



2016
ANNUAL REPORT

**BUILDING
AN ICONIC
FUTURE**



Philippine Realty & Holdings Corporation

ABOUT THE COVER



From the exclusive La Isla to the trendsetting The Alexandra and Tektite Towers in Pasig City and the latest SkyVillas at One Balete in Quezon City, your company has always been about putting out into the market professionally executed developments that eventually become icons.

Indeed, PhilRealty's meticulously designed and developed projects are not mere majestic steel and concrete structures but rather beloved homes and offices that have managed to land a spot on the short list of coveted addresses in the crowded real estate sector.

And we at PhilRealty are not done yet. Revitalized and with a renewed sense of purpose, your company, with its stronger financial and organizational muscle, is raring to bring to the fore even more landmark developments around the country, putting us firmly on our way to building an iconic future.

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OUR MISSION

We **invest** in businesses that create fair, equitable and enduring shareholder and customer values, with particular focus on real estate development.

We **distinguish** ourselves from other property developers by building communities that combine aesthetics with functionality and preserve the environment.








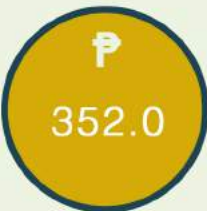
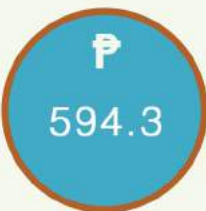
We **value** integrity, transparency, and accountability; these characterize our dealings with our shareholders, investors, trade partners, customers, employees, and the general public.







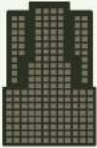





We **nurture** a working environment that allows people to grow with the company and encourages them to achieve their full potential as professionals and as individuals.

We **affirm** our duties as good corporate citizen. We commit to assist underprivileged sectors of society in improving the quality of their lives.



FINANCIAL HIGHLIGHTS

2014	2015	2016
SALE OF REAL ESTATE <i>FOR THE YEAR (IN MILLION PESOS)</i>		
 180.8	 268.2	 356.7
OTHER INCOME		
 336.1	 83.8	 237.6
TOTAL REVENUES		
 516.8	 352.0	 594.3
INCOME (LOSS) BEFORE INCOME TAX		
122.7	(154.1)	1.4
NET INCOME (LOSS)		
109.2	(156.7)	(8.4)

2014	2015	2016
TOTAL ASSETS <i>AT YEAR END (IN MILLION PESOS)</i>		
 3,187.0	 3,094.3	 3,449.8
NET WORTH		
 2,884.9	 2,686.1	 2,717.8
REAL ESTATE HELD FOR SALE AND DEVELOPMENT		
 188.7	 188.7	 188.7
PER SHARE EARNINGS (LOSS)		
 0.02	 (0.03)	 0.00
BOOK VALUE		
0.69	0.65	0.66

MESSAGE TO SHAREHOLDERS

Dear Stockholders,

The year 2016 will go down in the long history of PhilRealty as one of the most significant, marked by turning points that have placed your company firmly on the road toward the next stage of significant growth.

During the past year, your company aggressively pursued a sweeping restructuring program designed to further strengthen its balance sheet and financial position. It also bolstered ties with steadfast partners in the banking community, which warmly welcomed the company's bold return to the increasingly competitive real estate market.

And to build on the gains generated from the first year of your company's exit from its court-approved corporate rehabilitation program, your company wasted no time putting in place an ambitious strategy formulated to take advantage of the golden opportunities presented by the continuous growth of the country's vibrant property sector.

In the residential sector, your company focused on the continuous development of the six-tower One Balete complex in Quezon City. The SkyVillas project which bears our unique signature of luxury family developments has perked up the market and has generated strong interest among prospective buyers here and abroad.

Also, PhilRealty has started securing long-term lease arrangements for the office and storage units in the Philippine Stock Exchange Center in the Ortigas central business district to generate additional recurring income and bolster our bottom line.

PhilRealty has likewise started the long but exciting process that will eventually result in the development of a prime piece property in the Bonifacio Global City, leisure projects in key leisure areas and even a 35-50-hectare master planned township that will fit into our patented boutique development concept.



*Gerardo O. Lanuza, Jr. (Chairman)
and Alfredo S. Del Rosario, Jr. (President and CEO)*

These projects will be executed through planned joint venture agreements with GPI, PhilRealty's holding company, and other investors keen on financing these ventures.

We are unquestionably on track with our goals, with 2016 seeing your company swing back to a profit position with consolidated net income before tax of P1.4 million from a net loss of P154.1 million in 2015, which is a significant swing of P155.5 million. This was achieved on the back of increased revenues while keeping expenses on a tight rein.

This gives us the leeway and the inspiration to pursue our strategy that will literally pay dividends in the more foreseeable future.

We would not have been able to be in this encouraging position without your support and trust, the trust that has been propelling your company to dig deep and open a new chapter for PhilRealty.

As we do so, we are guided by our unwavering mission to build not just inspiring properties but also thriving communities that endure.

We will continue to take to heart the value that have long made PhilRealty stand out from the rest of the players in the crowded sector, those of luxury and quality that can be seen in all of the projects that bear the PhilRealty mark.

The road ahead remains long but we are motivated by the positive signs that are lighting our way. Rest assured that your management team is on deck to direct your company toward a more profitable future.



PHILREALTY TURNS A PAGE, BEGINS NEW CHAPTER

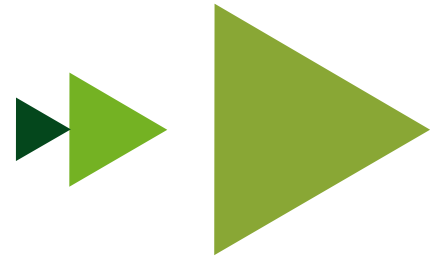
On January 4, 2017, Philippine Realty and Holdings Corporation formally exited from a court-approved rehabilitation program, allowing the property company known for its boutique developments, to aggressively pursue its return to the hypercompetitive real estate development arena.

The feat can be attributed to PhilRealty's deft reengineering that it pursued to the letter, and the many assets that it had at its disposal such as its land bank. Moreover, PhilRealty had extensive knowledge of the market that it has acquired since its incorporation in 1981, as well as its hard-earned reputation for adding to the market iconic real estate developments that were aligned to its boutique development thrust.

LANDMARK DEVELOPMENTS

Its unique and trend-setting projects include The Alexandra, the first intimate condominium subdivision; the Tektite Towers, home of some of the country's leading corporate and financial players; and La Isla, an uncompromised vertical community with large cuts and bi-level apartments.

Over the past 15 years, PhilRealty carefully went through its portfolio assets and entered into various arrangements with partners. It also struck restructuring programs and forged dacion en pago arrangements for better financial management. At the same time, PhilRealty relentlessly pursued the development of its One Balete project on the former Pepsi Cola property, highlighted by SkyVillas, yet another iconic development that is inspired by the elegant homes in New Manila and with varying cuts that go up to as large as 500 square meters. Indeed, luxurious family living done the inimitable way of PhilRealty.



The One Balete project was launched starting with SkyLine, soon after the completion of the Tektite Towers. Then in November 2012, PhilRealty held the ceremonial concrete pouring for its second tower, the SkyVillas at One Balete, which was accordingly completed and turned over as scheduled. This has since been warmly received by home buyers who are spoiled for choice, and many have already moved in, enjoying the benefits of living in a master-planned PhilRealty development.

ICONIC FUTURE

PhilRealty is guided by the lessons and the glories of its past, but its sights are determinedly set on a new and bright future. The growth of PhilRealty continues with sales expected to stabilize as it widens its market reach in a big way through SkyVillas and the entire One Balete project in the genteel New Manila area. Likewise, on the drawing board is the plan to develop a valuable 6,400-square-meter property in the Bonifacio Global City in joint venture with its principal shareholder, Greenhills Properties Inc. While modest, the project promises to be a rainmaker for the group, thus helping strengthen the financial muscle it needs to venture further afield.

Furthermore, an investment agreement between Sultan's Power Inc., a subsidiary of PhilRealty, and Recon X, an energy innovation company, will soon start operations on a recyclable energy venture.

PhilRealty is also delving into the development of properties in key leisure areas, taking measured and deliberate steps to ensure the maximum return on its investment and that the value of the properties is considerably enhanced. PhilRealty is on a constant pursuit of assets that will generate more income for the company and is ready to embark on a land banking program.

The strategy is to make all assets fully productive to keep the revenue tap flowing and the bottom line progressively healthy.

Last quarter of 2016 saw the move of corporate offices of PhilRealty to Quezon City. After close to four decades at the Ortigas Business District, and in its developed property, Tektite Towers, the company relocated to the One Balete Compound. This move will help unlock the financial rental income from the office space. The space has now been rented, and the company is actualizing the cash flow for 2017. Other dormant assets also within Tektite Towers saw new tenancies. Another key factor to the move is to be within the development sphere of New Manila and Quezon City. Development of properties is on an upswing with the anticipated improvement in traffic access. With the potential completion of the new inter-linking road network, travel between North and South will significantly lessen. Being in New Manila will also allow the company to take stock of the competitive landscape. The company is nimble enough to retool its strategy for the compound given the needs of the market.

PhilRealty is definitely back, stronger and more resilient than ever; ready and willing to capture a profitable slice of the property market.



EXECUTIVE OFFICERS



From L-R: Erwin V. Ciar, Jose Ramon D. Olives, Gerardo Domenico Antonio V. Lanuza, Vincent Fischer, Alfredo S. Del Rosario, Jr., Adeline Susan C. Carag, Marissa S. Bontogon, and Edward Ross M. Encarnacion

PRINCIPAL OFFICERS

Alfredo S. Del Rosario, Jr.
President & C.E.O

Gerardo Domenico Antonio V. Lanuza
Executive Vice President, C.O.O

Jose Ramon D. Olives
Vice President, Chief Brand Officer /
Compliance Officer

Erwin V. Ciar
Vice President, Project & Construction
Management Head

Vincent Fischer
Vice President, Chief Finance Officer /
Treasurer

Rex P. Bonifacio
Corporate Secretary

Edward Ross M. Encarnacion
Vice President, Head of Shared Services

Adeline Susan C. Carag
Vice President, Head of Property and
Management Services

EXECUTIVE COMMITTEE

Gerardo O. Lanuza, Jr. Chairman

Amador C. Bacani Member

Mariano C. Ereso Jr. Member

Alfredo S. Del Rosario Jr. Member

Gerardo Domenico Antonio V. Lanuza
Member

PROCUREMENT COMMITTEE

Andrew C. Ng Chairman

Gerardo O. Lanuza, Jr. Member

Amador C. Bacani Member

Mariano C. Ereso Jr. Member

Gerardo Domenico Antonio V. Lanuza
Member

AUDIT COMMITTEE

Renato G. Nuñez Chairman
(Independent Director)
Mariano C. Ereso, Jr. Member
Amador C. Bacani Member

NOMINATION AND COMPENSATION COMMITTEE

Andrew C. Ng Chairman
Mariano C. Ereso, Jr. Chairman
Lorenzo V. Tan Member
(Independent Director)

MANAGEMENT COMMITTEE

Alfredo S. Del Rosario Jr. Chairman
Gerardo Domenico Antonio V. Lanuza Member
Vincent Fischer Member
Erwin V. Ciar Member
Jose Ramon Olives Member
Marissa Bontogon Member
Edward Ross M. Encarnacion Member
Adeline Susan C. Carag Member

EXECUTIVE OFFICERS - SUBSIDIARIES

Gerardo Domenico Antonio V. Lanuza
President and CEO, Meridian Assurance Corporation

Antonio U. Reyes - Cuerva
President, Tektite Insurance Brokers, Inc.

