



# CONTINUING

Our Growth Story

**Eton Properties Philippines, Inc.**  
2016 Annual Report



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## FINANCIAL

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## 2016 FINANCIAL HIGHLIGHTS

Eton Properties Philippines, Inc. (EPPI) reported its second year of stable growth in 2016, as it continued to expand its footprint and rebalance its portfolio.

Driven by steady demand for business spaces from the outsourcing industry, backstopped by the market's appetite for residential spaces, your company reported gross revenues of P2.83 billion in 2016, 14.0% higher than our 2015 revenues of P2.48 billion.

Consistent with our portfolio rebalancing efforts, real estate sales and rental income contributed nearly equally to the company's revenue mix during the period in review.

Real estate sales, which accounted for 54.84% of revenues, reached P1.55 billion, an 18.4 % jump from the P1.31 billion posted in 2015, on the back of robust marketing programs to push our completed residential projects. These projects include Eton Tower Makati in Legaspi Village Makati; 8 Adriatico in Manila; 68 Roces along Don A. Roces Avenue in Quezon City; North Belton Communities in Quezon City; and West Wing Residences in Eton City.

Rental income contributed P1.28 billion, accounting for 45.16% of revenues and climbing 9% from the previous year's P1.17 billion. This growth was the result of strong demand for the company's BPO office buildings at Eton Centris in Quezon City and Eton Cyberpod Corinthian in Ortigas Center, Pasig City; as well as for our retail spaces in lifestyle and entertainment cluster Centris Walk, events venue Centris Elements, and commercial center Centris Station.

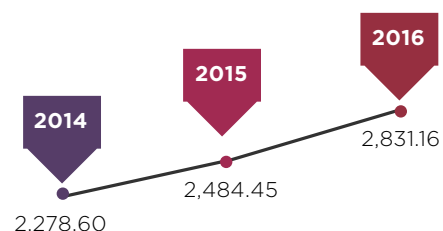
As a result, we ended 2016 with a net income of P389.52 million, 24.3% higher than the previous year's P313.25 million. Assets stood at P29.18 billion, an 11.81% increment from the 2015 level of P26.10 billion.

As we move into the next decade of our operations, Eton is confident of steady growth in light of the Philippines' strong economic fundamentals and steady demand across all formats. As such, we will pursue the completion of our current projects and further expand our presence in the office, commercial, and residential space markets.

## CONSOLIDATED STATEMENTS OF INCOME

(In Million Pesos)	2016	2015
Revenue	<b>2,831.17</b>	2,484.45
Cost and Expenses	<b>2,035.52</b>	1,810.25
Other Income (Charges)	<b>(194.37)</b>	(110.59)
Income Before Income Tax	<b>601.28</b>	563.61
Provisions For Income Tax	<b>211.76</b>	250.36
Net Income	<b>389.52</b>	313.25

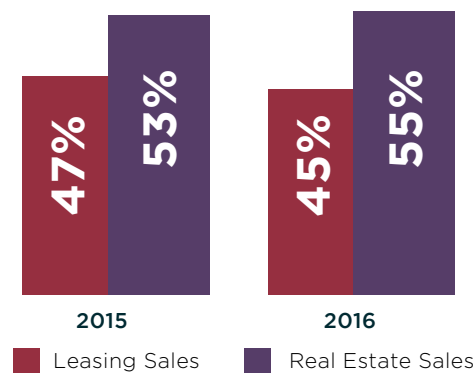
## CONSOLIDATED REVENUES (In Millions)



