when the amount of the obligation can be estimated reliably. When the Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

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The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Related Party Relationships and Transactions

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

Earnings (Loss) per Share

Basic earnings (loss) per share

The Company computes its basic earnings (loss) per share by dividing net profit or loss attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the period.

Diluted earnings (loss) per share

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

Events After the Reporting Date

The Company identifies events after the reporting date as events that occurred after the reporting date but before the date the separate financial statements were authorized for issue. Any subsequent event that provides additional information about the Company's financial position at the reporting date is reflected in the separate financial statements. Non-adjusting subsequent events are disclosed in the notes to the separate financial statements when material.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Critical Accounting Estimates and Assumptions

While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

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Estimating Useful Lives of Assets

The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease non-current assets.

Estimating Allowances for Impairment Loss on Receivables and Advances to Subsidiaries and Associates

The Company estimates the allowance for impairment loss on receivables based on assessment of specific accounts when the Company has information that certain customers/related party are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including, but not limited to, the length of relationship with the customer/related party and the customer/related party's current credit status based on third party credit reports and known market factors. The Company used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

Impairment loss as at December 31, 2017 and 2016 amounted to P1.58 million and P0.93 million, respectively.

Evaluation of Net Realizable Value of Real Estate Inventories

The Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the assets. In determining the recoverability of the assets, management considers whether those assets are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Results of management's assessment disclosed that there is no need for provision for write-down of inventories as at December 31, 2017 and 2016.

Revenue Recognition

When a contract for the sale of a property upon completion of construction is judged to be a construction contract, revenue is recognized using the percentage-of-completion method as construction progresses. The Company considers the terms and conditions of the contract, including how the contract was negotiated and the structural elements that the customer specifies when identifying individual projects as construction contracts. The percentage of completion is estimated by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Post-employment and Other Employee Benefits

The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

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The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 25.

Retirement obligation as at December 31, 2017 and 2016 amounted to P12,956,036 and P124,439,889, respectively.

Contingencies

The Company is currently involved in various legal proceedings and tax assessments. Estimates of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Company's strategies relating to these proceedings.

Recoverability of Deferred Tax Assets

The Company reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized. The Company considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the utilization of deferred tax asset.

Total unrecognized deferred tax assets amounted to P115.1 million and P102.1 million as at 2017 and 2016, respectively (see Note 33).

Impairment Losses on Non-financial Assets

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of non-financial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the separate financial statements. Future events could cause the Company to conclude that non-financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

Estimating Fair Value of Investment Property

The Company obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. An independent valuation of the Company's investment properties was performed by appraisers to determine their fair values. The valuation was determined by reference to sales and listing of comparable properties.

Critical Accounting Judgments

Operating Lease

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating lease.

Distinction Between Investment Properties and Owner-occupied Properties and Real Estate Inventories and Held for Development

The Company determines whether a property qualifies as investment property. In making this judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

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

5. Fair Value Measurement

The fair values of the Company's financial instruments are equal to the carrying amounts in the separate financial position as at December 31, 2017 and 2016.

Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values are disclosed in the notes to the separate financial statements specific to that asset or liability.

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, trade and other receivables – current portion and advances to subsidiaries and associates – carrying amounts approximate fair values due to the relatively short-term maturities of these items.

Financial assets and FVPL and AFS financial assets – these are investments in equity securities, fair value for quoted equity securities is based on quoted prices published in markets as of reporting dates.

Trade and other payables - the carrying values of trade and other payables approximate its fair value because of the short-term nature of these financial liabilities.

Loans payable – carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting is not significant.

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The table below analyzes financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

December 31, 2017

	Level 1	Level 2	Level 3	Total
Equity investments:				
Financial assets at FVPL	P26,006,562	P -	P -	P26,006,562
AFS financial assets	37,526,520	-	-	37,526,520

December 31, 2016

	Level 1	Level 2	Level 3	Total
Equity investments:				
Financial assets at FVPL	P23,439,020	P -	P -	P23,439,020
AFS financial assets	129,272,936	-	-	129,272,936

6. Financial Risk Management Objective and Policies

The Company's activities expose it to a variety of financial risks: operational risk, market risk, credit risk, and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. It monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk

Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Company's financial position.

Foreign exchange risk exposure of the Company is limited to its cash and cash equivalents. Currently, the Company has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

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	2017		2016	
	US dollar Deposit	Peso Equivalent	US dollar Deposit	Peso Equivalent
Cash and cash equivalents	\$283,502	P14,153,248	\$131,196	P6,536,169

The closing rates applicable as at December 31, 2017 and 2016 are P49.923 and P P49.820 to US\$1, respectively.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A 5% weakening of Philippine against the US dollar will have an increase in net income or decrease in net loss amounting to P707,685 and P326,808 in 2017 and 2016, respectively. For a 5% strengthening of the Philippine peso against the US dollar, there would be an equal and opposite impact on the net income/loss.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Company's interest rate risk relates to its cash and cash equivalents and loans payable. The interest rates on cash and cash equivalents and loans payable are disclosed in Notes 8 and 23, respectively.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Company.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks (see Note 23).

Based on the sensitivity performed the impact on profit or loss of a 10% increase/decrease on interest rates on cash and cash equivalents and loans payable would be a maximum increase/decrease for 2017 and 2016 as follows:

	2017	2016
Cash and cash equivalents	P47,212	P6,267
Loans payable	954,753	742,566

Price risk

Price risk is the risk that the fair value of the financial instrument particularly equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Company's Board of Directors reviews and approves all equity investment decisions.

At December 31, 2017, the impact of 10% increase/decrease in the price of listed equity securities, with all other variables held constant, would have been an increase/decrease of in the Company's total comprehensive income and equity for the year P3,752,652 (2016 – P12,917,294). The Company's sensitivity analysis takes into account the historical performance of the stock market.

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Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables and advances to subsidiaries and associates as disclosed in Notes 8, 11 and 16, respectively. The Company manages credit risk by adopting stringent procedure in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Company has policies in place to ensure that sales are made to customers with an appropriate credit history.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 are as follows:

	2017	2016
Cash and cash equivalents excluding cash on hand	P134,519,137	P43,614,675
Trade and other receivables	1,060,848,146	799,820,005
Advances to subsidiaries and associates	95,923,055	80,059,343
	P1,291,290,338	P923,494,023

The credit quality of financial assets which are neither past due nor impaired is discussed below:

(a) Cash in banks and cash equivalents

The Company deposits its cash balance in reputable banks to minimize credit risk exposure amounting to P134,519,137 and P43,614,675 as at December 31, 2017 and 2016, respectively. Cash deposits are considered to be of high grade.

(b) Trade and other receivables and advances to subsidiaries and associates

The credit quality of trade and other receivables and advances to subsidiaries and associates that are neither past due nor impaired can be assessed by reference to internal credit ratings or to historical information about counterparty default rates:

	2017	2016
Trade and other receivables		
Group A	P322,609,123	P51,694,039
Group B	48,000,837	32,981,575
Group C	11,565,456	31,600,245
Advances to subsidiaries and associates		
Group A	P -	P -
Group B	-	-
Group C	-	-
	P382,175,416	P116,275,859

- Group A - new customers/related parties.
- Group B - existing customers/related parties with no defaults in the past.
- Group C - existing customers/related parties with some defaults in the past. All defaults were fully recovered.

As at December 31, 2017 and 2016, trade and other receivables and advances to subsidiaries and associates of P774,595,784 and P763,603,489, respectively, were past due but not impaired. These relate to a number of independent customers/related parties for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

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	2017	2016
Trade and other receivables		
More than 3 months	P82,421,168	P145,895,478
More than 1 year	596,251,561	537,648,668
Advances to subsidiaries and associates		
More than 3 months	19,068,106	28,056,610
More than 1 year	76,854,949	52,002,733
	P774,595,784	P763,603,489

As at December 31, 2017 and 2016, trade and other receivables and advances to subsidiaries and associates of P203,463,937 and P203,402,654 were impaired and provided for. Provision for impairment loss for the years ended December 31, 2017 and 2016 amounted to P61,284 and nil, respectively. It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	2017	2016
Trade and other receivables		
More than 3 months	P -	P -
More than 1 year	37,240,467	37,179,184
Advances to subsidiaries and associates		
More than 1 year	166,223,470	166,223,470
	P203,463,937	P203,402,654

The condominium certificates of the title remain in the possession of the Company until full payment has been made by the customers, thus no significant credit risk was assessed for trade receivables.