Pilar L. Busman
General Manager, Universal Travel Corporation

Gerardo Domenico Antonio V. Lanuza
President, Sultan's Power, Inc.

Adeline Susan C. Carag
President and CEO, PRHC Property Managers, Inc.

RETIREMENT PLAN COMMITTEE

Antonio O. Olbes Chairman
Alfredo S. Del Rosario Jr. Member
Gerardo Domenico Antonio V. Lanuza Member
Vincent Fischer Member

PROJECT COMMITTEE

Alfredo S. Del Rosario Jr. Chairman
Gerardo Domenico Antonio V. Lanuza Member
Vincent Fischer Member
Erwin V. Ciar Member



BOARD OF DIRECTORS



Gerardo O. Lanuza, Jr.
Chairman



Antonio O. Olbes
Vice Chairman



Amador C. Bacani
Member



**Alfredo S.
Del Rosario, Jr.**
Member



Andrew C. Ng
Member



Fidel R. Racasa
Member



**Gerardo Domenico
Antonio V. Lanuza**
Member



Gregory G. Yang
Member



Renato G. Nuñez
Member



Lorenzo V. Tan
Member



Mariano C. Ereso, Jr.
Member



Philippine Realty & Holdings Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PHILIPPINE REALTY AND HOLDINGS CORPORATION and SUBSIDIARIES (the Group)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, 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.

GERARDO LANUZA, JR.
Chairman of the Board

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

VINCENT FISCHER
Chief Financial Officer/Treasurer

Signed this 9th day of May 2017



Philippine Realty & Holdings Corporation

MAY 09 2017

SUBSCRIBED AND SWORN to before me this _____ day of April, 2017, 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

DOC. NO. 412
PAGE NO. 62
BOOK NO. 11
SERIES Q: 2017

[Signature]
ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. 5266148-1/3/2017 PASAY CITY
IBP NO. 1052058-1/3/2017 PASAY CITY
COMPLIANCE NO. U-0024151-10/25/2016
ROLL NO. 28761



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REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Directors
Philippine Realty and Holdings Corporation and Subsidiaries
Andrea North Complex, 1 Balete, Balete Drive corner
N. Domingo Street, New Manila, Quezon City

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its cash flows for the three years in the period ended December 31, 2016 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 Group 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.



Maceda Valencia & Co. is an independent member firm of Nexia International, a worldwide network of independent accounting and consulting firms. Nexia International does not accept any responsibility for the commission of any act, or omission to act by, or the liabilities of, any of its members. Membership of Nexia International, or associated umbrella organizations, does not constitute any partnership between members, and members do not accept any responsibility for the commission of any act, or omission to act by, or the liabilities of, other members.



Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which indicates that the Group earned a total comprehensive income of P27.38 million in 2016 and incurred a total comprehensive loss of P198.86 million in 2015, however, it has yet to generate sufficient recurring gross profit from sale and lease of real estate to cover fixed expenses. The Group is also in deficit position amounting to P111.27 million and P1.81 billion as at December 31, 2016 and 2015, respectively, which is principally attributable to Philippine Realty and Holdings Corporation (the "Parent Company"). This condition indicates the existence of a material uncertainty which may cast significant doubt about the Parent Company's ability to continue as a going concern. Management is aware of this condition and has accordingly instituted its plan and actions concerning these matters. On November 21, 2014, the Board of Directors and Shareholders approved the amendments to the Parent Company's Articles of Incorporation to reduce the par value of the Parent Company's common shares from P1.00 per share to P0.50 per share and the additional paid in capital arising from the reduction of the par value will be subsequently applied to the Parent Company's accumulated deficit.

On February 9, 2016, the SEC approved the Parent Company's quasi-reorganization thereby adjusting the total equity structure of the Parent Company starting year 2016. The Parent Company is continuing the development of One Balete Project (previously Andrea North Project), starting with the second tower, Skyvillas whose construction and marketing is ongoing. In addition, the Parent Company plans to enter into joint venture agreements with Greenhills Properties, Inc. ("Land Owner") and also partner with investors to finance residential, office, commercial, leisure developments and master-planned township projects. Upon termination of the Parent Company's court-approved Rehabilitation Plan on March 18, 2014 after its successful implementation, the Parent Company was able to resume normal business operations without the supervision of a court approved receiver. Accordingly, the accompanying consolidated financial statements have been prepared assuming the Parent Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. We conducted sufficient audit procedures to verify the validity of the aforementioned plan. The consolidated financial statements do not include any adjustments that may result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 Group's consolidated statement of financial position. Real estate inventories amounted to P1.67 billion representing 48.4% of the total assets as at December 31, 2016. 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, 2016, trade and other receivables has a total carrying amount of P808.58 million contributing 23.4% of the Group's total assets. Out of the total trade and other receivables, P689.67 million are already past due for more than a year but considered not impaired.

Our Response

Our audit procedures included the following:

- Testing the Group's controls over the receivables collection processes
- Testing the adequacy of the Group'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 Group'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 consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 audits.

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 consolidated 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.

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. 5918136

Issued on January 11, 2017 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. 08-005063-1-2015

Issued on February 2, 2015; effective until February 1, 2018

BOA/PRC Reg. No. 4748, effective until December 13, 2018

May 9, 2017

Makati City

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015



	Note	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	9	P55,843,067	P152,459,897
Financial assets at fair value through profit or loss	10	23,439,020	15,879,036
Available-for-sale (AFS) financial assets	11	130,555,203	95,544,306
Trade and other receivables – net	13	808,578,568	769,541,866
Real estate inventories	14	1,670,321,175	1,217,365,728
Prepayments and other assets – net	15	159,434,610	185,698,418
Total Current Assets		2,848,171,643	2,436,489,251
Non-current Assets			
Held-to-maturity (HTM) financial assets	12	1,000,000	1,000,000
Real estate held for development	16	188,653,713	188,653,713
Investments in and advances to associates – net	18	81,750,944	83,833,610
Land invested in a joint arrangement	17	-	61,383,253
Investment properties – net	20	196,982,999	212,100,992
Property and equipment – net	19	90,750,569	93,503,159
Deferred tax assets – net	36	42,495,050	17,249,329
Total Non-current Assets		601,633,275	657,724,056
		P3,449,804,918	P3,094,213,307
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Trade and other payables - current portion	21	P262,280,120	P139,509,071
Unearned income	22	18,018,915	43,466,339
Loans payable	23	137,131,075	59,259,997
Total Current Liabilities		417,430,110	242,235,407
Non-current Liabilities			
Trade and other payables - net of current portion	21	26,822,814	108,851,238
Loans payable - net of current portion	23	150,584,964	-
Retirement benefit obligation	24	143,908,920	59,696,804
Total Non-current Liabilities		321,316,698	168,548,042
		738,746,808	410,783,449
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	27,28	2,257,878,523	4,515,726,645
Additional paid-in capital	27,28	557,014,317	114,751
Reserves	29	177,517,992	142,656,538
Deficit		(111,274,009)	(1,808,992,212)
Treasury stock	27	(163,383,895)	(163,383,895)
		2,717,752,928	2,686,121,827
Equity Attributable to Non-Controlling Interest	30	(6,694,818)	(2,691,969)
		2,711,058,110	2,683,429,858
		P3,449,804,918	P3,094,213,307

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Note	2016	2015	2014
INCOME				
Sales of real estate		P356,678,738	P268,214,803	P180,748,212
Management fees	31	31,581,353	27,772,828	25,369,686
Rent	33	19,481,398	21,241,714	26,340,497
Interest	34	11,105,288	14,813,697	14,876,066
Commission	32	7,721,013	9,376,674	8,265,814
Gain on sale of land invested in a joint arrangement	17	156,916,474	-	-
Gain on sale of AFS financial assets		41,947	18,742	19,537
Gain on sale of investment property	20	-	-	148,015,030
Income from investment in joint arrangements	17	-	-	84,670,731
Other income	35	10,738,406	10,538,324	28,518,506
		594,264,617	351,976,782	516,824,079
COSTS AND EXPENSES				
Cost of real estate sold	15	223,046,461	203,958,701	179,392,456
Cost of services	36	51,444,181	49,236,760	42,636,259
General and administrative expenses	37	305,415,883	226,044,048	165,529,144
Finance cost	23	7,435,094	1,839,401	-
Equity in net loss of an associate	18	2,082,666	3,507,118	1,723,857
Loss on sales cancellations		-	-	4,237,491
Loss on sale of property and equipment		-	-	364,303
Other expenses	38	3,469,949	21,412,695	235,960
		592,894,234	506,068,723	394,119,470
INCOME (LOSS) BEFORE INCOME TAX		1,370,383	(154,091,941)	122,704,609
INCOME TAX EXPENSE	39	9,758,491	2,637,714	13,494,928
NET INCOME (LOSS)		(P8,388,108)	(P156,729,655)	P109,209,681
Attributable to:				
Equity holders of the parent		(P3,902,319)	(P156,415,644)	P109,497,619
Non-controlling interest	30	(4,485,789)	(314,011)	(287,938)
		(P8,388,108)	(P156,729,655)	P109,209,681
Other Comprehensive Income (Loss)				
Items that may be subsequently reclassified to profit or loss				
Unrealized holding gain (loss) on available-for-sale financial assets	11	P36,350,074	(P39,179,114)	P33,457,042
Transfer of loss on sale of available-for-sale investments to profit or loss		(41,947)	(10,663)	(2,855)
Item that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligation, net of tax		(541,767)	(2,940,892)	(6,455,983)
		35,766,360	(42,130,669)	26,998,204
Total Comprehensive Income (Loss)		P27,378,252	(P198,860,324)	P136,207,885
BASIC EARNINGS (LOSS) PER SHARE	40	(P0.00)	(P0.03)	P0.02