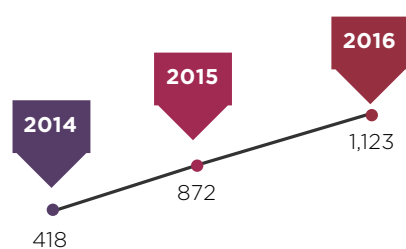
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Million Pesos)	2016	2015
Current Assets	<b>12,776.08</b>	14,803.96
Non Current Assets	<b>16,402.87</b>	11,293.22
Total Assets	<b>29,178.95</b>	26,097.18
Current Liabilities	<b>6,735.30</b>	7,046.02
Non current Liabilities	<b>6,113.55</b>	3,122.29
Total Liabilities	<b>12,848.85</b>	10,168.31
Equity	<b>16,330.10</b>	15,928.87
Total Liabilities and Equity	<b>29,178.95</b>	26,097.18

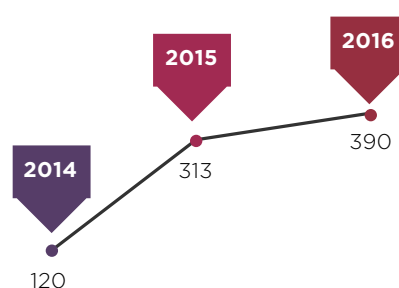
## REVENUE MIX PERCENTAGE



## EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (In Millions)



## NET INCOME





# CHAIRMAN'S MESSAGE



*Lucio C. Tan*

CHAIRMAN



As we continue our growth story, we will look for more ways to serve the needs of the market. We will also continue to look for more opportunities to build our name as the country's most trusted developer by truly understanding our customers' needs and wants. I am confident that we can do this by holding on to the values that have allowed us to grow – our culture of integrity, passion for excellence, collaboration, accountability, and customer focus.

Ten years ago, we established Eton Properties Philippines, Inc. (EPPI) with one vision: to become the most trusted property developer in the country, building the best communities, and enriching people's quality of life.

Last year, as we marked almost a decade in the Philippine property development industry, I am proud to note that we have not veered away from that vision. We continue to work hard in building the trust and confidence of our clients to this day.

We continue to grow our assets and investments to ensure Eton's expansion in decades to come. Through the years, despite the challenges and competition in the market place, we have developed and delivered projects as committed in mostly prime locations of value. Although this entailed sacrifices on our part, we never lost sight of what mattered most to our clients.

This meant that we always had to improve ourselves as an organization. Together, we built a stronger company by empowering our people so that we could bring exceptional service to our clients. Together, we worked hard to achieve sustainable growth, by having a balanced portfolio of development and recurring income projects. Today, there is much that we can be proud of as we see the communities we have built serving Filipinos from all walks of life.

As we continue our growth story, we will look for more ways to serve the needs of the market. We will also continue to look for more opportunities to build our name as the country's most trusted developer by truly understanding our customers' needs and wants. I am confident that we can do this by holding on to the values that have allowed us to grow – our culture of integrity, passion for excellence, collaboration, accountability, and customer focus.

As we close a decade of operations and enter a new one, let me thank you, our dear shareholders, for being an integral part of our growth story. I look forward to your strong support as we continue our growth story in the decade ahead.

## PRESIDENT'S REPORT



*Lucio K. Tan*

PRESIDENT AND CEO

2016 was a year of continuity for Eton Properties Philippines, Inc. (EPPI), as we marked our second year of sustained growth and posted an improvement in performance.

Continuing our growth path, your company reported gross revenues of P2.83 billion in 2016, 14.0% higher than our 2015 revenues of P2.48 billion.

This uptick was driven by a sustained demand for office spaces from the business process outsourcing industry, despite global uncertainty. Alongside this was a healthy appetite for residential spaces, reinforced by our marketing initiatives to support our projects that came onstream.

Most importantly, our efforts to rebalance our portfolio have started to bear fruit, with real estate sales and rental income contributing almost equally to our revenue streams in 2016.

Accounting for 54.8% of revenues, real estate sales hit P1.55 billion, an 18.4% growth from the P1.31 billion posted in 2015. In particular, we witnessed consistent interest in our residential projects, all located in prime Metro Manila locations, such as Eton Tower Makati in Legaspi Village Makati; 8 Adriatico in Manila; 68 Roces along Don A. Roces Avenue in Quezon City; North Belton Communities in Quezon City; and West Wing Residences in Eton City.