Liquidity risk

Liquidity risk refers to the risk in which the Company encounters difficulties in meeting its short-term obligations.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

The following tables detail the Company's remaining maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Carrying Amount	Contractual Obligation			Total
		Less than One Year	One to Five Years	More than Five Years	
2017					
			(In Thousand Pesos)		
Trade and other payables*	P227,023	P178,572	P48,335	P116	P227,023
Loans payable	856,821	134,162	916,618	5,232	1,056,012

Forward

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	Carrying Amount	Contractual Obligation			Total
		Less than One Year	One to Five Years	More than Five Years	
2016					
Trade and other payables*	P231,315	P204,551	P26,648	P116	P231,315
Loans payable	287,716	121,914	179,125	7,268	308,307

*excluding payables to government

7. Capital Management

The Company manages its capital to ensure that the Company is able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity, which comprises of issued capital, reserves and retained earnings (deficit).

Management reviews the capital structure on a quarterly basis. As part of this review, management considers the cost of capital and the risks associated with it.

There were no changes in the Company's approach to capital management during the year.

As part of the reforms of the Philippine Stock Exchange (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 Company has fully complied with this requirement in 2017 and 2016.

8. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash in banks	P110,875,167	P43,614,675
Cash on hand	22,000	32,593
Cash equivalents	23,643,970	-
	P134,541,137	P43,647,268

Cash in banks earned an average annual interest of 1.0% during 2017 and 2016. Cash equivalents represent money market placements or short-term investments with maturities up to three months and annual interest ranging from 1.375% to 1.70% in 2017 and 2016.

Interest income recognized amounted to P472,119, P62,672 and P812,351 as at December 31, 2017, 2016 and 2015, respectively (see Note 28).

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9. Financial Assets at Fair Value Through Profit or Loss

The movement of financial assets at FVPL is summarized as follows:

	<i>Note</i>	2017	2016
Balance at beginning of year		P23,439,020	P15,879,036
Fair value adjustments	29	2,567,542	7,559,984
Balance at end of year		P26,006,562	P23,439,020

These financial assets are equity securities of various listed companies. The fair values of these securities are based on quoted market prices.

This account is composed of the following listed equity securities from:

	2017	2016
Property company	P6,750,000	P6,750,000
Holding firms	19,256,562	16,689,020
	P26,006,562	P23,439,020

Dividend income recognized in profit or loss amounted to P400,915, P306,679 and P313,904 as at December 31, 2017, 2016 and 2015, respectively (see Note 29).

10. Available-for-sale Financial Assets

This account is composed of the following securities:

	<i>Note</i>	2017	2016
Cost			
Listed shares of stock		P56,384,366	P175,202,274
Golf and country club shares		3,350,000	3,350,000
		59,734,366	178,552,274
Accumulated unrealized holding loss	36	(22,207,846)	(49,279,338)
		P37,526,520	P129,272,936

The movements in AFS financial assets are summarized as follows:

	<i>Note</i>	2017	2016
Balance at beginning of year		P129,272,936	P93,215,124
Fair value adjustments	36	27,071,491	36,057,812
Sale		(118,817,907)	-
Balance at end of year		P37,526,520	P129,272,936

AFS financial assets are investments in shares of stock of various listed equity securities, and golf and country club shares that present the Company with opportunity for return through dividend income and trading gains. The fair values of these investments are based on quoted market prices. Unrealized holding gains or losses from market value fluctuations are recognized as part of the Company's reserves.

Unrealized holding gain (loss) recognized in other comprehensive income from AFS financial assets amounted to P27 million in 2017, P36 million in 2016 and (P40 million) in 2015 (see Note 36).

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11. Trade and Other Receivables

This account consists of:

	2017	2016
Trade	P743,434,519	P512,554,822
Other receivables	354,654,094	324,444,367
	1,098,088,613	836,999,189
Allowance for impairment losses on receivables	(37,240,467)	(37,179,184)
	P1,060,848,146	P799,820,005

Trade receivables include amounts due from buyers of the Company's condominium projects, generally over a period of three (3) or four (4) years. The condominium certificates of title remain in the possession of the Company until full payment has been made by the customers. Trade receivables due after one year amounted to P88,313,369 million in 2017 and P500,769,478 million in 2016. Trade receivables carry yield-to-maturity interest rates of 5.64% in 2017 and 2016. Interest income recognized amounted to P879,085, P746,775 and P1,654,069 as at December 31, 2017, 2016 and 2015, respectively (see Note 28).

Certain trade receivables with total carrying value of P13.4 million and P42.0 million as at December 31, 2017 and 2016 are pledged to a local bank as collateral to the Company's loans payable (see Note 23).

Other receivables as at December 31, 2017 and 2016 include the outstanding receivables from Xcell Property Ventures, Inc. (Xcell) amounting to P265 million and P255 million, respectively (see Note 18). The account also includes advances to contractors of Andrea North Skyline and Skyvillas Projects amounting to P20.38 million in 2017 and P16.94 million in 2016. The rest of the balances are receivables from lessees and concessionaires.

The management determines that other receivables are recoverable. The allowance for doubtful accounts for trade receivables has been determined as follows:

	2017	2016
Collectively impaired	P21,671,384	P21,671,384
Individually impaired	15,569,083	15,507,800
Total	P37,240,467	P37,179,184

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the client base being large and unrelated. Accordingly, Management believes that there is no further credit provision required in excess of the allowance for impairment loss on receivables.

Receivables amounting to P1,576,440 and P929,643 were directly written-off in 2017 and 2016, respectively.

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12. Real Estate Inventories

This account consists of:

	2017	2016
In progress:		
Andrea North Skyvillas Tower	P1,102,134,283	P1,347,240,380
Andrea North Estate	67,094,101	31,963,304
Others	16,973,867	14,245,924
	1,186,202,251	1,393,449,608
Completed units at cost:		
Andrea North Skyline Tower	228,314,325	239,185,202
The Icon Plaza	25,251,249	30,791,051
Casa Miguel	6,895,314	6,895,314
	260,460,888	276,871,567
	P1,446,663,139	P1,670,321,175

In July 2011, the Company had a joint arrangement with Xcell Property Ventures, Inc. (Xcell) for the development of a residential/commercial condominium on the Company's Fort Bonifacio lot to be called "The Icon Plaza." The Company contributed lot 9-4 to the joint arrangement and in return will receive twenty percent (20%) of the aggregated area of all the completed and saleable units of the project, plus 35% of the joint arrangement's pre-tax profits from the project. The Company's share on the saleable area of The Icon Plaza under joint arrangement with Xcell is recorded as real estate inventories. The percentage of completion of The Icon Plaza is 100% as of December 31, 2017.

The balance of P12.94 million and P14.26 million as at December 31, 2017 and 2016, respectively, represents the cost of the master plan design of the new towers in Andrea North project.

The cost of real estate inventories recognized as expense amounted to P471,047,441, P223,046,461 and P203,958,701 in 2017, 2016 and 2015, respectively.

13. Prepayments and Other Current Assets

This account consists of:

	2017	2016
Prepaid taxes	P37,537,990	P8,770,054
Creditable withholding tax	113,706,268	108,571,206
Prepaid expenses	11,149,631	3,463,734
Utilities deposit	2,343,794	2,343,794
Deferred input value added tax	645,114	645,114
Other assets	4,430,195	4,430,195
	P169,812,992	P128,224,097

Prepaid taxes are unutilized creditable withholding taxes which were filed for refund with the Bureau of Internal Revenue.

Creditable withholding tax is the tax withheld by the customer from their payment to the Company and which tax is creditable against the income tax payable of the Company.

Prepaid expenses consist of advance payment for real property tax, insurance premium and membership dues.

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Utilities deposit are refundable deposits to MERALCO and Maynilad.

Other assets include advances made by the Company to a certain project amounting to P4.43 million in 2017 and 2016 relating to master plan design.