See Notes to the Consolidated Financial Statements.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Equity Attributable to Equity Holders of the Parent Company					
	Capital Stock (Notes 27 and 28)	Additional Paid-in Capital (Notes 27 and 28)	Reserves (Note 29)	Deficit	Treasury Stock (Note 27)	Total
Balance at January 1, 2014	P4,493,855,238	P114,751	P159,860,056	(P1,763,488,497)	(P163,383,895)	P2,726,957,653
Comprehensive income (loss)						
Net income (loss) for the year	-	-	-	109,497,619	-	109,497,619
Other comprehensive income for the year	-	-	25,933,562	711,059	-	26,644,621
Total comprehensive income for the year	-	-	25,933,562	110,208,678	-	136,142,240
Transactions with owners						
Collections of subscriptions receivable	21,841,006	-	-	-	-	21,841,006
Balance at December 31, 2014	4,515,696,244	114,751	185,793,618	(1,653,279,819)	(163,383,895)	2,884,940,899
Comprehensive income (loss)						
Net loss for the year	-	-	-	(156,415,644)	-	(156,415,644)
Other comprehensive income (loss) for the year	-	-	(43,137,080)	703,251	-	(42,433,829)
Total comprehensive loss for the year	-	-	(43,137,080)	(155,712,393)	-	(198,849,473)
Transactions with owners						
Collections of subscriptions receivable	30,401	-	-	-	-	30,401
Balance at December 31, 2015	4,515,726,645	114,751	142,656,538	(1,808,992,212)	(163,383,895)	2,686,121,827
Comprehensive income (loss)						
Net loss for the year	-	-	-	(3,902,319)	-	(3,902,319)
Other comprehensive income for the year	-	-	34,861,454	671,966	-	35,533,420
Total comprehensive income (loss) for the year	-	-	34,861,454	(3,230,353)	-	31,631,101
Transactions with owners						
Reduction of par value of capital stock	(2,257,848,122)	556,899,566	-	1,700,948,556	-	-
Share in capital stock of minority interest	-	-	-	-	-	-
Total transactions with owners	(2,257,848,122)	556,899,566	-	1,700,948,556	-	250,000
Balance at December 31, 2016	P2,257,878,523	P557,014,317	P177,517,992	(P111,274,009)	(P163,383,895)	P2,717,752,928
						(P6,694,818)
						P2,711,058,110

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	<i>Note</i>	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		P1,370,383	(P154,091,941)	P122,704,609
Adjustments for:				
Provision for retirement benefits	24	82,398,786	10,239,543	9,865,768
Depreciation and amortization	36,37	24,995,539	24,733,040	22,270,827
Finance costs	23	7,435,094	1,778,781	-
Equity in net loss of an associate	18	2,082,666	3,507,118	1,723,857
Impairment loss on trade and other receivables		1,257,943	17,244,728	-
Gain on sale of land invested in a joint arrangement	17	(156,916,474)	-	-
Interest income	34	(11,105,288)	(14,813,697)	(14,876,066)
Holding loss (gain) on trading investments	35	(7,559,984)	21,253,539	(26,531,263)
Reversal of various liabilities	35	(1,354,928)	(7,340,207)	(130,534)
Dividend income	35	(306,679)	(313,904)	(70)
Unrealized foreign exchange gain – net	35,38	(109,258)	(539,016)	(23,837)
Gain on sale of available for sale investments		(41,947)	(18,742)	-
Impairment loss on other assets		-	7,770,831	-
Impairment on investment in and advances to associates	18	-	11,250	-
Loss on sales cancellation		-	-	4,237,491
Loss on sale of property and equipment		-	-	364,303
Gain on sale of investment property	20	-	-	(148,015,030)
Income from investment in joint arrangements	17	-	-	(84,670,731)
Operating loss before working capital changes		(57,854,147)	(90,578,677)	(113,080,676)
Decrease (increase) in:				
Trade and other receivables		(74,709,538)	77,793,565	7,745,533
Prepayments and other assets		28,252,613	(10,227,803)	442,172
Real estate inventories		(452,955,447)	(97,120,471)	(182,305,791)
Increase (decrease) in:				
Trade and other payables		42,212,283	65,529,647	(19,839,690)
Unearned income		(25,447,424)	(18,653,838)	(12,354,844)
Cash used in operations		(540,501,660)	(73,257,577)	(319,393,296)
Contributions to retirement fund	24	(665,579)	(6,000,000)	(32,974,607)
Interest received		11,105,288	14,813,697	14,876,066
Dividends received		306,679	313,904	70
Income taxes paid		-	(2,648,377)	(15,470,422)
Net cash used in operating activities		(529,755,272)	(66,778,353)	(352,962,189)

Forward

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	<i>Note</i>	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional investments in a joint arrangement		P -	(P282,705)	(P887,605)
Additional investments in associates		-	-	(43,417,080)
Decrease (increase) in:				
Financial assets at fair value through profit or loss		1,077,871	714,721	2,210,613
Held-to-maturity investments		-	-	(1,000,000)
Additions to property and equipment	19	(8,060,924)	(4,176,415)	(29,450,230)
Additions to investment properties		-	(127,232)	(190,652)
Proceeds from sale of land invested in a joint arrangement		218,299,727	-	-
Proceeds from disposal of property and equipment		915,550	-	-
Proceeds from disposal of investment properties		-	-	226,378,880
Net cash provided by (used in) investing activities		212,232,224	(3,871,631)	153,643,926
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans	23	246,098,000	75,510,132	-
Finance cost paid		(7,549,824)	(1,558,876)	-
Payments of loans payable	23	(17,641,958)	(16,250,135)	-
Collection of subscriptions receivable	27	-	30,401	21,841,006
Net cash provided by financing activities		220,906,218	57,731,522	21,841,006
NET DECREASE IN CASH AND CASH EQUIVALENTS		(96,616,830)	(12,918,462)	(177,477,257)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		152,459,897	165,378,359	342,855,616
CASH AND CASH EQUIVALENTS AT END OF YEAR		P55,843,067	P152,459,897	P165,378,359

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Philippine Realty and Holdings Corporation (the “Parent Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 13, 1981. The principal activities of the Parent 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 Parent Company was listed with the Philippine Stock Exchange (PSE) on September 7, 1987.

The Parent 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 financial position and results of operations of the Parent Company and its subsidiaries (collectively referred to as the “Group”) are consolidated in these financial statements (see Note 8).

The Parent Company’s registered office is at Andrea North Complex, 1 Balete, Balete Drive corner N. Domingo Street, New Manila, Quezon City.

The Subsidiaries referred to herein and in the accompanying consolidated financial statements and the registered business activities and other information about the subsidiaries are discussed in Note 8.

Status of the Parent Company’s Operations

On March 18, 2014, as recommended by the Rehabilitation Receiver for the successful implementation of the court-approved Rehabilitation Plan, the Parent Company’s Motion to Terminate Rehabilitation Proceeding on the 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 Parent Company was able to resume normal business operations without the supervision of a court approved receiver. On February 9, 2016, the SEC approved the Parent 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 will be subsequently applied to the Parent Company’s accumulated deficit (see Note 28). 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 Group earned a total comprehensive income of P27.38 million in 2016 and incurred a total comprehensive loss of P198.86 million in 2015, however, it has yet to generate sufficient recurring gross profit from sale and lease of real estate to cover fixed expenses. The Group is also in deficit position amounting to P111.27 million and P1.81 billion as at December 31, 2016 and 2015, respectively, which is principally attributable to Philippine Realty and Holdings Corporation (the “Parent Company”). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Parent Company’s ability to continue as a going concern. The Parent Company plans to leverage its key understanding of the property market through its 5-pillar strategy. It plans to carry out this strategy through planned joint venture agreements with GPI (“Land Owner”) and also partner with other investors to finance the projects. First, its residential growth focuses on the development and sale of a six (6) tower complex in Quezon City called One Balete. Second, the office development at the 6,400 sq. m. property in the Bonifacio Global City (BGC) will be the jewel in the strategies growth velocity. Third, securing long-term lease for the office and storage units in the Philippine Stock Exchange Center (Tektite) in Ortigas to generate additional recurring income. Fourth, leisure developments are also in the pipeline with three properties in key tourist areas that are available for hotel or retirement communities. Finally, master planned township development on the 35 to 50 hectare range area now being planned to fit into boutique development concept of the Parent Company. The Parent Company continues to explore new communities outside Metro Manila.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements of the Group 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 accompanying consolidated financial statements as at and for the year ended December 31, 2016 were approved and authorized for issuance by the Board of Directors (BOD) on May 9, 2017.

Basis of Measurement

The consolidated 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 financial assets	Fair value
Retirement benefit obligation	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

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

Use of Estimates and Judgments

The preparation of the consolidated 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 consolidated financial statements are described in Note 4.

3. Significant Accounting Policies

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

The Group has adopted the following amendments to standards starting January 1, 2016. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's financial statements.

Amendments to Standards Adopted in 2016

- *PAS 1, 'Presentation of Financial Statements'* – The amendment addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
 - Information should not be obscured by aggregating or by providing immaterial information.

- Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
- An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- PAS 16, '*Property, plant and equipment*' and PAS 38, '*Intangible assets*' issued in May 2014. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- PAS 27, '*Separate Financial Statements*', the amendment allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- 2014 Annual improvements. These annual improvements amend standards from the 2012- 2014 reporting cycle. It includes changes to:
 - PFRS 7, '*Financial instruments: Disclosures*' - There are two amendments: (1) Servicing contracts – If an entity transfers a financial asset to a third party under condition which allow the transferor to derecognize the asset, PFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance about what is meant by continuing involvement. The amendment is prospective with an option to apply retrospectively. There is a consequential amendment to PFRS 1 to give the same relief to first time adopters. (2) Interim financial statements – the amendment clarifies that the additional disclosure required by the amendments to PFRS 7, '*Disclosure – Offsetting financial assets and financial liabilities*' is not specifically required for all interim periods unless required by PAS 34. This amendment is retrospective.
 - PAS 19, '*Employee benefits*' - The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.

New Standards and Amendments to Standards Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2017:

- 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *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.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

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 debt 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 method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg. 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.
- *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.

Upon approval by the Board of Accountancy, this standard will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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. Currently, early adoption is not permitted in the Philippines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group will assess the impact of the above new standards and amendments to standards effective subsequent to December 31, 2016 in its consolidated financial statements in the period of initial application. Additional disclosures as required will be included in the consolidated financial statements accordingly.

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.

Deferral of the local implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate

- *Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11 *Construction Contracts*, or PAS 18 *Revenue*, and the timing of revenue recognition.

The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company, the subsidiaries, up to December 31 each year. Details of the subsidiaries are shown in Note 8.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Parent Company controls an entity when the Parent 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 Parent Company. They are deconsolidated from the date that control ceases.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired i.e. discount on acquisition is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the Parent Company.