As anticipated, rental income continued to remain strong at P1.28 billion, accounting for 45.2% of revenues and climbing 9% from the previous year's P1.17 billion. Despite the prevailing climate of uncertainty in global markets and much political noise, demand stayed robust for office spaces at our four BPO office buildings at Eton Centris in Quezon City and our three BPO buildings in Eton Cyberpod Corinthian along Ortigas Avenue which registered 100% occupancy.

Combined, these cover 124,000 square meters of office space, and enjoy the strategic advantage of being near transportation hubs and retail establishments, ensuring ease of access for BPO employees and complementing the 24/7 operations of our locators. To date, lessees of Eton's BPO office buildings include top global outsourcing companies such as Genpact, Wipro, Hewlett Packard, Alorica, Convergys, Mondelez, Accenture, Arch Global Services, and Unisys Philippines at Eton Centris Quezon City; and Northgate Arinso and Sitel at Eton Cyberpod Corinthian.

This was complemented by an increase in rental income from our retail properties, such as the lifestyle and entertainment cluster Centris Walk, events venue Centris Elements, and commercial center Centris Station, which will be at the core of our development efforts going into 2017.





On the back of a favorable 2016 performance, we look forward to continuing our growth story by further expanding our footprint in the office, commercial, and residential markets, by opening new projects in other prime locations. Recognizing the dynamism of the leisure and lifestyle markets, we aim to strengthen our presence in this space by introducing innovative, customer-focused developments and services that cater to such market.

As a result, we ended the year with a net income of P389.52 million, 24.3% higher compared to the previous year's P313.25 million. Assets stood at P29.18 billion, an 11.81% increment from the 2015 level of P26.10 billion.

On the back of a favorable 2016 performance, we look forward to continuing our growth story by further expanding our footprint in the office, commercial, and residential markets, by opening new projects in other prime locations. Recognizing the dynamism of the leisure and lifestyle markets, we aim to strengthen our presence in this space by introducing innovative, customer-focused developments and services that cater to such market.

Signifying our intention to ramp up our presence in these markets, we recently broke ground on our one-hectare, mixed-use project in West Makati, Eton WestEnd Square, which will house an office tower, a boutique mall, and high-rise residential apartments. We also began construction of three additional clusters of Centris Walk in Eton Centris, as well as the 25-storey Cyberpod Centris Five, the fifth BPO facility in Eton Centris.

At Eton Tower Makati, we opened two levels of retail that now carry premium store brands and restaurants such as Dean and DeLuca, Karada, Anytime Fitness, Sarabia Style Optics, Moshi Koshi, Bo's Coffee, Picnic, The Morning After, Empire Salon, and Fry and Bake.

We also took our first strides into the hospitality market with the launch of The Mini Suites, a 368-unit mini serviced apartment development in Eton Tower Makati that fills the need for high-quality, affordable rooms in the city.

Finally, we also established our property management arm, the Eton Properties Management Corporation, a full-service entity that will provide our clients with a full range of services including residential leasing, property management, technical services, and security management.

Moving into 2017, we are highly optimistic that we will stay on the course of sustained growth as more opportunities are turned into more projects that bring additional shareholder value and returns.

As we do this, we will always nurture the bonds of trust that we share with our clients.

With the steady support of our competent and dedicated staff, I have no doubt in my mind that Eton can live up to the vision we have set out for ourselves when we started this company ten years ago.

Let me take this opportunity to express my deepest appreciation to the Eton Board of Directors, management team, and employees for your commitment to our company and clients in the first decade of our operations. I am confident that together, we can take Eton to greater heights.