14. Investments in Subsidiaries

Details of the Company's ownership interest in subsidiaries as of December 31 are as follows:

	2017	2016
PRHC Property Managers, Inc. (PPMI)	100%	100%
Tektite Insurance Brokers, Inc. (TIBI)	100%	100%
Sultan's Power, Inc. (SPI)	100%	100%
Universal Travel Corporation (UTC)	81.53%	81.53%

The details of the Company's investments in subsidiaries are as follows:

	2016	2015
Investments in Subsidiaries:		
Tektite Insurance Brokers, Inc. (TIBI)	P13,900,000	P13,900,000
Universal Travel Corporation (UTC)	5,722,796	5,722,796
PRHC Property Managers, Inc. (PPMI)	5,200,000	5,200,000
Sultan's Power, Inc. (SPI)	1,000,000	1,000,000
	25,822,796	25,822,796
Allowance for impairment loss	(5,722,796)	(5,722,796)
	P20,100,000	P20,100,000

Management performed an assessment for impairment on its investments in subsidiaries. The negative net worth of Universal Travel Corporation (UTC) indicates the possible impairment in the value of investments in this entity. Accordingly, the Company provided an allowance for impairment loss amounting to P5,722,796 for investments in UTC.

Aggregated amounts relating to subsidiaries are as follows:

	2017	2016
PRHC Property Managers, Inc. (PPMI)		
Total assets	P62,310,844	P41,406,669
Total liabilities	20,166,051	22,772,402
Net assets	42,144,793	18,634,267
Income	54,261,564	36,066,147
Cost and expenses	(37,090,540)	(35,546,519)
Net income	P17,171,024	P519,628
Tektite Insurance Brokers, Inc. (TIBI)		
Total assets	P18,445,371	P18,426,749
Total liabilities	1,743,110	2,699,806
Net assets	16,702,261	15,726,943
Income	5,816,104	7,254,415
Cost and expenses	(6,245,809)	(6,162,857)
Net income (loss)	(P717,178)	P1,091,558

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Universal Travel Corporation (UTC)		
Total assets	P30,456,444	P23,331,556
Total liabilities	54,078,717	54,188,931
Net liabilities	(23,622,273)	(30,857,375)
Income	1,004,685	1,063,660
Cost and expenses	(2,281,791)	(2,206,899)
Net loss	(P1,277,106)	(P1,143,239)
Sultan's Power, Inc. (SPI)		
Total assets	P35,750,000	P18,655,000
Total liabilities	73,911,913	56,766,015
Net liabilities	(P38,161,913)	(P38,111,015)
Income	-	-
Cost and expenses	50,898	26,041,967
Net loss	(P50,898)	(P26,041,967)

The following are the principal activities of the Company's subsidiaries:

PRHC Property Managers, Inc.

PPMI was incorporated and registered with the SEC on May 24, 1991 to engage in the business of managing, operating, developing, buying, leasing and selling real and personal property either for itself and/or for others.

The registered office of PPMI is 5/F East Tower, Philippine Stock Exchange Centre (PSE), Exchange Road, Ortigas Center, Pasig City.

Tektite Insurance Brokers, Inc.

TIBI was incorporated and registered with the SEC on January 2, 1989 to engage in the business of insurance brokerage.

The registered office of TIBI is 20/F, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Universal Travel Corporation

UTC was incorporated and registered with the SEC on November 9, 1993 to engage in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages.

The registered office of UTC is Ground Floor, West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Sultan's Power, Inc.

SPI was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Recon-X Energy Corporation, a company in pre-operating stage to engage in the business of recycling, incorporated in the Philippines.

The registered office of SPI is Units 512-513 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

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15. Investments in Associates

Details of the Company's ownership interest in associates as of December 31 are as follows:

	2017	2016
Meridian Assurance Corporation (MAC)	30%	30%
Alexandra (USA), Inc. (AUI)	45%	45%
Le Cheval Holdings, Inc. (LCHI)	45%	45%

The details of the Company's investments in subsidiaries and associates are as follows:

	2017	2016
Investments in Associates:		
Meridian Assurance Corporation (MAC)	P88,875,080	P88,875,080
Alexandra (USA), Inc. (AUI)	14,184,150	14,184,150
Le Cheval Holdings, Inc. (LCHI)	11,250	11,250
	103,070,480	103,070,480
Allowance for impairment loss	(14,195,400)	(14,195,400)
	P88,875,080	P88,875,080

Management performed an assessment for impairment on its investment in associates. The imminent liquidation of Alexandra USA, Inc. (AUI) indicates the possible impairment in the value of investment in this entity. In 2011, the Company provided an allowance for impairment loss amounting to P14,184,150 for investments in AUI.

The Company also provided an allowance for impairment loss amounting to P11,250 for investments in LCHI.

Aggregated amounts relating to associate are as follows:

	2017	2016
Meridian Assurance Corporation (MAC)		
Total assets	P362,135,175	P406,009,758
Total liabilities	82,184,648	138,671,991
Net assets	279,950,527	267,337,767
Income	83,309,791	94,545,992
Cost and expenses	72,855,848	101,458,831
Net income (loss)	P10,453,943	(P6,912,839)
Le Cheval Holdings, Inc. (LCHI)		
Total assets	P45,362	P44,984
Total liabilities	101,235	81,579
Net assets	(55,873)	(36,595)
Income	378	389
Cost and expenses	(19,657)	(19,977)
Net loss	(P19,279)	(P19,588)

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Alexandra (USA), Inc. (AUI)		
Total assets	P -	P -
Total liabilities	-	-
Net assets	-	-
Income	-	-
Cost and expenses	-	-
Net loss	P -	P -

The following are the principal activities of the Company's Associates:

Meridian Assurance Corporation

MAC was incorporated and registered with the SEC on March 16, 1960, renewed on November 13, 2007, primarily to engage in the business of insurance and guarantee of any kind and in all branches except life insurance, for consideration, to indemnify any person, firm or corporation against loss, damage or liability arising from any unknown or contingent event, and to guarantee liabilities and obligations of any person, firm or corporation and to do all such acts and exercise all such powers as may be reasonably necessary to accomplish the above purposes which may be incidental.

MAC did not comply with the minimum capital requirement set by the Insurance Commission as of December 31, 2016, as it is ceding its insurance business portfolio to another insurance company. MAC, however, will continue servicing the administrative requirements of all outstanding policies issued until their expiry. On March 30, 2017, the Company wrote the Insurance Commission to apply for a license as a servicing company and tendered its Certificate of Authority (CA) as non-life insurance company. Pending issuance of the servicing license, the Company still issued new policies up to April 30, 2017. On May 1, 2017, the Insurance Commission approved the Company's application as a servicing company and issued a servicing license. As a servicing insurance company, the Company's transactions are confined to: (i) accepting periodic premium payments from its policyholders; (ii) granting policy loans and paying cash surrender values of outstanding policies to its policyholders; (iii) reviving lapsed policies of its policyholders, and (iv) such other related services. Upon divestment of the insurance business, the Company plans to engage in the business of asset management.

The registered office of MAC is 7/F, West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. Aside from its head office in Metro Manila, it maintains offices in the cities of Cebu and Davao.

Le Cheval Holdings, Inc.

LCHI was incorporated and registered with the SEC on August 30, 1994 as a holding company and had commenced operations as such by acquiring the majority outstanding shares of stock of Philippine Racing Club, Inc. (PRCI), a holding company incorporated in the Philippines. In 1996, LCHI sold its shares of stock of PRCI. Thereafter, LCHI became inactive.

Alexandra (USA), Inc.

AUI was incorporated in the United States of America (USA). AUI is involved in property development in Florida, USA. AUI is jointly owned with GPI (45%) and Warrenton Enterprises Corporation (10%) of William Cu-Unjeng. AUI is in the process of liquidation after the completion of the projects in Naples and Orlando.