Acquisition-related costs are expensed as incurred.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates and joint ventures

An associate is an entity over which the Parent 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.

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. The investment is initially recognized at cost. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Parent Company's share in the net assets of the investee companies, less any impairment losses. The consolidated statements of total comprehensive income reflect the share of the results of the operations of the investee companies. The Parent Company's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Parent Company and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

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The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Upon loss of significant influence over the associate, the Group 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.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Segment Information

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 8 to the financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

For management purposes, the Group is currently organized into five business segments. These divisions are the basis on which the Group reports its primary segment formation.

The Group's principal business segments are as follows:

- a. Sale of Real Estate and Leasing
- b. Property Management
- c. Insurance Brokerage
- d. Travel Services
- e. Holding Company

The Group's resources producing revenues are all located in the Philippines. Therefore, geographical segment information is not presented.

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 Group's consolidated financial statements when the Group 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 Group'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 Group 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 Group has the following categories of financial assets:

Financial assets at fair value through profit or loss (FVPL)

Financial assets are classified as investments at FVPL 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 Group 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 Group's financial assets at FVPL in the consolidated statements of financial position are classified under this category.

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Loans and receivables

Cash and cash equivalents, trade and other receivables and advances to associates that have fixed or determinable payments and 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.

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 Group's available-for-sale financial assets are classified under this category.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments that the Group intends and is able to hold to maturity, and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. HTM investments are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period.

The Group's held-to-maturity financial asset is 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 (1) 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 Group 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.

Financial assets carried at amortized cost

For loans and receivables and held-to-maturity investment categories, the Group 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 Group 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 or HTM financial assets 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 or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group 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 and 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 Group 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Liabilities

Financial liabilities are recognized in the Group's consolidated financial statements when the Group 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 Group's financial liabilities, which do not include any debt instruments classified as at fair value through profit or loss.

The Group 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.

The Group has no financial liability at fair value through profit or loss. Other financial liabilities include trade payables and accrued expenses, other 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 consolidated 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 these are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated 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 Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

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 completion and the estimated costs of sale.

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 Parent 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 are 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 interest costs are capitalized while the development and construction is in progress.

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 Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

	Number of years
Condominium units, building and building improvements	20 to 40
Leasehold and office improvements	5 to 35
Office furniture, fixtures and equipment	3 to 10
Transportation and other equipment	3 to 5

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the amounts, periods and method 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 comprise completed property and property under development or redevelopment that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in residual value. Land is carried at cost less any impairment in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of depreciable investment properties follow:

	Number of years
Condominium units	40

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 profit or loss in the year of retirement or disposal.

Impairment of Non-Financial Assets

At each reporting date, the Group 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 to sell 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 Group 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.

Equity

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

Common shares

Common shares are 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.

Deficit

Deficit include all the accumulated losses of the Group, dividends declared and share issuance costs. Deficit is net of amount offset from additional paid-in capital arising from quasi-reorganization.

Treasury stock

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group'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 Group 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 Group 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 Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Post-employment benefits

The Group has a funded and unfunded, 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.

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The liability recognized in the consolidated 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.

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 Group 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 Group 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 consolidated statements of financial position.

Management fee

Management fee is recognized when the related services have been performed in accordance with the terms and conditions of the management agreement and applicable policies.

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.

Rent

Rent 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.

Commission income

Revenue from commissions is recognized at the time it is earned, generally as of the effective date of the applicable policies. Revenue recognized is the amount of commission earned as an agent and excludes amounts collected on behalf of the principal

Dividend income

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

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.

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.

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 there is a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Cost 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) 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 consolidated statements of 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 Group's technical staff.

Cost and expenses in the consolidated 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 Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 occur. 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

Group 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 consolidated statements of total comprehensive income on straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Group as Lessor

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statements of total comprehensive 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 at 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 consolidated 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 Group 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 Group has a present obligation, either legal or constructive, as a result of a past event; when it is probable that the Group will be required to settle the obligation through an outflow of resources embodying economic benefits, and; when the amount of the obligation can be estimated reliably. When the Group 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.

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 wholly within the control of the Group. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated 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 Group computes its basic earnings (loss) per share by dividing net profit or loss attributable to common equity holders of the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Events After the Reporting Date

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

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 Group's assets. In addition, the estimation of the useful lives is based on the Group'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 Associates

The Group estimates the allowance for impairment loss on receivables and advances to associates based on assessment of specific accounts when the Group has information that certain customer/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 Group used judgment to record specific reserves for customer/related party 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, 2016 and 2015 amounted to P170,165,322 and P169,837,022, respectively.

Evaluation of Net Realizable Value of Real Estate Inventories

The Group 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 impairment of inventories as at December 31, 2016 and 2015.

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 Group 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.

The Group assesses its revenue arrangements to determine if it is a principal or an agent. The Group is acting as a principal when it has exposure to the significant risks and rewards with the sales transactions or rendering of services. The Group is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sales transactions or rendering of services.

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.

The Group 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 Group 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 24.

Retirement obligation as at December 31, 2016 and 2015 amounted to P143,908,920 and P59,696,804, respectively.

Contingencies

The Group 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 Group 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 Group's strategies relating to these proceedings.

Realizability of Deferred Tax Assets

The Group 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 Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized. The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the utilization of deferred tax assets.

Total unrecognized deferred tax assets amounted to P115,758,015 and P110,422,978 as at 2016 and 2015, respectively (See Note 39).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Impairment Losses on Non-financial Assets

The Group 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 Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group 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.

Critical Accounting Judgments

Operating Lease

The Group has entered into commercial property leases on its investment property portfolio. The Group 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

The Group determines whether a property qualifies as investment property. In making this judgment, the Group 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 Group considers each property separately in making its judgment.

The Group determines whether a property will be classified as real estate inventories or real estate held for development. In making this judgment, the Group 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 Group's strategic land activities for development in the medium or long-term (real estate held for development).

Joint Arrangements

The Group's agreements are considered joint operations since the Group and the parties to the agreements only have rights/obligations to the assets/liabilities relating to the arrangement.

5. Fair Value Measurement

The fair values of the Group's financial instruments are equal to the carrying amounts in the consolidated financial position as at December 31, 2016 and 2015.

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 financial statements specific to that asset or liability.

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

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.

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 2016 and 2015 as follows:

	2016	2015
Cash and cash equivalents	P11,732	P89,792
Loans payable	743,509	183,940

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

At December 31, 2016, 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 P12.92 million and P9.32 million for 2016 and 2015, respectively in the Group's total comprehensive income and equity for the year. The Group's sensitivity analysis takes into account the historical performance of the stock market.

Credit risk

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

The Group's credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables, and held-to-maturity investments as disclosed in Notes 9, 12 and 13, respectively. The Group has adopted stringent procedure in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group 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:

	2016	2015
Cash and cash equivalents excluding cash on hand	P55,772,027	P152,400,950
Trade and other receivables	808,578,568	769,541,866
Held-to-maturity financial assets	1,000,000	1,000,000
	P865,350,595	P922,942,816

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 P55,772,027 and P152,400,950 as at December 31, 2016 and 2015, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 currency risk

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

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group 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.

The amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2016		2015	
	US dollar Deposit	Peso Equivalent	US dollar Deposit	Peso Equivalent
Cash and cash equivalents	\$131,196	P6,536,169	\$239,632	P11,302,468

The closing rates applicable as at December 31, 2016 and 2015 are P49.820 and P47.166 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 positive number below indicates an increase in net income or decrease in net loss when the Philippine Peso weakens 5% against the US Dollar. For a 5% strengthening of the Philippine Peso against the US Dollar, there would be an equal and opposite impact on net income.

	2016	2015
Cash and cash equivalents	P326,808	P565,124

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 Group'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 9 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 Group.

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.

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 2016 and 2015 as follows:

	2016	2015
Cash and cash equivalents	P11,732	P89,792
Loans payable	743,509	183,940

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

At December 31, 2016, 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 P12.92 million and P9.32 million for 2016 and 2015, respectively in the Group's total comprehensive income and equity for the year. The Group's sensitivity analysis takes into account the historical performance of the stock market.

Credit risk

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

The Group's credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables, and held-to-maturity investments as disclosed in Notes 9, 12 and 13, respectively. The Group has adopted stringent procedure in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group 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:

	2016	2015
Cash and cash equivalents excluding cash on hand	P55,772,027	P152,400,950
Trade and other receivables	808,578,568	769,541,866
Held-to-maturity financial assets	1,000,000	1,000,000
	P865,350,595	P922,942,816

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 P55,772,027 and P152,400,950 as at December 31, 2016 and 2015, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Trade and other receivables

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

	Group A	Group B	Group C	Total
2016				
Trade and other receivables	P56,970,958	P31,735,500	P30,206,078	P118,912,536
2015				
Trade and other receivables	P148,818,231	P82,772,312	P79,562,078	P311,152,621

- Group A - new customers (less than 3 months).
- Group B - existing customers (less than 3 months) with no defaults in the past.
- Group C - existing customers (less than 3 months) with some defaults in the past. All defaults were fully recovered.

As at December 31, 2016, trade and other receivables of P689,666,032 (2015 - P458,389,245) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	More than 90 days	More than one year	Total
2016			
Trade and other receivables	P149,296,359	P540,369,673	P689,666,032
2015			
Trade and other receivables	P17,009,303	P441,379,942	P458,389,245

As at December 31, 2016, trade and other receivables of P37,747,557 (2015 - P37,419,257) were impaired and provided for. There was no provision for impairment loss in 2016 and 2015. It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	More than 90 days	More than one year	Total
2016			
Trade and other receivables	P -	P37,747,557	P37,747,557
2015			
Trade and other receivables	P -	P37,419,257	P37,419,257

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The condominium certificates of the title remain in the possession of the Parent Company until full payment has been made by the customers.

(c) Held-to-maturity (HTM)

The P1.0 million HTM investment at December 31, 2016 is an unsecured note issued by a publicly-listed universal bank with a term of 10 years.

Credit risks associated with fixed income investments are managed using:

- a. Detailed credit and underwriting policies
- b. Aggregate counterparty exposure limits
- c. Monitoring against pre-established limits

Liquidity risk

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

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

The following tables detail the Group's remaining contractual 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 Group 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	
2016					
			(In Thousand Pesos)		
Trade and other payables*	P284,680	P255,426	P26,648	P2,606	P284,680
Loans payable	287,716	137,131	150,585	-	287,716
2015					
Trade and other payables*	P244,266	P131,371	P105,697	P7,198	P244,266
Loans payable	59,260	59,260	-	-	59,260

*excluding payables to government

7. Capital Management

The Group manages its capital to ensure that the Group 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 Group consists of equity, which comprises of issued capital, reserves and 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 Group'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 Parent Company has fully complied with this requirement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Tektite Insurance Brokers, Inc. (TIBI)

The operations of TIBI are subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain capital requirement.