## BOARD OF DIRECTORS



LUCIO C. TAN

CHAIRMAN

Chairman of Philippine Airlines, Inc., Asia Brewery Inc., LT Group, Inc., MacroAsia Corp., Fortune Tobacco Corp., PMFTC, Inc., Grandspan Development Corp., Himmel Industries Inc., Lucky Travel, PAL Holdings, Inc., Air Philippines Corporation, Tanduay Distillers, Inc., The Charter House, Inc., AlliedBankers Insurance Corp., Absolut Distillers, Inc., Progressive Farms, Inc., Foremost Farms, Inc., Maranaw Hotels & Resort Corporation, Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., and Basic Holdings Corp., Director of Philippine National Bank

LUCIO K. TAN, JR.

PRESIDENT

Director/President of Tanduay Distillers, Inc., Eton City, Inc., Belton Communities, Inc. and FirstHomes, Inc.; Director/Executive Vice President of Fortune Tobacco Corp.; Director of LT Group, Inc., AlliedBankers Insurance Corp., Philippine Airlines, Inc. Philippine National Bank, PAL Holdings, Inc., MacroAsia Corp., PMFTC, Inc., Lucky Travel Corp., Air Philippines Corp., Absolut Distillers, Inc., Asia Brewery, Inc. Foremost Farms, Inc., Himmel Industries, Inc., Progressive Farms, Inc., The Charter House, Inc., Grandspan Development Corporation, Maranaw Hotels & Resort Corp. and Shareholdings, Inc.

**HARRY C. TAN****DIRECTOR**

Director of LT Group, Inc. Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., PAN Asia Securities, Inc., Lucky Travel Corp., The Charter House, Inc., Fortune Tobacco Corp., Landcom Realty Corp., Asia Brewery Inc., AlliedBankers Insurance, Corp., Absolut Distillers, Inc., Basic Holdings Corp., Foremost Farms, Inc., Himmel Industries, Inc., PMFTC, Inc., Philippine National Bank, Progressive Farms, Inc., Grandspan Development Corp., and Tanduy Distillers, Inc. Director/President of Maranaw Hotels & Resort Corporation

**JOSEPH T. CHUA****DIRECTOR**

Chairman of J.F. Rubber Philippines, Cavite Business Resources, Inc. and Watery Business Solutions, Inc.; Director/President and Chief Executive Officer of MacroAsia Corporation; Managing Director of Goodwind Development Corporation (Guam); Director/President of MacroAsia Airport Services Corporation, MacroAsia Air Taxi Services, MacroAsia Catering Services, Inc., MacroAsia Properties Development Corp. and MacroAsia Mining Corporation; Director of LT Group, Inc., Bulawan Mining, Lufthansa Technik Philippines Inc., Air Philippines Corporation, PAL Holdings, Inc., Philippine Airlines, Inc., Eton City, Inc., Belton Communities, Inc., FirstHomes, Inc., Philippine National Bank and Eton China

**MICHAEL G. TAN****DIRECTOR**

Director/President of LT Group, Inc., Director/Chief Operating Officer of Asia Brewery, Inc. Director of Allied Bankers Insurance Corp., Maranaw Hotels & Resort Corp., Air Philippines Corporation, Eton City, Inc., PMFTC, Inc., Lucky Travel Corp., Philippine National Bank, Absolut Distillers, Inc., Philippine Airlines, Inc. MacroAsia Corp. and Victorias Milling Company, Inc.; Director/Treasurer of PAL Holdings, Inc. and Air Philippines Corporation

**JUANITA T. TAN LEE****DIRECTOR**

Director of LT Group, Inc. Maranaw Hotels & Resort Corp.; Director/Corporate Secretary of Asia Brewery, Inc., Fortune Tobacco Corp.; Corporate Secretary of Absolute Distillers, Inc., The Charter House, Inc., Foremost Farms, Inc., Grandspan Development Corp., Himmel Industries, Inc., Landcom Realty Corp., Lucky Travel Corp., PMFTC, Inc., Progressive Farms, Inc.

**RAMON S. PASCUAL****DIRECTOR**

Executive Director of Dynamic Holdings Limited; Director of Eton City, Inc., Belton Communities, Inc. and FirstHomes, Inc.