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16. Advances to Subsidiaries and Associates

Details of advances to subsidiaries and associate are as follows:

	Relationship	2017	2016
Sultan's Power, Inc.	Subsidiary	P73,886,914	P56,744,016
Universal Travel Corp.	Subsidiary	52,350,191	52,350,191
PRHC Property Managers, Inc.	Subsidiary	3,411,064	2,333,813
Tektite Insurance Brokers, Inc.	Subsidiary	-	2,376,094
Alexandra (USA), Inc.	Associate	132,417,765	132,417,765
Le Cheval Holdings, Inc.	Associate	81,235	61,578
Meridian Assurance Corporation	Associate	(643)	(643)
		262,146,526	246,282,814
Allowance for impairment losses		(166,223,471)	(166,223,471)
		P95,923,055	P80,059,343

In late 2011, AUI started the process of liquidation. The Company provided for an allowance for impairment loss amounting to P87,587,528 in 2011 in addition to the P44,830,236 recognized for advances to this affiliate that can no longer be recovered. Total impairment loss recognized on advances to UTC amounted to P33,805,707 as of December 31, 2017 and 2016 due to uncertainty of recoverability.

17. Real Estate Held For Development

Real estate held for development pertains to the land in the following locations:

	2017	2016
New Manila, Quezon City	P188,653,713	P188,653,713
Baguio City	269,892,466	-
	P458,546,179	P188,653,713

18. Land Invested in Joint Arrangements

Xcell Property Ventures, Inc. (Xcell)

In February 2005, the Company entered into a joint arrangement with Next Properties, Inc., renamed Xcell Property Ventures, Inc. (Xcell), for the development of a twin-tower residential condominium on two (2) of the Company's Fort Bonifacio lots to be called "The Icon Residences." The Company contributed two (2) lots to the joint arrangement namely lots 14-2A and 14-1, and in return will receive twenty-percent (20%) of net sales or P804 million whichever is higher, plus 35% of the joint arrangement's pre-tax profits from the project.

Xcell shall be solely responsible for the construction of the two (2) condominiums over a period of five (5) to six (6) years. The admission value of the property based on the joint arrangement proposal is more than its cost.

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Further, it was arranged under the Company's Rehabilitation Court approved plan that while construction of the Project is on-going, Xcell shall remit to the Company the amount of not less than (i) P280,000,000 for lot 14-1 and (ii) P304,600,000 for lot 14-2A. Provided, however, that total remittance to the Company shall not be less than P20,000,000 per quarter starting in December 2005 for lot 14-2, and in June 2007 for lot 14-1.

In 2008, the Company and Xcell entered into an amended joint arrangement. The agreement provides that all amounts remitted by Xcell shall be held in trust by the Company, which shall open a special trust account with the trust department of a commercial bank acceptable to Xcell. The funds held in trust, as mandated by the rehabilitation plan, shall be utilized exclusively for the completion of the Company's Andrea North Skyline Tower, construction of which resumed in February 2009.

In 2012, the Company and Xcell made a clarification to the joint arrangement. It was agreed that the Company's 35% share on the profit shall be taken entirely from the dividends from Xcell.

In 2014, the Company and Xcell made further amendments to the joint arrangement that will be the final settlement for both parties since Icon Residences and Andrea North Skyline were 100% completed and the objectives of the agreement were already achieved. The land invested in the joint arrangement was transferred to Xcell during the year and the Company's final settlement from the project amounted to a total of P891 million. The Parent Company recognized an income from the joint arrangement amounting to P84.67 million in 2014. Interest income on receivables arising from the joint arrangement amounting to P10,005,694 was recognized in 2017, 2016 and 2015 (see Note 28).

Tagaytay Joint Arrangement

A parcel of land with an area of 39,975 square meters located in Iruhin West, Tagaytay City was purchased at a cost of P60.4 million exclusively for the development in relation to the arrangement. A residential subdivision will be developed on the said parcel of land. In 1997, the said project was on its planning stage and recorded construction-in-progress consists primarily of payments for architectural designs. In 1998, the project was put on hold.

Additional investment made by the Company to the joint arrangement amounted to P114,987 in 2016 and P282,705 in 2015 for the upkeep of the property.

In 2016, the Company sold the land in Tagaytay for a total consideration of P218.30 million with a gain of P156.92 million.

19. Investment Properties

Effective 2017, the Company changed its accounting policy on investment property from cost method to fair value method wherein after initial recognition, the Company measures all of its investment property at fair value. The gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

The Company obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The effects are detailed below:

	<i>Note</i>	2017
Balance, beginning		P298,487,769
Acquisitions		329,274,552
Gain on fair value change	29	336,789,195
Balance, ending		P964,551,516

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An independent valuation of the Company's investment property was performed by appraisers as of March 6, 2017 to determine their fair value. The external independent appraiser used sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at a different floor level of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

Details of investment property are as follows:

	2017	2016
Condominium units		
PSE Tower I	P765,798,892	P249,248,632
PSE Tower II	140,543,785	49,239,137
Baguio	58,208,839	-
	964,551,516	298,487,769
Accumulated depreciation	(118,522,806)	(103,490,611)
	P846,028,710	P194,997,158

The movements in the accumulated depreciation are as follows:

	Note	2017	2016
Balance, beginning		P103,490,611	P89,038,810
Provision	29,30,31	15,032,195	14,451,801
Balance, end		P118,522,806	P103,490,611

Depreciation and amortization expenses are recognized in separate statements of total comprehensive income as follows:

	2017	2016	2015
Cost of services	P10,949,120	P12,533,633	P12,496,174
General and administrative expenses	4,083,075	1,918,168	1,918,168
	P15,032,195	P14,451,801	P14,414,342

The movements in cost of investment properties in 2016 are summarized as follows:

	Note	2016
Balance, beginning		P298,492,014
Depreciation		14,51,801
Gain on fair value change	29	(4,245)
Balance, end		P298,487,769

The aggregate fair values of the investment properties as of December 31, 2016 are as follows:

	2016
Condominium units	
PSE Tower I	P208,077,000
PSE Tower II	85,249,000
	P293,326,000

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Rental income recognized from the investment properties amounted to P45,435,764 in 2017, P17,944,770 in 2016 and P19,756,161 in 2015. Real property taxes attributable to the investment property amounted to P5,032,094 in 2017, P3,082,791 in 2016 and P2,263,211 in 2015, these are included as part of taxes and licenses in cost of services. Other direct operating expenses arising from investment properties that generate rental income represent depreciation of condominium units which amounted to P10,949,120 in 2017, P12,533,634 in 2016 and P12,496,174 in 2015.

None of the Company's investment property is pledged as collateral for loans.

20. Property and Equipment

The details of the carrying amounts of property and equipment, the gross carry amounts, and accumulated depreciation and amortization of property and equipment are shown below:

	For the years ended December 31, 2017 and 2016			Total
	Building and Building Improvements	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	
Cost				
January 1, 2016	P81,633,453	P20,478,321	P17,466,668	P119,578,442
Additions	-	1,991,288	1,430,007	3,421,295
Reclassification	(19,733)	98,202	(78,304)	165
December 31, 2016	81,613,720	22,567,811	18,818,371	122,999,902
Additions	728,019	1,190,287	31,180,109	33,098,415
Disposal	-	(55,804)	(2,900,696)	(2,956,500)
December 31, 2017	82,341,739	23,702,294	47,097,784	153,141,817
Accumulated Depreciation and Amortization				
January 1, 2016	6,531,837	16,788,966	9,310,900	32,631,703
Provision	3,264,549	1,937,093	2,523,796	7,725,438
Reclassification	(2,739)	88,977	(86,238)	-
December 31, 2016	9,793,647	18,815,036	11,748,458	40,357,141
Provision	3,279,429	1,812,313	6,128,590	11,220,332
Disposal	-	(42,628)	(1,335,235)	(1,377,863)
December 31, 2017	13,073,076	20,584,721	16,541,813	50,199,610
Carrying Amount December 31, 2016	P71,820,073	P3,752,775	P7,069,913	P82,642,761
Carrying Amount December 31, 2017	P69,268,663	P3,117,573	P30,555,971	P102,942,207

None of the Company's property and equipment is pledged as collateral for loans.

21. Trade and Other Payables

This account consists of:

	<i>Note</i>	2017	2016
Trade payables		P21,792,155	P62,565,117
Retention fee payable		122,952,888	107,362,001
Output value added tax - net		97,151,639	52,519,961
Non-trade payables		35,381,546	28,847,426
Accrued expenses		33,669,871	14,476,434
<i>Forward</i>			

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	<i>Note</i>	2017	2016
Customers' deposits		17,777,667	12,064,921
Refundable deposits	27	12,425,755	5,999,528
Payable to government agencies		5,621,919	3,488,107
		P346,773,440	P287,323,495

Trade and other payables, net of current portion amounted to P154,427,283 and P26,763,768 as at December 31, 2017 and 2016, respectively.