In 2006, the IC issued Memorandum Circular No. 1-2006 which provides for the minimum capitalization requirements of all insurance brokers and reinsurance brokers. Under this circular, existing insurance brokers and reinsurance brokers must have a net worth in accordance with the amounts and schedule stipulated in the circular.

As at December 31, 2016 and 2015, the required statutory net worth for TIBI, being an existing insurance broker is P10 million.

TIBI has fully complied with the capitalization requirements of Memorandum Circular No. 1-2006 as of reporting date.

8. Segment Information

Details of the Parent Company's subsidiaries as of December 31, 2016 and 2015 are as follows:

	Principal Activities	Interest Ownership	
		2016	2015
PRHC Property Managers, Inc. (PPMI)	Property Management	100%	100%
Tektite Insurance Brokers, Inc. (TIBI)	Insurance Brokerage	100%	100%
Sultan's Power, Inc. (SPI)	Holding Company	100%	100%
Universal Travel Corporation (UTC)	Travel and Tours Agency	81.53%	81.53%

Minority interests as of 2016 and 2015 represent the equity interests in Universal Travel Corporation not held by the Group.

The segment assets and liabilities as of December 31, 2016 and 2015 and the results of operations of the reportable segments for the years ended December 31, 2016 and 2015 are as follows:

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2015

	Parent	Subsidiaries						Eliminations	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel services	Other Income			
		(In Thousand Pesos)							
Revenue	P287,971	P29,797	P7,987	P -	P449	P27,797	(P2,024)	P351,977	
Segment Result	(P131,573)	(P547)	P779	(P13,069)	(P1,668)	P -	(P3,508)	(P149,586)	
Interest expense	1,839	-	-	-	-	-	-	1,839	
Interest income	(14,728)	(2)	(52)	-	(32)	-	-	(14,814)	
Dividend income	(314)	-	-	-	-	-	-	(314)	
Equity in net loss of associates	3,507	-	-	-	-	-	-	3,507	
Income taxes	1,515	350	773	-	-	-	-	2,638	
Income (loss) before minority interest	(139,754)	(199)	1,500	(13,069)	(1,700)	-	(3,508)	(156,730)	
Minority interest	-	-	-	-	-	-	314	314	
Net Income (Loss)	(P139,754)	(P199)	P1,500	(P13,069)	(P1,700)	P -	(P3,194)	(P156,416)	
Other Information									
Segment assets	P2,922,218	P36,808	P17,562	P20,566	P25,403	P -	(P29,427)	P2,993,130	
Investments at equity method	160,978	-	-	-	-	-	(77,144)	83,834	
Unallocated corporate assets	13,906	3,751	(408)	-	-	-	-	17,249	
Consolidated Total Assets	P3,097,102	P40,559	P17,154	P20,566	P25,403	P -	(P106,571)	P3,094,213	
Segment liabilities	P391,007	P20,265	P2,460	P32,724	P53,856	P -	(P89,530)	P410,783	
Consolidated Total Liabilities	P391,007	P20,265	P2,460	P32,724	P53,856	P -	(P89,530)	P410,783	
Capital expenditure	P4,058	P116	P2	P -	P -	P -	P -	P4,176	
Depreciation and amortization	22,339	1,611	619	-	164	-	-	24,733	
Non-cash expenses other than depreciation	31,884	1,691	355	-	-	-	-	33,929	

2014

	Parent		Subsidiaries				Eliminations	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Travel services	Other Income			
			(In Thousand Pesos)					
Revenue	P205,699	P27,300	P6,021	P809	P277,349	(P354)	P516,824	
Segment Result	P113,172	P1,600	(P382)	(P1,556)	P304,017	(P305,740)	P111,111	
Interest expense	-	-	-	-	-	-	-	
Interest income	(17,068)	(2)	(47)	(3)	-	-	(17,120)	
Dividend income	-	-	-	-	-	-	-	
Equity in net loss of associates and joint venture	1,724	-	-	-	-	-	1,724	
Income taxes	12,443	1,198	(146)	-	-	-	13,495	
Loss (income) before minority interest	110,271	2,796	(575)	(1,559)	304,017	(305,740)	109,210	
Minority interest	-	-	-	-	-	288	288	
Net Loss (Income)	P110,271	P2,796	(P575)	(P1,559)	P304,017	(P305,452)	P109,498	
Other Information								
Segment assets	P3,036,290	P34,114	P16,083	P28,358	P -	(P27,868)	P3,086,977	
Investments at equity method	129,267	-	-	-	-	(41,915)	87,352	
Unallocated corporate assets	11,560	3,765	(714)	-	-	-	14,611	
Consolidated Total Assets	P3,177,117	P37,879	P15,369	P28,358	P -	(P69,783)	P3,188,940	
Segment liabilities	P287,762	P18,583	P2,036	P53,469	P -	(P55,170)	P306,680	
Consolidated Total Liabilities	P287,762	P18,583	P2,036	P53,469	P -	(P55,170)	P306,680	
Capital expenditure	P29,374	P8	P69	P -	P -	P -	P29,450	
Depreciation	19,123	1,275	1,709	64	-	-	22,271	
Non-cash expenses other than depreciation	7,883	1,446	537	-	-	-	9,866	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

PRHC Property Managers, Inc. (PPMI)

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 at 5/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Tektite Insurance Brokers, Inc. (TIBI)

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 at 20/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Universal Travel Corporation (UTC)

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 at Ground Floor, West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

UTC holds 41,673,000 shares of the Parent Company which was acquired at P50.97 million.

Sultan's Power, Inc. (SPI)

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 at Units 512-513 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.

9. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	P52,228,219	P136,096,438
Cash equivalents	3,614,848	16,363,459
	P55,843,067	P152,459,897

Cash in banks earn average annual interest ranging from 1.0% and 1.25% in 2016 and 2015. Cash equivalents represent short-term money market placements with maturities up to three months, and earn interest at the prevailing short-term investment rates. Interest income earned amounted to P.12 million, P.90 million and P3.45 million in 2016, 2015 and 2014, respectively.

10. Financial Assets at Fair Value Through Profit or Loss

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

The movements of financial assets at FVPL are summarized as follows:

	2016	2015
Balance, January 1	P15,879,036	P37,132,575
Fair value adjustments	7,559,984	(21,253,539)
Balance, December 31	P23,439,020	P15,879,036

This account is composed of the following securities at fair value:

	2016	2015
Property company	P6,750,000	P6,750,000
Holding firms	16,689,020	9,129,036
	P23,439,020	P15,879,036

Dividend income recognized in profit or loss amounted to P306,679, P313,904 and P70 as at December 31, 2016, 2015 and 2014, respectively (see Note 35).

11. Available-for-sale (AFS) financial assets

The movements in the AFS financial assets are summarized as follows:

	2016	2015
January 1	P95,544,306	P135,430,063
Disposals	(1,297,230)	(695,980)
	94,247,076	134,734,083
Fair value adjustments	36,350,074	(39,179,114)
Transfer to consolidated statements of comprehensive income on sale of AFS investments	(41,947)	(10,663)
December 31	P130,555,203	P95,544,306

The account is composed of the following securities:

	2016	2015
Cost:		
Listed shares of stocks	P209,162,698	P207,531,667
Trust funds	1,317,850	2,293,406
Golf and country club shares	3,350,000	3,350,000
	213,830,548	213,175,073
Accumulated unrealized holding loss	(83,275,345)	(117,630,767)
	P130,555,203	P95,544,306

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AFS financial assets are investments in shares of stock of various listed equity securities, and golf and country club shares that present the Group 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 Group's reserves.

The Group received dividend income from these investments amounting to P307 thousand, P314 thousand and P70 thousand in 2016, 2015 and 2014, respectively.

Unrealized holding gain (loss) recognized in other comprehensive income from AFS financial assets amounted to P36 million in 2016 and (P39 million) in 2015.

12. Held-to-Maturity (HTM) financial assets

This account pertains to P1.0 million unsecured subordinated note issued by a universal bank with interest rate of 5.375% and has a term of 10 years. HTM investment is carried at amortized cost.

Management believes that the carrying amount of the Group's HTM financial assets approximate fair values.

13. Trade and Other Receivables

This account is composed of:

	2016	2015
Trade	P514,171,170	P410,128,753
Other receivables	332,154,955	396,832,370
	846,326,125	806,961,123
Less allowance for impairment loss	(37,747,557)	(37,419,257)
	P808,578,568	P769,541,866

Trade receivables include amounts due from buyers of the Parent 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 Parent Company until full payment has been made by the customers. Trade receivables due after one year amounted to P245.59 million in 2016 and P230.73 million in 2015. Trade receivables carry yield-to-maturity interest rates of 5.64% in 2016 and 5.58% in 2015 and 6.0% in 2014. Interest income recognized amounted to P746,775, P1,654,069 and P4,146,319 as at December 31, 2016, 2015 and 2014, respectively (see Note 34).

Certain trade receivables with total carrying value of P42.0 million and P59.3 million as at December 31, 2016 and 2015 are pledged to a local bank as collateral to the Parent Company's loans payable (see Note 23).

Other receivables as at December 31, 2016 and 2015 include the remaining receivables from Xcell amounting to P255 million and P209 million, respectively (see Note 17). The account also includes advances to contractors of Andrea North Skyline and Skyvillas Projects amounting to P16.94 million in 2016 and P84.35 million in 2015. 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:

	2016	2015
Collectively impaired	P22,239,757	P21,911,457
Individually impaired	15,507,800	15,507,800
Total	P37,747,557	P37,419,257

In determining the recoverability of trade receivables, the Group 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 P929,643 was directly written-off in 2016.

14. Real Estate Inventories

Real estate inventories at December 31 consist of the following:

	Note	2016	2015
In progress:			
Andrea North Skyvillas Tower		P1,347,240,380	P815,337,375
Andrea North Estate		31,963,304	31,360,959
Others		14,245,924	12,086,521
		1,393,449,608	858,784,855
Completed units:			
Andrea North Skyline Tower		239,185,202	253,807,765
The Icon Plaza	17	30,791,051	97,877,794
Casa Miguel		6,895,314	6,895,314
		276,871,567	358,580,873
		P1,670,321,175	P1,217,365,728

In July 2011, the Parent Company had a joint arrangement with Xcell Property Ventures, Inc. (Xcell) for the development of a residential/commercial condominium on the Parent Company's Fort Bonifacio lot to be called "The Icon Plaza." The Parent 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 Parent 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 99.11% and 98.10% as at December 31, 2016 and 2015, respectively.