**WASHINGTON Z. SYCIP****DIRECTOR**

Founder of SyCip Gorres Velayo & Co., Chairman Emeritus of the Board of Trustees and Governors of the Asian Institute of Management; Chairman of Cityland Development Corp., Lufthansa Technik Philippines, Inc., STEAG State Power, Inc., and State Properties Corporation; Independent Director of Asian Eye Institute, Belle Corporation, Lopez Holdings Corp., Commonwealth Foods, Inc., First Philippine Holdings, Corp., Highlands Prime, Inc., Metro Pacific Investments Corp., Philippine Equity Management, Inc., Philippine Hotelier, Inc., Philamlife, Inc., The PHINMA Group, State Land, Inc., and Century Properties Group, Inc.; and Director of LT Group, Inc., Philippine Airlines, Inc., MacroAsia Corp., PAL Holdings, Inc., and Philippine National Bank

**WILFRIDO E. SANCHEZ****INDEPENDENT DIRECTOR**

Tax Counsel of Quiason Makalintal Barot Torres Ibarra & Sison Law Offices; Board of Trustees of Asian Institute of Management (AIM); Director Amon Trading Corp., EEI Corporation, House of Investments, Inc., JVR Foundation, Inc., Kawasaki Motor Corp., Magellan Capital Holdings, Corp., Transnational Diversified Corp., Transnational Financial Services, Inc., Universal Robina Corp., LT Group, Inc., Emcor, Inc., J-Del Investment and Management Corporation, Center for Leadership & Change, Inc., K Services, Inc., and Transnational Plans, Inc.

**ANTONINO L. ALINDOGAN, JR.****INDEPENDENT DIRECTOR**

Chairman of An-Cor Holdings, Inc.; Chairman/President of Landrum Holdings, Inc.; Independent Director of Philippine Airlines, Inc., PAL Holdings, Inc., and LT Group, Inc.; Former President of C55, Inc.; Former Chairman of the Board of Directors of Development Bank of the Philippines (DBP); Former Consultant for Microfinance of DBP; Former Member of the Monetary Board of Bangko Sentral ng Pilipinas