Retention fee payable pertains to retention fees withheld from the contractors of Andrea North Skyline and SkyVillas Project.

Accrued expenses consist of unpaid liabilities on outside services, insurance, supplies and other expenses.

Customers' deposits consist of downpayments representing less than 25% of the contract price of the condominium unit sold received from each customer which are deductible from the total contract price.

Due to government agencies consist mainly of payable to the Bureau of Internal Revenue, SSS, HDMF and Philhealth.

22. Unearned Income

In 2012, the Company started selling units of The Icon Plaza which is the project under joint arrangement with Xcell Ventures Property, Inc, as disclosed in Note 12. The percentage of completion of The Icon Plaza as of December 31, 2017 is 100%.

The Company has an on-going project called the Andrea North Skyvillas Tower ("Skyvillas"). Skyvillas started construction in 2011 and is 99.56% and 96.25% complete as of December 31, 2017 and 2016, respectively.

Details of unearned income are as follows:

	2017	2016
The Icon Plaza		
Total sales value of completed units	P641,287,335	P641,287,335
Percentage uncompleted	0%	0.89%
	P -	P5,707,457
Skyvillas Tower		
Total sales value of completed units	P1,090,321,800	P328,305,540
Percentage uncompleted	0.44%	3.75%
	4,797,416	12,311,458
Total unearned revenue	P4,797,416	P18,018,915

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23. Loans Payable

The movements in the loans payable is summarized as follows:

	2017	2016
Balance, beginning	P287,716,039	P59,259,997
Availments of loan	827,554,118	246,098,000
Payments of principal	(258,448,994)	(17,641,958)
Balance, end	P856,821,163	P287,716,039

Interest on loans payable amounted to P9,547,530, P7,425,655 and P1,839,401 as at December 31, 2017, 2016 and 2015, respectively.

This account is composed of the following:

	2017	2016
Payable within one year:		
Philippine Bank of Communications	P83,333,333	P -
Maybank Philippines, Inc.	4,051,829	41,999,021
Union Bank of the Philippines	3,215,328	132,054
RCBC Savings Bank	1,862,476	-
Meridian Assurance Corporation	-	50,000,000
Greenhills Properties, Inc.	-	45,000,000
	92,462,966	137,131,075
Payable after one year:		
Philippine Bank of Communications	416,666,667	-
Maybank Philippines, Inc.	168,842,100	150,000,000
Greenhills Properties, Inc.	107,845,898	-
Meridian Assurance Corporation	50,000,000	-
Union Bank of the Philippines	13,291,879	584,964
RCBC Savings Bank	7,711,653	-
	764,358,197	150,584,964
	P856,821,163	P287,716,039

Maybank Philippines, Inc. (Maybank)

In 2015, the Company availed loans from Maybank with total principal amount of P75.51 million. These loans bear 6% interest and are secured by certain accounts receivable of the Company with total carrying value of P13.4 million and P42.0 million as at December 31, 2017 and 2016 (see Note 11).

In 2016, the Company entered into a loan and hold-out agreement with Maybank. In April 2016, Maybank approved a P150 million credit line under which the Company drewdown P80 million in April 2016 and P70 million in May 2016. These loans are payable three (3) years from date of drawdown. These loans bear 3.75% interest rate, payable monthly in arrears and secured by hold-out rights in favor of Maybank over the time deposit covering the total amount of P150 million maintained by GPI in Maybank Ortigas Branch.

Meridian Assurance Corporation (MAC)

On July 29, 2016 and August 5, 2016, the Company entered into a real estate mortgage with Meridian Assurance Corporation. Loans from Meridian Assurance Corporation bear no interest and are secured by mortgages on certain inventories of the Company. The mortgaged properties have a total cost of

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P83.67 million as at December 31, 2017 and 2016. No payment is expected to be made in 2018 and accordingly, loan was classified as noncurrent liability in the statements of financial position.

Greenhills Properties, Inc. (GPI)

On May 31, 2016, the Company availed a P45 million loan from Greenhills Properties, Inc. which bears 4% interest rate and is payable on May 25, 2017. In 2017, the Company availed additional loan amounting to P195 million payable between three (3) to five (5) years at a fixed interest rate of 8%, which shall be paid quarterly.

Union Bank of the Philippines (UBP)

In July 2016, the Company availed car loans from Union Bank which bears 9.11% interest and is payable in installment within sixty (60) months.

RCBC Savings Bank (RCBC)

In July 2017, the Company availed a car loan from RCBC Savings Bank which bears 8.72% interest and is payable in installment within sixty (60) months.

Philippine Bank of Communications (PBCom)

In 2017, the Company entered into a bridge funding agreement with PBCom. PBCom approved a P500 million credit line under which the Company drewdown P500 million in September 2017. These loans are payable within five (5) years from date of drawdown. These loans bear 6% interest rate, payable quarterly in arrears and secured by certain condominium units mortgaged in favor of PBCom with total carrying amount of P271.6 million as of December 31, 2017.

24. Related Party Transactions

In the normal course of business, the Company enters into various significant transactions with related parties. Significant transactions with related parties follow:

As at and for the year ended December 31, 2017:	Transactions	Outstanding balance	Terms and conditions
<i>Trade receivables</i>			Sales of condominium units to related parties are based on the effective price list and terms that would be available to third parties. The receivables are secured with related units until full payment; and payable monthly within two (2) years.
Principal Shareholder Greenhills Properties, Inc.			
Sale of real estate inventories	P348,616,409		
Collections during the year	87,154,102	P261,462,307	
<i>Purchase of services</i>			Purchase of services are negotiated with related parties on a cost-plus basis and are due 30 days after the end of the month. These receivables are unsecured and bear no interest and settled in cash.
Subsidiary Tektite Insurance Brokers, Inc.			
Purchase of services	8,407,820		
Payments during the year	(8,914,583)	298,286	
PRHC Property Managers, Inc.			
Purchase of services	3,587,378		
Payments during the year	(3,798,030)	121,183	
Meridian Assurance Corp.			
Purchase of services	331,434		
Payments during the year	(331,434)	-	
<i>Forward</i>			

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As at and for the year ended December 31, 2017:	Transactions	Outstanding balance	Terms and conditions
<i>Loans payable</i>			
Principal Shareholder Greenhills Properties, Inc.			See Note 23
Availment of loan	P195,000,000		
Payments during the year	132,154,102	P107,845,898	
Associate Meridian Assurance Corporation			
Availment of loan	-		See Note 23
Payments during the year	-	50,000,000	
<i>Advances</i>			
Alexandra (USA), Inc., Associate	-	132,417,765	Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.
Universal Travel Corporation, Subsidiary	-	52,350,191	
Sultan's Power, Inc., Subsidiary	17,142,897	73,886,914	
PRHC Property Managers, Inc., Subsidiary	1,077,251	3,411,064	
Le Cheval Holdings, Inc., Associate	19,657	81,235	
Meridian Assurance Corporation, Associate	-	(643)	
Less: Allowance for impairment loss	-	(166,223,470)	
Balance, net	18,239,805	95,923,055	
<i>Key management personnel</i>			
Short-term benefits			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement.
Salaries and other short-term employee benefits	46,920,465		
Termination benefits			
Provision for retirement benefits/PVO	13,819,273	12,250,682	
<i>Trade receivables</i>			
Principal Shareholder Greenhills Properties, Inc.			Sales of condominium units to related parties are based on the price list in force and terms that would be available to third parties. The receivables are secured; and payable monthly in two (2) years.
Sale of real estate inventories	P -		
Collections during the year	31,304,875	P -	
<i>Purchase of services</i>			
Subsidiary Tektite Insurance Brokers, Inc.			Purchase of services is negotiated with related parties on a cost-plus basis and are due 30 days after the end of the month. These receivables are unsecured and bear no interest and settled in cash.
Purchase of services	1,963,482		
Payments during the year	(1,755,005)	208,477	