The balance of P14.25 million as at December 31, 2016 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 P223,046,461, P203,958,701 and P179,392,456 in 2016, 2015 and 2014, respectively.

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15. Prepayments and Other Assets

This account consists of:

	2016	2015
Creditable withholding tax	P138,772,461	P141,543,033
Prepaid taxes	8,770,054	25,285,491
Deferred input value added tax	841,032	1,135,609
Others	11,051,063	17,734,285
	P159,434,610	P185,698,418

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

Prepaid taxes are unutilized creditable withholding taxes, a portion of which was filed for refund with the Bureau of Internal Revenue.

Others includes prepaid insurance, security deposits, accrued interest, loans due from employees, other accounts receivables and initial investment made by the Parent Company to the Global City project amounting to P4.43 million in 2016 and 2015 for payment of the master plan design.

16. Real Estate Held for Development

Real estate held for development as at December 31, 2016 and 2015 pertains to the land located in New Manila, Quezon City amounting to P188,653,713.

17. Land Invested in Joint Arrangements

Xcell Property Ventures, Inc. (Xcell)

In February 2005, the Parent 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 Parent Company's Fort Bonifacio lots to be called "The Icon Residences." The Parent 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.

Further, it was arranged under the Parent Company's Rehabilitation Court approved plan that while construction of the Project is on-going, Xcell shall remit to the Parent 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 Parent 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 Parent 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 Parent 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 Parent Company's Andrea North Skyline Tower, construction of which resumed in February 2009.

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

In 2014, the Parent 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 Parent 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.

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 Parent 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 Parent Company sold the land in Tagaytay for a consideration of P218.30 million with a gain of P156.92 million.

The Parent Company's investment in the project amounted to nil and P61.4 million in 2016 and 2015, respectively, as shown in the consolidated statements of financial position.

18. Investments in and Advances to Associates

Details of the ownership interest in associates are as follows:

	Ownership Interest	
	2016	2015
Le Cheval Holdings, Inc. (LCHI)	45%	45%
Alexandra (USA), Inc. (AUI)	45%	45%
Meridian Assurance Corporation	30%	30%

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Details of investment in and advances to associates are as follows:

	2016	2015
Meridian Assurance Corporation		
Investment - Acquisition cost	P88,875,080	P88,875,080
Accumulated equity in net loss:		
Balance at beginning of year	(5,202,566)	(1,708,542)
Equity in net loss for the year	(2,073,852)	(3,494,024)
Balance at end of year	(7,276,418)	(5,202,566)
	81,598,662	83,672,514
Le Cheval Holdings, Inc.		
Investment - Acquisition cost	11,250	11,250
Allowance for impairment loss	(11,250)	(11,250)
	-	-
Accumulated equity in net income:		
Balance at beginning of year	161,096	174,190
Equity in net loss for the year	(8,814)	(13,094)
Balance at end of year	152,282	161,096
	P152,282	P161,096
Alexandra (USA), Inc.		
Investment - Acquisition cost	P14,184,150	P14,184,150
Allowance for impairment loss	(14,184,150)	(14,184,150)
	-	-
Advances to AUI	132,417,765	132,417,765
Allowance for unrecoverable advances	(132,417,765)	(132,417,765)
	-	-
	P81,750,944	P83,833,610

The Parent Company's 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 Parent Company provided an allowance for impairment loss amounting to P14,184,150 for investments in AUI.

In 2014, the Parent Company provided an allowance for impairment loss amounting to P11,250 for investments in LCHI.

Other than as indicated above, the Group believes that there is no indication of impairment on its investments in and advances to associates.

Aggregated amounts relating to associates are as follows:

	2016	2015
Meridian Assurance Corporation (MAC)		
Total assets	P406,009,758	P398,354,357
Total liabilities	138,671,991	122,780,956
Net assets	267,337,767	275,573,401
Income	94,545,992	82,088,785
Cost and expenses	101,458,831	93,653,227
Net loss	(P6,912,839)	(P11,564,442)
Le Cheval Holdings, Inc. (LCHI)		
Total assets	P44,984	P44,595
Total liabilities	81,579	61,602
Net assets	(36,595)	(17,007)
Income	389	377
Cost and expenses	(19,977)	(27,392)
Net loss	(P19,588)	(P27,015)
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 Group'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 IC to apply for a license as a servicing company and tendered its Certificate of Authority as non-life insurance company. As at April 19, 2017, the Company is still awaiting response from the IC. Upon divestment of the insurance business, the Company plans to engage in the business of asset management.

The registered office of MAC is at the 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.

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Le Cheval Holdings, Inc.

LCHI was incorporated and registered with the SEC on August 30, 1994 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Philippine Racing Club, Inc. (PRCI). In 1996, LCHI sold its shares of stock with 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-Unjieng. AUI is in the process of liquidation after the completion of the projects in Naples and Orlando.

19. Property and Equipment

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

	For the Years Ended December 31, 2016 and 2015				
	Condominium Units, Building and Building Improvements	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Leasehold and Office Improvements	Total
Cost					
January 1, 2015	P98,259,182	P19,086,336	P24,491,003	P2,226,273	P144,062,794
Additions	19,732	2,009,837	2,146,846	-	4,176,415
December 31, 2015	98,278,914	21,096,173	26,637,849	2,226,273	148,239,209
Additions	2,687,083	2,085,476	3,211,078	77,287	8,060,924
Disposals	-	-	(2,388,393)	-	(2,388,393)
Reclassification/adjustment	-	(104,482)	88,308	-	(16,174)
December 31, 2016	100,965,997	23,077,167	27,548,842	2,303,560	153,895,566
Accumulated Depreciation and Amortization					
January 1, 2015	14,256,987	17,585,542	11,814,576	1,422,194	45,079,299
Provision	4,798,124	899,310	3,869,344	89,973	9,656,751
December 31, 2015	19,055,111	18,484,852	15,683,920	1,512,167	54,736,050
Provision	4,795,383	1,033,767	3,951,646	100,995	9,881,791
Disposals	-	-	(1,472,844)	-	(1,472,844)
December 31, 2016	23,850,494	19,518,619	18,162,722	1,613,162	63,144,997
Carrying Amounts					
At December 31, 2015	P79,223,803	P2,611,321	P10,953,929	P714,106	P93,503,159
At December 31, 2016	P77,115,503	P3,558,548	P9,386,120	P690,398	P90,750,569

20. Investment Properties

This account consists of:

	2016	2015
Condominium units		
PSE Tower I	P249,248,632	P249,252,877
PSE Tower II	49,239,137	49,239,137
PPMI condo unit	13,238,946	13,238,946
	311,726,715	311,730,960
Accumulated Depreciation	(114,743,716)	(99,629,968)
	P196,982,999	P212,100,992

The movements of investment properties are summarized as follows:

	Note	2016	2015
Balance, beginning		P212,100,992	P227,050,049
Additions		-	127,233
Adjustment		(4,245)	-
Depreciation	36,37	(15,113,748)	(15,076,290)
Balance, end		P196,982,999	P212,100,992

The movements of accumulated depreciation are as follows:

	2016	2015
Balance, beginning	P99,629,968	P84,553,678
Provision	15,113,748	15,076,290
Balance, end	P114,743,716	P99,629,968

In 2014, the Parent Company sold its land in San Fernando and San Juan, La Union for a consideration of P202.12 million with a gain of P148.02 million.

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

	2016	2015
Condominium units		
PSE Tower I	P208,077,000	P208,077,000
PSE Tower II	85,249,000	85,249,000
PPMI condominium unit	14,628,000	14,628,000
	P307,954,000	P307,954,000

The Group used the cost method in accounting for its investment properties.

Total revenue from the investment properties amounted to P19.5 million, P21.2 million and P26.3 million in 2016, 2015 and 2014, respectively, and are included as part of rent income in the consolidated statements of total comprehensive income. Real property taxes attributable to investment properties amounted to P3,082,791, P2,263,214 and P2,255,603 for 2016, 2015 and 2014, respectively and these are included as part of cost of services. Total depreciation expense charged to profit and loss amounted to P15,113,749, P15,076,289 and P15,034,953 in 2016, 2015 and 2014, respectively.

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The Group believes that there is no indication of impairment on its investment properties as of December 31, 2016 and 2015.

21. Trade and Other Payables

This account consists of:

	<i>Note</i>	2016	2015
Trade		P62,834,393	P27,202,443
Output value added tax – net		52,693,491	59,491,252
Retention fee payable		107,362,001	76,433,155
Accounts payable - others		24,086,170	30,925,841
Accrued expenses		18,130,752	33,637,069
Refundable deposits	33	6,379,394	5,647,339
Customers' deposits		12,064,921	9,146,542
Due to government agencies		4,422,807	4,094,239
Others		1,129,005	1,782,429
		P289,102,934	P248,360,309

Trade and other payables, net of current portion amounted to P26,822,814 and P108,851,238 as at December 31, 2016 and 2015, respectively.

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

Accounts payables - others refer to refunds payable, commissions payable and unearned rent income.

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

The Group believes that the carrying amount of the trade and other payables approximate fair values.

22. Unearned Income

In 2012, the Group started selling units of The Icon Plaza which is the project under joint arrangement with Xcell Ventures Property, Inc., as disclosed in Note 15. The percentage of completion of The Icon Plaza as of December 31, 2016 is 99.11%.

The Group has an on-going project called the Andrea North Skyvillas Tower ("Skyvillas"). Skyvillas started construction in 2011 and is 96.25% and 70.85% complete as of December 31, 2016 and 2015, respectively.

Details of unearned income are as follows:

	2016	2015
The Icon Plaza		
Total sales value of completed units	P641,287,335	P521,128,591
Percentage uncompleted	0.89%	1.90%
	P5,707,457	P9,901,444
Skyvillas Tower		
Total sales value of completed units	P328,305,540	P115,145,439
Percentage uncompleted	3.75%	29.15%
	12,311,458	33,564,895
Total unearned income	P18,018,915	P43,466,339

23. Loans Payable

The movements in the loans payable is summarized as follows:

	2016	2015
Balance, beginning	P59,259,997	P -
Availment of loan	246,098,000	75,510,132
Payment of principal	(17,641,958)	(16,250,135)
Balance, end	P287,716,039	P59,259,997

Interest on loans payable amounted to P7,435,094, P1,839,401 and nil as at December 31, 2016, 2015 and 2014, respectively.

The account is composed of the following:

	2016	2015
Payable within one year:		
Maybank Philippines, Inc.	P41,999,021	P59,259,997
Meridian Assurance Corporation	50,000,000	-
Greenhills Properties, Inc.	45,000,000	-
Union Bank of the Philippines	132,054	-
	137,131,075	59,259,997
Payable after one year:		
Maybank Philippines, Inc.	150,000,000	-
Union Bank of the Philippines	584,964	-
	150,584,964	-
	P287,716,039	P59,259,997

Maybank Philippines, Inc. (Maybank)

In 2015, the Parent 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 Parent Company with total carrying value of P42.0 million and P59.3 million as at December 31, 2016 and 2015 (see Note 13).