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As at and for the year ended December 31, 2016:	Transactions	Outstanding balance	Terms and conditions	
PRHC Property Managers, Inc.				
Purchase of services	P2,151,309			
Payments during the year	(1,819,474)	P331,835		
<i>Loans payable</i>				
Principal Shareholder Greenhills Properties, Inc.			The loan bears 4% interest and is payable on May 25, 2017 (see Note 23).	
Availment of loan	45,000,000			
Payments during the year	-	45,000,000		
Associate				
Meridian Assurance Corporation			See Note 23.	
Availment of loan	50,000,000			
Payments during the year	-	50,000,000		
<i>Advances</i>				
Alexandra (USA), Inc., Associate	-	132,417,765	Advances to subsidiaries and associates are unsecured, non-interest bearing and settled in cash.	
Universal Travel Corporation, Subsidiary	-	52,350,191		
Sultan's Power, Inc., Subsidiary	24,527,468	56,744,016		
Tektite Insurance Brokers, Inc. (TIBI), Subsidiary	2,376,092	2,376,092		
PRHC Property Managers, Inc., Subsidiary	1,131,573	2,333,813		
Le Cheval Holdings, Inc., Associate	21,477	61,579		
Meridian Assurance Corporation, Associate	-	(643)		
Less: Allowance for impairment loss	-	(166,223,470)		
Balance, net	28,056,610	80,059,343		
<i>Key management personnel</i>				
Short-term benefits			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement.	
Salaries and other short-term employee benefits	49,109,875			
Termination benefits				
Provision for retirement benefits/PVO	9,963,414	126,414,952		

Purchase of services

The Company has an existing agreement with PPMI, a subsidiary, for the latter to manage its real estate properties. In consideration thereof, the Company pays PPMI a fee as stipulated in the management agreement.

In the normal course of business, the Company purchases insurance policies through TIBI.

Advances to related parties

The Company's substantial receivables from AUI, an associate, which is intended to fund the latter's working capital requirement, represents non-interest bearing advances with no fixed term with the

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option to convert to equity in case of increase in capital. Advances contributed by AUI's stockholders were in accordance with the percentage of ownership of the stockholders in AUI. Outstanding receivables amounted to P132.42 million in 2017 and 2016, and is included as part of advances to subsidiaries and associates as disclosed in Note 16.

The Company has provided total allowance for unrecoverable advances amounting to P166.22 million as at December 31, 2017 and 2016 (see Note 16).

25. Retirement Benefit Plan

The Company operates a funded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The plan is administered by a local bank as trustee and provides for a lump-sum benefit payment upon retirement. The benefits are based on the employees' monthly salary at retirement date multiplied by years of credited service. No other post-retirement benefits are provided.

Through its defined benefit retirement plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

- *Asset volatility* - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- *Inflation risk* - Some of the Company's retirement obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary on February 22, 2018 for the year ended December 31, 2017. The present value of the defined benefit obligation, and the related current service cost were measured using the Projected Unit Credit Method.

The reconciliation of the present value of the defined benefit obligation (PVO) and the fair value of the plan assets to the recognized liability presented as retirement benefit obligation in the separate statements of financial position is as follows:

	2017	2016
Present value of defined benefit obligation	P32,889,448	P144,110,468
Fair value of plan assets	19,933,412	19,670,579
Recognized liability	P12,956,036	P124,439,889

The movements in the present value of defined benefit obligation are shown below:

	2017	2016
Liability at beginning of year	P144,110,468	P64,332,192
Current service cost	5,693,372	9,365,954
Interest cost	1,502,068	2,119,536
Past service cost	-	68,805,021
Benefits paid	(132,600,000)	-
Forward		

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	2017	2016
Remeasurement losses (gains)		
Experience adjustments	P15,209,392	P2,197,293
Changes in demographic assumptions	(39,445)	-
Changes in financial assumptions	(986,407)	(2,709,528)
Liability at end of year	P32,889,448	P144,110,468

The movements in the plan assets are shown below:

	2017	2016
Fair value of plan assets at beginning of year	P19,670,579	P19,428,078
Interest income	329,483	120,340
Remeasurement gain (loss)		
Return on plan assets, excluding amounts included in interest income	(66,650)	122,161
Fair value of plan assets at end of year	P19,933,412	P19,670,579

The Company expects to contribute P11,588,441 to the retirement fund in 2018.

The major category of plan assets as at December 31, 2017 and 2016 are as follows:

	2017	2016
Cash and cash equivalents	P17,762,512	P17,499,679
Equity instruments	2,170,900	2,170,900
	P19,933,412	P19,670,579

The retirement expense recognized in profit or loss consists of:

	2017	2016	2015
Current service cost	P5,693,372	P9,365,954	P6,883,400
Net interest on defined benefit liability (asset)	1,172,585	1,999,196	(26,497)
Past service cost	-	68,805,021	1,337,526
	P6,865,957	P80,170,171	P8,194,429

The retirement expense is recognized as part of employees' benefits under operating expenses in the separate statements of total comprehensive income (see Note 31).

The principal assumptions used to determine retirement benefits obligation of the Company are as follows:

	2017	2016
Discount rate	5.77%	5.56%
Future salary increase	4.00%	4.00%

Assumptions regarding future mortality and disability are set based on actuarial advice in accordance with published statistics and experience.

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The sensitivity analysis of the defined benefit obligation is:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	1.00%	P2,873,533
	(1.00)	3,799,540
Future salary increase	1.00	3,830,262
	(1.00)	2,843,105

The above sensitivity analyses are based on changes in principal assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized in the separate statements of financial position.

The BOD reviews the level of funding required for the retirement fund. This includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

As of December 31, 2017, the weighted average duration of defined benefit obligation is 24.43 years (2016: 19.16 years).

26. Contingencies

The Company is involved in a lawsuit pending decision by the Supreme Court, as follows:

In 1998, the Company sued Universal Leisure Corporation (ULC) for failing to pay the remaining sales price of condominium units. ULC bought several condominium units under two Contracts to Sell. After paying the down payment, ULC refused to pay the balance due in the principal sums of P32.5 million and P32.4 million. In February 2004, a decision was rendered in favor of the defendant on the account that ULC is an assignee of receivables from DMCI Project Developers, Inc. (DMCI) and Universal Rightfield Property Holdings, Inc. (URPHI). These receivables are allegedly owed by the Company to DMCI and URPHI as a result of cancellation of a joint venture agreement in 1996 entered into by the Company, DMCI and URPHI. The Company was ordered to deliver to ULC the titles of the condominium units and return to ULC, as assignee of defendants DMCI and URPHI, the amount of P24.7 million and pay attorney's fees of P600,000. The Company appealed the decision to the Court of Appeals which affirmed the trial court's decision. During 2011, the Company provided an allowance of P15,507,800 for accounts receivable that are deemed not recoverable from ULC. In December 2012, the Company filed a motion for Reconsideration and the same was denied. Thereafter, the Company filed a Petition for Review on Certiorari with the Supreme Court where the matter is still pending as of reporting date.

In addition, the Company is involved in certain claims and pending lawsuits arising in the ordinary course of business which is either pending decision by the courts or under negotiation.

Management believes that the final settlement, if any, of the foregoing lawsuits or claims would not adversely affect the Company's financial position or results of operations.

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27. Operating Lease Agreements

Property rental income earned during 2017, 2016 and 2015 amounted to P45.4 million, P17.94 million, and P19.76 million, respectively. The lease contracts between the Company and its lessees have a term of one year which are renewable annually.

Deferred rental income classified under other non-current liabilities amounting to P64.8 million as of December 31, 2017 pertains to advance rent received from lessees to be applied on the last three (3) months of the lease contract.

Refundable deposits on these lease agreements amounted to P12,425,755, and P5,999,528 in 2017 and 2016, respectively, and is included as part of trade and other payables as disclosed in Note 21.

Interest income for late payments amounted to nil, P125,245 and P6,973 in 2017, 2016 and 2015, respectively.

28. Interest Income

This account consists of interest from:

	<i>Note</i>	2017	2016	2015
Joint arrangement	18	P10,005,694	P10,005,694	P10,005,694
Trade receivables	11	879,085	746,775	1,654,069
Penalty for late payments	27	-	125,245	6,973
Cash and cash equivalents	8	472,119	62,672	812,351
Others		70,699	110,255	2,249,038
		P11,427,597	P11,050,641	P14,728,125

Interest income from joint arrangement pertains to the agreed amount of interest due to late remittance of the quarterly payments as mentioned in Note 18.

29. Other Income

This account consists of:

	<i>Note</i>	2017	2016	2015
Gain on change to fair value of investment properties	18	P336,789,195	P -	P -
Unrealized holding gain on financial assets at FVPL	9	2,567,542	7,559,984	-
Reversal of various payables and accruals		1,058,516	1,354,928	7,340,207
Dividend income	9	400,915	306,679	313,904
Commission Income		56,696	-	-
Unrealized foreign exchange gain		-	109,258	539,016
Refunds from electric company		-	-	682,033
Miscellaneous		-	100	884,813
		P340,872,864	P9,330,949	P9,759,973

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30. Cost of Services

	<i>Note</i>	2017	2016	2015
Condominium dues		P14,291,435	P3,009,642	P4,261,977
Depreciation				
Investment properties	19	10,949,120	12,533,634	12,496,174
Property and equipment	20	447,716	-	-
Taxes and licenses		5,520,127	3,082,791	2,263,214
Outside services		2,353,008	1,513,575	1,879,385
Insurance and bond premiums		1,939,127	495,237	915,360
Repairs and maintenance		1,736,541	890,066	370,270
Utilities		1,695,687	1,328,414	2,387,511
Supplies and materials		900,378	866,298	989,938
Management and consultant fees		344,544	-	-
Communication		25,759	19,222	-
Others		1,229,815	1,233,999	1,118,019
		P41,433,257	P24,972,878	P26,681,848

31. General and Administrative Expenses

	<i>Note</i>	2017	2016	2015
Marketing expenses		P89,764,801	P29,898,450	P14,952,399
Salaries and wages		55,499,083	62,862,568	69,351,693
Transportation and travel		40,570,266	13,538,847	11,713,123
Representation and entertainment		25,753,939	2,508	326,620
Professional fees		24,132,673	16,652,977	8,137,059
Taxes and licenses		12,008,590	18,978,391	11,725,374
Depreciation and amortization				
Property and equipment	20	9,745,286	7,725,438	7,262,668
Investment properties	19	4,083,075	1,918,168	1,918,168
Provision for retirement benefits	25	6,865,957	80,170,171	8,194,429
Insurance and bond premiums		6,160,306	4,575,358	7,122,850
SSS, Pag-ibig, Medicare and other short-term benefits		5,583,071	5,060,185	6,216,801
Outside services		4,852,815	4,397,986	4,206,638
Condominium dues		2,852,573	5,482,037	6,120,831
Utilities		2,137,330	2,436,958	573,927
Postage and communication		1,600,535	1,938,914	1,391,618
Impairment loss on receivables	11	1,576,440	929,643	17,244,728
Corporate social responsibility expenses		763,005	1,115,318	859,836
Membership dues		2,600	173,804	159,824
Impairment loss on other assets		-	-	7,770,831
Repairs and maintenance		-	-	6,086,146
Impairment loss on advances to subsidiaries	16,24	-	-	2,736,538
Supplies and materials		-	-	639,943
Impairment loss on investment in associates	15	-	-	11,250
Miscellaneous		8,683,020	2,083,115	2,126,466
		P302,635,365	P259,940,836	P196,849,760

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32. Other Expenses

	<i>Note</i>	2017	2016	2015
Bank charges		P707,727	P123,949	P114,830
Unrealized foreign exchange loss		161,501	-	-
Realized loss on disposal of financial assets at FVPL	9	64,341	-	21,253,539
Miscellaneous expense		1,373	-	-
		P934,942	P123,949	P21,368,369

33. Income Taxes

Components of income tax expense (benefit) are as follows:

	2017	2016	2015
Current	P7,751,631	P32,513,120	P2,114,819
Deferred	121,770,608	(24,095,968)	(599,505)
	P129,522,239	P8,417,152	P1,515,314

The reconciliation of the provision for income tax expense (benefit) computed at the statutory rate to the provision shown in the statements of total comprehensive income is as follows:

	2017	2016	2015
Accounting income (loss) before tax	P377,517,277	P36,411,792	(P138,239,017)
Income tax expense (benefit) using statutory tax rate	113,255,183	10,923,537	(41,471,705)
Additions to (reductions in) income tax resulting from the tax effects of:			
Limit on representation expense	4,116,834	-	-
Limit on interest expense	58,425	-	-
Dividend income	(120,274)	(92,004)	(94,171)
Interest income subjected to final tax	(141,636)	(18,802)	(243,705)
Unrealized loss (gain) on trading investments	(770,262)	(2,267,995)	6,376,062
Gain on sale of share of affiliated company	(5,761,798)	-	-
Unrecognized deferred tax assets	18,957,463	-	29,941,153
Impairment loss on trade receivables	-	278,893	178,667
Reversal of accruals and payables	-	(406,477)	-
Impairment loss on accrued interest receivable	-	-	4,994,751
Impairment loss on other assets	-	-	1,834,262
Others	(71,696)	-	-
	P129,522,239	P8,417,152	P1,515,314

The Company is subject to either the 30% regular income tax or 2% minimum corporate income tax (MCIT), whichever is higher. The excess MCIT over the regular income tax shall be carried forward and applied against the regular income tax due for the next three consecutive taxable years.

PHILIPPINE REALTY AND HOLDINGS CORPORATION
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Deferred income tax asset (liability) recognized by the Company consists of:

	2017		2016	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Deferred Tax Asset				
Retirement benefit obligation charged to OCI	P49,029,998	P14,708,999	P34,779,807	P10,433,942
Retirement benefit obligation charged to profit or loss	-	-	89,660,092	26,898,027
Deferred Rent Income	64,853,259	19,455,978	-	-
	113,873,257	34,161,977	124,439,899	37,331,969
Deferred Tax Liabilities				
Gain on change to fair value of investment properties	(336,789,196)	(101,036,758)	-	-
Retirement benefit obligation charged to profit and loss	(36,073,962)	(10,822,188)	-	-
Accrued rent receivable	(8,337,490)	(2,501,247)	-	-
Unrealized foreign exchange gain	-	-	(105,446)	(31,634)
	(381,209,648)	(114,360,193)	(105,446)	(31,634)
	(P267,317,391)	(P80,195,216)	P124,334,453	P37,300,335

The Company's unrecognized deferred tax assets pertain to the following:

	2017		2016	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Allowance for impairment loss on advances to subsidiaries and associates	P166,223,471	P49,867,041	P166,223,471	P49,867,041
Net operating loss carry-over	127,136,651	38,140,995	90,006,662	27,001,999
Allowance for impairment loss on receivables	37,240,467	11,172,140	37,179,184	11,153,755
Unrealized foreign exchange loss	161,501	48,450	-	-
Allowance for impairment loss on investments in subsidiaries and associates	19,918,196	5,975,459	19,918,196	5,975,459
MCIT	9,866,450	9,866,450	8,057,863	8,057,863
Total	P360,546,736	P115,070,535	P321,385,376	P102,056,117

Deferred tax assets have not been recognized in respect of the above items because it is not probable that sufficient future taxable profit will be available against which the Company can utilize the benefits there from.