In 2016, the Parent Company entered into a loan and hold-out agreement with Maybank. In April 2016, Maybank approved a P150 million credit line under which the Parent Company drewdown P80 million in April

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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 Parent 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 investment properties of the Parent Company. The mortgaged properties have a total net book value of P83.67 million as at December 31, 2016. These loans are payable as follows: P25.0 million on July 29, 2017 and P25.0 million on August 5, 2017.

Greenhills Properties, Inc. (GPI)

On May 31, 2016, the Parent Company availed a P45 million loan from Greenhills Properties, Inc. which bears 4% interest rate and is payable on May 25, 2017.

Union Bank of the Philippines (UBP)

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

24. Retirement Benefit Plans

The Group, except for PPMI which has an unfunded, non-contributory defined benefit retirement plan, operates a funded, non-contributory defined benefit retirement plans covering substantially all of their regular employees. The plans are administered by local banks as trustee and provide 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 Group 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 Group 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 plans' 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 valuations of plan assets and the present value of the defined benefit obligation were performed as at December 31, 2016 by independent actuaries. The present values of the defined benefit obligations, the related current service costs and past service costs were measured using the projected unit credit method.

Key assumptions used for the Parent Company:

	Valuation at	
	2016	2015
Discount rate	5.56%	5.00%
Future salary increase	4.00%	4.00%

Key assumptions used for PPMI:

	Valuation at	
	2016	2015
Discount rate	5.54%	5.02%
Future salary increase	6.00%	6.00%

Key assumptions used for TIBI:

	Valuation at	
	2016	2015
Discount rate	4.71%	4.42%
Future salary increase	3.70%	3.39%

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 accrued retirement liability in the consolidated statements of financial position is as follows:

	2016	2015
Present value of defined benefit obligation	P168,178,855	P83,040,417
Fair value of plan assets	24,269,935	23,343,613
Recognized liability	P143,908,920	P59,696,804

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

	2016	2015
Liability at beginning of year	P83,040,417	P70,054,100
Current service cost	10,865,711	8,265,399
Interest cost	3,021,461	1,299,049
Benefits paid	(154,825)	-
Past service cost	68,805,021	1,337,526
Remeasurement (gains) losses		
Changes based on experience	6,145,112	5,056,393
Changes in demographic assumptions	-	(1,299,430)
Changes in financial assumptions	(3,544,042)	(1,672,620)
Liability at end of year	P168,178,855	P83,040,417

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The movements in the plan assets are shown below:

	2016	2015
Fair value of plan assets at beginning of year	P23,343,613	P15,445,282
Interest income	293,407	662,431
Contributions of the employers to the plans	510,754	6,000,000
Remeasurement gain (loss)		
Return on plan assets, excluding amounts included in interest income	122,161	1,235,900
Fair value of plan assets at end of year	P24,269,935	P23,343,613

The Group expects to contribute P25,327,029 to the retirement fund in 2017.

The major category of plan assets as a percentage of the fair value of total plan assets as of December 31, 2016 and 2015 are as follows:

	2016	2015
Cash and cash equivalents	67%	70%
Equity instruments	33%	30%
	100%	100%

The retirement expense recognized in profit or loss consists of:

	2016	2015	2014
Past service cost	P68,805,021	P1,337,526	P -
Current service cost	10,865,711	8,265,399	6,428,880
Net interest on defined benefit liability	2,728,054	636,618	3,436,888
	P82,398,786	P10,239,543	P9,865,768

The retirement expense is recognized as part of employees' benefits under operating expenses in the consolidated statements of total comprehensive income.

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

The sensitivity analysis of the defined benefit obligation is:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	+100	P2,776,287
	-100	(3,427,395)
Future salary increase	+100	7,429,989
	-100	(10,598,496)

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 consolidated 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 Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group 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, 2016, the weighted average duration of defined benefit obligation is 19.16 years (2015: 17.34 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Related Party Transactions

The details of related party transactions and balances are as follows:

As at and for the year ended December 31, 2016:	Transactions	Outstanding balance	Terms and conditions
<i>Sale of real estate inventories</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.
Sale of real estate inventories	P -		The receivables are secured; and payable monthly in two (2) years.
Collections during the year	31,304,875	P -	
<i>Advances</i>			
Alexandra (USA), Inc., Associate	P -	P132,417,765	Advances are unsecured, non-interest bearing and settled in cash.
Le Cheval Holdings, Inc., Associate	-	61,579	
Meridian Assurance Corporation	-	(643)	
Less: Allowance for impairment loss	-	(132,417,765)	
Balance, net	P -	P60,936	
<i>Loans payable</i>			
Principal Shareholder Greenhills Properties, Inc.			On May 31, 2016, the Parent Company availed a P45 million loan from Greenhills Properties, Inc. which bears 4% interest rate and is payable on May 25, 2017 (see Note 23).
Availment of loan	P45,000,000		
Payments during the year	-	P45,000,000	
Associate Meridian Assurance Corporation			In July and August 2017, the Parent Company entered into a real estate mortgage with MAC which bear no interest and secured. These loans are payable on July 29, 2017 and August 5, 2017 (see Note 23).
Availment of loan	50,000,000		
Payments during the year	-	50,000,000	
<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	P49,181,875	P -	Advances from an officer is a non-interest bearing, unsecured and payable within one year from demand.
Termination benefits			
Provision for retirement benefits/PVO	26,500,908	89,341,983	

As at and for the year ended December 31, 2015:	Transactions	Outstanding balance	Terms and conditions
<i>Sale of real estate inventories</i>			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.
Principal Shareholder Greenhills Properties, Inc.			
Sale of real estate inventories	P -		
Collections during the year	58,718,875	P31,304,875	
<i>Sale of services</i>			Sales of services are negotiated with related parties on a cost-plus basis.
Principal Shareholder Greenhills Properties, Inc.			
Management services	P1,206,057		
Brokering services	552,719		
Collections	(1,758,776)	P -	
<i>Advances</i>			Advances are unsecured, non-interest bearing and settled in cash.
Alexandra (USA), Inc., Associate	P -	P132,417,765	
Le Cheval Holdings, Inc., Associate	-	40,102	
Meridian Assurance Corporation	-	(643)	
Less: Allowance for impairment loss	-	(132,417,765)	
Balance, net	P -	P39,459	
<i>Key management personnel</i>			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement. Advances from an officer is a non-interest bearing, unsecured and payable within one year from demand.
Short-term benefits			
Salaries and other short-term employee benefits	P58,618,000	P -	
Termination benefits			
Provision for retirement benefits/PVO	7,814,434	56,341,899	

Management Services

The Group provides general management services and financial management and supervision over the janitorial and security services for the efficient administration of the properties of GPI, the ultimate parent company, and third parties, collectively referred herein as property owners. In consideration for said services, the Group charges the property owners a fixed monthly amount, with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both the Group and the property owners.

Advances to (from) related parties

The Parent 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 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 2016 and 2015, and is included as part of advances to associates as disclosed in Note 18. The Parent Company has provided an allowance for unrecoverable advances totaling to P132,417,765 as of December 31, 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Contingencies

Parent Company

The Parent Company has a lawsuit pending decision by the Supreme Court, as follows:

In 1998, the Parent 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 Parent Company to DMCI and URPHI as a result of cancellation of a joint venture agreement in 1996 entered into by the Parent Company, DMCI and URPHI. The Parent 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 Parent Company appealed the decision to the Court of Appeals which affirmed the trial court's decision. During 2011, the Parent Company provided an allowance of P15,507,800 for accounts receivable that are deemed not recoverable from ULC. In December 2012, the Parent Company filed a motion for Reconsideration and the same was denied. Thereafter, the Parent 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 Parent 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.

Subsidiaries

Certain subsidiaries are defendants or parties in various lawsuits and claims involving civil and labor cases. In the opinion of the subsidiaries' management, these lawsuits and claims, if decided adversely, will not involve sums having material effect on the subsidiaries' financial position or results of operations.

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

Accordingly, no provision has been made in the accounts for these lawsuits and claims.

27. Capital Stock

	Note	2016	2015	2014
Authorized				
8,000,000,000 common shares				
at P0.50 par value in 2016				
at P1 par value in 2015 and 2014	35	P4,000,000,000	P8,000,000,000	P8,000,000,000
Issued and outstanding				
3,688,869,746 shares in 2016				
3,688,839,345 shares in 2015				
3,688,808,944 shares in 2014	28	1,844,434,873	3,688,839,345	3,688,808,944
Subscribed				
1,314,711,262 shares in 2016				
1,314,741,662 shares in 2015				
1,314,772,063 shares in 2014		657,355,632	1,314,741,662	1,314,772,063
Subscriptions receivable	28	(243,911,981)	(487,854,362)	(487,884,763)
		413,443,651	826,887,300	826,887,300
		2,257,878,524	4,515,726,645	4,515,696,244
Additional paid-in capital				
Balance at beginning of year		114,751	114,751	114,751
Movements during the year	28	800,841,947	-	-
Subscription receivable	28	(243,942,381)	-	-
Balance at end of year		557,014,317	114,751	114,751
		P2,814,892,841	P4,515,841,396	P4,515,810,995
Treasury stock		P163,383,895	P163,383,895	P163,383,895

28. Quasi-Reorganization/Reduction in Par Value

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

Quasi-reorganization consists of the following:

- Reduction of par value of the Parent 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 Parent Company 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 Parent Company's deficit as of December 31, 2014 against additional paid in capital.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Reserves

	2016	2015	2014
Appropriated retained earnings for:			
Treasury stock acquisitions	P250,000,000	P250,000,000	P250,000,000
Unrealized holding loss on valuation of AFS investments			
Balance at beginning of year	(85,588,450)	(46,106,176)	(79,209,635)
Movements during the year	36,117,134	(39,482,274)	33,103,459
Balance at end of year	(49,471,316)	(85,588,450)	(46,106,176)
Remeasurement Loss on Retirement Benefit Obligation			
Balance at beginning of year	(22,706,987)	(19,766,095)	(13,310,112)
Movements during the year - gross	(773,954)	(4,201,274)	(9,222,833)
Movements during the year - tax	232,187	1,260,382	2,766,850
Balance at end of year	(23,248,754)	(22,706,987)	(19,766,095)
Others	238,062	951,975	1,665,889
	P177,517,992	P142,656,538	P185,793,618

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

30. Non-controlling Interest

	2016	2015
UTC		
January 1	P2,619,549	P2,933,560
Share in net loss	(211,156)	(314,011)
December 31	2,408,393	2,619,549
Share in reserves		
Unrealized holding gain (loss) on valuation of AFS investments		
January 1	(5,311,518)	(5,614,678)
Unrealized holding loss	232,940	303,160
December 31	(5,078,578)	(5,311,518)
	(P2,670,185)	(P2,691,969)
Recon-X Energy Corporation		
January 1	P -	P -
Share in capital	250,000	-
Share in net loss	(4,274,633)	-
December 31	(4,024,633)	-
	(P6,694,818)	(P2,691,969)

31. Management fees

The Group provides general management services and financial management and supervision over the janitorial and security services thru PPMI. In consideration for the said services, the Group charges the property owners a fixed monthly amount with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both PPMI and the property owners. The Group is entitled to fixed reimbursement of actual cost of the on-site staff. The total income from management fees amounted to P31.6 million, P27.8 million and P25.4 million in 2016, 2015 and 2014, respectively.