Details of NOLCO are as follows:

Year Incurred	Amount	Expired/Applied	Balance	Expiry Date
2017	P37,129,988	P -	P37,129,988	2019
2015	90,006,662	-	90,006,662	2018
	P127,136,650	P -	P127,136,650	

PHILIPPINE REALTY AND HOLDINGS CORPORATION
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The Company has MCIT that can be claimed as tax credits against future normal income tax liabilities as follows:

Year Incurred	Expiry date	Amount	Applied/Expired	Balance
2017	2020	P7,751,632	P -	P7,751,632
2016	2019	6,979,694	-	6,979,694
2015	2018	2,114,819	-	2,114,819
2014	2017	5,943,044	(5,943,044)	-
		P22,789,189	(P5,943,044)	P16,846,145

34. Capital Stock

	Note	2017	2016	2015
Authorized				
8,000,000,000 common shares at P0.50 par value in 2017 and 2016 and at P1 par value in 2015	35	P4,000,000,000	P4,000,000,000	P8,000,000,000
Issued and outstanding				
3,688,869,745 shares in 2017 and 2016; 3,688,839,345 shares in 2015	35	1,844,434,873	1,844,434,873	3,688,839,345
Subscribed				
1,314,711,262 shares in 2017 and 2016; 1,314,741,662 shares in 2015		657,355,632	657,355,632	1,314,741,662
Subscriptions receivable		(157,592,010)	(243,911,981)	(487,854,362)
		499,763,622	413,443,651	826,887,300
		2,344,198,495	2,257,878,524	4,515,726,645
Additional paid-in capital				
Balance at beginning of year		557,014,317	114,751	114,751
Movements during the year	35	-	800,841,947	-
Subscription receivable	35	-	(243,942,381)	-
Balance at end of year		557,014,317	557,014,317	114,751
		P2,901,212,812	P2,814,892,841	P4,515,841,396
Treasury				
81,256,100 common shares with average cost of P1.35 per share		P109,712,439	P109,712,439	P109,712,439

PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

35. Quasi-Reorganization/Reduction in Par Value

On November 21, 2014, the shareholders of the Company approved the following:

Quasi-reorganization consists of the following:

- Reduction of par value of the Company's common shares from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share.
- Decrease in the authorized capital stock of the Corporation from Eight Billion Pesos (P8,000,000,000) to Four Billion Pesos (P4,000,000,000), divided into Eight Billion (8,000,000,000) Common Shares.
- Resulting surplus from the reduction of par value to be credited to additional paid-in capital amounting to P1,700,948,556 as of December 31, 2014.
- Offset of the Company's deficit as of December 31, 2014 against additional paid in capital.

The above was approved by the SEC on February 9, 2016.

36. Reserves

This account consists of:

	<i>Note</i>	2017	2016	2015
Revaluation on Available-for sale				
Investments				
Balance at beginning of year		(P49,279,338)	(P85,337,150)	(P45,788,303)
Movements during the year		27,071,492	36,057,812	(39,548,847)
Balance at end of year	10	(22,207,846)	(49,279,338)	(85,337,150)
Remeasurement Loss on				
Retirement Benefit Obligation				
Balance at beginning of year		(24,345,865)	(25,983,412)	(21,906,944)
Actuarial gain (loss) during the year – gross		(14,250,193)	2,339,352	(5,823,526)
Actuarial gain (loss) during the year – tax effect		4,275,058	(701,805)	1,747,058
Balance at end of year	25	(34,320,100)	(24,345,865)	(25,983,412)
Appropriated retained earnings		250,000,000	250,000,000	250,000,000
		P193,471,154	P176,374,797	P138,679,438

The Company's appropriated retained earnings amounting to P250,000,000 was allocated for treasury stock acquisitions.

37. Basic Earnings (Loss) Per Share

	2017	2016	2015
Net income (loss)	P247,995,038	P27,994,640	(P139,754,331)
Weighted average no. of common shares - issued and outstanding	4,922,324,907	4,922,324,907	4,922,324,907
Basic earnings (loss) per share	P0.05	P0.01	(P0.03)

PHILIPPINE REALTY AND HOLDINGS CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

The weighted average number of common shares issued and outstanding was computed as follows:

	2017	2016	2015
Issued and outstanding	3,688,869,745	3,688,869,745	3,688,839,345
Subscribed shares	1,314,711,262	1,314,711,262	1,314,741,662
Treasury shares	(81,256,100)	(81,256,100)	(81,256,100)
Average number of shares	4,922,324,907	4,922,324,907	4,922,324,907

The Company has no potential dilutive shares as at December 31, 2017, 2016 and 2015.

38. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

The Bureau of Internal Revenue issued RR15-2010 and RR2-2014 on December 10, 2010 and February 3, 2014, respectively, which requires certain tax information to be disclosed in the notes to the separate financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

PHILIPPINE REALTY AND HOLDINGS CORPORATION**SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)****I. Revenue Regulation No. 15-2010**

On December 28, 2010, Revenue Regulation (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

Below is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

A. Value added tax (VAT)

The NIRC of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. RA No. 9337 increased the value added tax (VAT) rate from 10.0% to 12.0%, effective February 1, 2006.

Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Output Value Added Tax (VAT)

Output VAT declared for the years ended December 31, 2017 and 2016 and the revenues upon which the same was based consist of:

	2017		2016	
	Gross amount	VAT	Gross amount	VAT
Subject to 12% VAT				
Sale of services/goods	P785,028,887	P94,203,466	P563,938,130	P67,672,575
Leasing Income	101,060,247	12,127,30	19,778,255	2,373,391
Zero-rated				
Sale of services	-	-	-	-
Exempt				
Sale of services	-	-	-	-
Total	P886,089,134	P106,330,696	P583,716,385	P70,045,966

PHILIPPINE REALTY AND HOLDINGS CORPORATION**SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)****b. Input Value Added Tax (VAT)**

Movements in input VAT for the years ended December 31, 2017 and 2016 follow:

	2017	2016
Balance at beginning of year	P43,194,606	P33,746,308
Input tax on Capital goods deferred from previous quarter	359,908	550,871
Add: Current year's domestic purchases/payments for:		
Services lodged under cost of goods sold	-	-
Goods for resale/manufacture or further processing	-	-
Services lodged under other accounts	23,381,924	37,121,069
Capital goods – not exceeding 1M	605,678	-
Capital goods – exceeding 1M	19,181,198	-
Goods other than for resale or manufacture	12,102,757	42,182,232
Less: Claims for tax credit/refund and other adjustments	-	-
Input tax on Capital goods deferred for succeeding periods	(17,654,634)	(359,908)
Balance at end of year	P81,171,437	P113,240,572

	2017	2016
VAT output tax declared for the year	P106,330,696	P70,045,966
Less: Balance of VAT input tax at the end of the year	81,171,437	113,240,572
Value added tax payable (excess input VAT) for the year	25,159,259	43,194,606
Less: VAT payments for the current year		
1 st quarter	-	-
2 nd quarter	-	-
3 rd quarter	8,453,286	-
October	265,422	-
November	2,433,255	-
VAT payable (Excess Input VAT)	P14,007,296	(P43,194,606)

B. Withholding taxes

Withholding taxes paid, accrued and/or withheld for the years ended December 31, 2017 and 2016 consist of:

	2017	2016
Withholding tax on compensation	P14,370,929	P17,433,746
Expanded withholding tax	22,753,793	13,741,877
	P37,124,722	P31,175,623

PHILIPPINE REALTY AND HOLDINGS CORPORATION**SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)****C. All other local and national taxes**

All other local and national taxes paid for the years ended December 31, 2017 and 2016 consist of:

	2017	2016
Cost of Service:		
Real estate taxes	P5,032,094	P3,082,791
Documentary stamp taxes	488,033	-
Operating and administrative:		
Real estate taxes	2,769,464	2,937,920
License and permits fees	8,533,557	14,991,602
Documentary stamp taxes	491,931	1,024,477
Miscellaneous	213,638	24,392
Capital Gains Tax	-	-
	P17,528,717	P22,061,182

The above local and national taxes are lodged under Taxes and Licenses account in operating expenses in the statements of total comprehensive income.

D. Tax Contingencies

The Company does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open tax years.

II. Revenue Regulation No. 2-2014

RR No. 2-2014 prescribes the new BIR forms that should be used for income tax filing covering and starting with the calendar year 2013. The Guidelines and Instructions Section of the new BIR Form 1702 (version June 2013) requires an attachment to the income tax returns is an Account Information Form and/or Financial Statements that include in the Notes to Financial Statements schedule of taxes and licenses and other information prescribed to be disclosed in the Notes to the Financial Statements.

The Company's schedule of taxes and licenses for the year ended December 31, 2017 is as follows:

Nature	Supporting Documents	Amount
Real estate taxes	Various ORs	P7,801,558
License and permits fees	Various ORs	8,533,557
Documentary stamp taxes	Various ORs	979,964
Miscellaneous	Various ORs	213,638
		P17,528,717