32. Commission

The Group's commission income was derived from the following activities:

	2016	2015	2014
Insurance brokerage	P7,112,097	P7,987,175	P6,020,710
Property management	-	940,195	1,576,265
Others	608,916	449,304	668,839
	P7,721,013	P9,376,674	P8,265,814

33. Leases*The Group as lessor*

The Group leases various condominium units to various lessees. The minimum guaranteed rentals under such leases for the next five (5) years are as follows:

	2016	2015
Not later than one year	P3,963,269	P3,686,648
Later than one year but not later than five years	8,000	159,725
	P3,971,269	P3,846,373

The rental income earned by the Group during 2016, 2015 and 2014 amounted to P19.48 million, P21.24 million and P26.34 million, respectively. Refundable deposits on these lease agreements amounted to P6,379,394 in 2016 and P5,269,473 in 2015, and is included as part of trade and other payables as disclosed in Note 21.

The Group as lessee

The Group leases various office space and storage facilities from associates and third parties. Total rent expense charged to operations amounted to P765,544, P881,269 and P879,930 in 2016, 2015 and 2014, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Interest Income

The Group's interest income was derived from the following:

	<i>Note</i>	2016	2015	2014
Joint arrangement		P10,005,694	P10,005,694	P5,859,375
Trade receivables	13	746,775	1,654,069	4,146,319
Cash and cash equivalents	9	117,319	897,923	3,454,306
Others		235,500	2,256,011	1,416,066
		P11,105,288	P14,813,697	P14,876,066

Interest income from joint arrangement pertains to the agreed amount of interest due to the late remittance of the quarterly payments as mentioned in Note 17.

35. Other Income

The account consists of:

	<i>Note</i>	2016	2015	2014
Holding gain on trading investments	10	P7,559,983	P -	P26,531,263
Reversal of various payables and accruals		1,354,928	7,340,207	130,534
Dividend income	11	306,679	313,904	70
Unrealized foreign exchange gain		109,258	539,016	23,837
Refunds from electric company		-	682,033	556,938
Miscellaneous		1,407,558	1,663,164	1,275,864
		P10,738,406	P10,538,324	P28,518,506

36. Cost of Services

	<i>Note</i>	2016	2015	2014
Salaries, wages and other benefits		P19,413,715	P16,464,296	P13,902,545
Depreciation and amortization				
Investment property	20	12,533,633	12,496,175	12,454,838
Property and equipment	19	136,494	136,676	136,932
Taxes and licenses		3,082,791	2,263,214	2,255,603
Condominium dues		3,009,642	4,261,977	4,144,998
Utilities		2,301,922	3,347,000	1,805,964
Employees welfare		1,960,440	1,306,936	994,780
Outside services		1,513,575	1,879,385	2,136,293
Repairs and maintenance		1,133,336	590,066	327,891
SSS, Pag-ibig and other contributions		1,104,419	934,940	877,539
Supplies and materials		897,461	1,006,952	1,110,196
Rental	33	765,544	881,269	879,930
Insurance and bond premiums		495,237	915,360	869,099
Commission		462,666	520,863	679,165
Transportation and travel		19,127	26,090	22,481
Others		2,614,179	2,275,561	38,005
		P51,444,181	P49,236,760	P42,636,259

37. General and Administrative Expenses

	<i>Note</i>	2016	2015	2014
Provision for retirement benefits	24	P82,398,786	P10,239,543	P9,865,768
Salaries, wages, and benefits		64,998,883	71,440,540	52,069,327
Selling expense		29,898,450	14,952,399	15,370,746
Outside services		29,764,095	17,622,391	3,076,560
Taxes and licenses		19,643,808	12,497,359	23,627,166
Professional fees		18,021,845	9,954,685	10,383,120
Transportation and travel		15,304,143	13,034,154	11,108,996
Depreciation and amortization				
Property and equipment	19	9,745,297	9,520,075	7,098,942
Investment property	20	2,580,115	2,580,115	2,580,115
Insurance and bond premiums		5,927,490	8,850,449	2,361,670
Condominium dues		5,804,952	6,419,152	4,965,843
SSS, Pag-ibig, Medicare and other benefits		5,132,801	6,285,711	7,109,054
Utilities		2,705,158	837,116	1,435,989
Postage and communication		2,050,488	1,508,691	735,086
Impairment loss on trade receivables		1,257,943	595,557	-
Corporate social responsibility expenses		1,115,318	859,836	178,929
Supplies and materials		275,798	866,380	1,041,197
Repairs and maintenance		175,230	6,204,868	2,144,558
Membership dues		173,804	159,824	194,432
Representation and entertainment		82,944	521,271	3,458,866
Impairment loss on accrued interest receivable		-	16,649,171	-
Impairment loss on other assets		-	7,770,831	-
Impairment loss on investments and advances to associates	18	-	11,250	-
Commission expense		-	10,729	-
Miscellaneous		8,358,535	6,651,951	6,722,780
		P305,415,883	P226,044,048	P165,529,144

Miscellaneous expenses include PSE fees, trainings and seminars, donations and contributions, and various petty expenses.

38. Other Expenses

	2016	2015	2014
Bank charges	P123,949	P159,156	P235,960
Foreign exchange loss	-	21,253,539	-
Others	3,346,000	-	-
	P3,469,949	P21,412,695	P235,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Income Taxes

The components of income tax expense (benefit) are as follows:

	2016	2015	2014
Current	P34,772,027	P4,042,657	P7,735,211
Deferred	(25,013,536)	(1,404,943)	5,759,717
	P9,758,491	P2,637,714	P13,494,928

A reconciliation between tax expense (benefit) and the product of accounting income (loss) multiplied by 30% in 2016, 2015 and 2014 follow:

	2016	2015	2014
Income (loss) before income tax	P1,370,383	(P154,091,941)	P122,704,609
Income tax expense (benefit)	411,115	(42,306,867)	36,811,384
Additions to (reductions in) income tax resulting from the tax effects of:			
Unrecognized deferred tax assets	11,038,433	31,099,643	-
Non-deductible cost of sales	507,973	305,000	7,380,000
Unrecognized NOLCO	358,953	519,595	468,158
Impairment loss on trade and other receivables	278,893	5,173,418	-
Unrealized gain (loss) on trading investments	(2,267,995)	6,376,062	(7,959,379)
Reversal of accruals and payables	(441,681)	-	-
Dividend income	(92,004)	(94,171)	(21)
Interest income subjected to final tax	(35,196)	(269,376)	(1,032,751)
Impairment loss on other assets	-	1,834,262	-
Other non-deductible expenses	-	148	5,742,481
Recovery of unrecognized deferred tax assets	-	-	(27,914,944)
	P9,758,491	P2,637,714	P13,494,928

Under Republic Act No. 8424, the Group 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.

The details of the Group's MCIT are as follows:

Year Incurred	Expiry date	Amount	Applied/Expired	Balance
2015	2018	P2,114,819	P -	P2,114,819
2014	2017	5,943,044	-	5,943,044
2013	2016	3,026,439	(3,026,439)	-
		P11,084,302	(P3,026,439)	P8,057,863

The details of the Group's NOLCO are as follows:

Year Incurred	Expiry date	Amount	Applied/Expired	Balance
2016	2019	P27,238,477	P -	P27,238,477
2015	2018	104,807,694	-	104,807,694
2014	2017	1,580,065	-	1,580,065
2013	2016	880,054	(880,054)	-
		P134,506,290	(P880,054)	P133,626,236

The components of the net deferred income tax assets and liabilities recognized by the Group are as follows:

	2016		2015	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Deferred tax assets:				
Provision for retirement benefits	P142,095,573	P42,628,672	P59,396,617	P17,818,985
Deferred tax liabilities:				
Revaluation surplus	339,960	101,988	1,359,837	P407,951
Unrealized foreign exchange gain	105,447	31,634	539,017	161,705
	445,407	133,622	1,898,853	569,656
	P141,650,166	P42,495,050	P57,497,763	P17,249,329

The recognized deferred tax assets were from the Parent Company and PPMI. The management of the Parent Company and PPMI have evaluated the available evidence about future taxable income and other possible sources of realization of the recognized deferred tax assets, and consequently believe that the deferred tax assets recognized are fully realizable in the future.

The components of the deferred income tax assets not recognized by the Group are as follows:

	2016		2015	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Allowance for impairment loss on advances to subsidiaries and associates	P166,223,470	P49,867,041	P166,223,470	P49,867,041
NOLCO	133,626,239	40,087,872	107,267,813	32,180,344
Allowance for doubtful accounts	37,419,257	11,225,777	37,419,257	11,225,777
Allowance for impairment loss on investments in subsidiaries and associates	19,918,193	5,975,458	19,918,193	5,975,458
Accrued retirement benefit expense	1,813,347	544,004	300,187	90,056
MCIT	8,057,863	8,057,863	11,084,302	11,084,302
	P367,058,369	P115,758,015	P342,213,222	P110,422,978

The deferred tax assets not recognized were from the Parent Company, TIBI and UTC, this was due to their limited capacity to take full advantage of the tax benefit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Earnings (Loss) Per Share

	2016	2015	2014
Net income (loss) attributable to equity holders of Parent Company	(P3,902,319)	(P156,415,644)	P109,497,619
Weighted average no. of common shares issued and outstanding	4,877,907,002	4,877,907,002	4,877,907,002
Income (loss) per share	(P0.00)	(P0.03)	P0.02

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

	2016	2015	2014
Issued and outstanding shares	3,688,869,746	3,688,839,345	3,688,808,944
Subscribed shares	1,314,711,261	1,314,741,662	1,314,772,063
Treasury shares	(125,674,005)	(125,674,005)	(125,674,005)
Average number of shares	4,877,907,002	4,877,907,002	4,877,907,002

The Group has no potential dilutive shares as at December 31, 2016, 2015 and 2014.

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