**JOHNIP G. CUA****INDEPENDENT DIRECTOR**

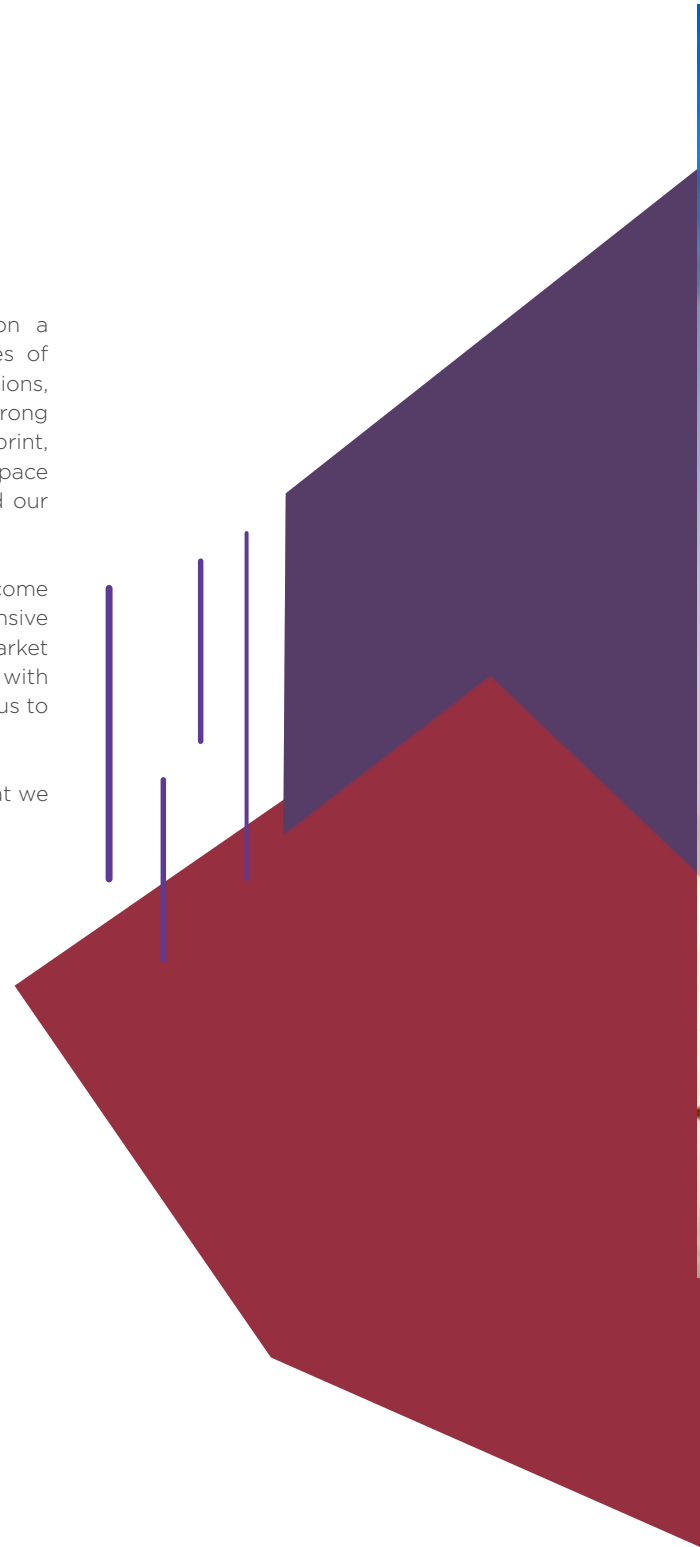
Chairman of the Board of Trustees of Xavier School, Inc., P&Gers Fund Inc.; Chairman & President of Taibrews Corporation; Independent Director of BDO Private Bank, Philippine Airlines Inc., PAL Holdings Inc., MacroAsia Corporation, MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia Properties Development Corp., PhilPlans First Inc., STI Education Systems Holdings, Inc., and Century Pacific Food, Inc.; Director of Alpha Alleanza Manufacturing, Inc., Allied Botanical Corporation, Interbake Marketing, Inc., Lartizan Corporation, Teambake Marketing, Inc.; Member of the Board of Trustees of Xavier School Educational & Trust Fund

## CONTINUING OUR GROWTH STORY

Our story started ten years ago when our founders embarked on a mission – to build the best communities that would enrich the lives of people who live there. Slowly but surely, we built residential subdivisions, high-rise towers, and mid-rise buildings in areas we believed had a strong growth potential. Over the years, we steadily expanded our footprint, enhancing people's lives with each home, office, and commercial space that we built. As people moved into our developments and embraced our offerings, growth became the heart of our corporate narrative.

Today, our growth story continues, inspired by our commitment to become the most trusted developer in the country. To let us always stay responsive to our clients' evolving needs, Eton has created services for specific market segments, mindful of their distinct and unique demands. Hand in hand with this, we have put in place the organizational structure that would allow us to deliver these effectively.

To date, we have five business units, each one dedicated to ensuring that we stay true to our vision to build only the best communities.







# OUR BUSINESS UNITS

## RESIDENTIAL SALES

Residential sales is one of the key pillars of the company. For home buyers, Eton's residential developments offer a unique combination of strategic location, well thought-out designs, and outstanding amenities, all meant to enhance the well-being of its residents as they go through various life stages. Our dedicated personnel offer efficient, seamless services to delight Eton home buyers from the moment they first get in touch with us until they move into their homes, and beyond. For us at Eton, each touch point with our residential buyers is an opportunity to build our bond of trust, knowing that each Eton residential development mirrors how we live out our vision.

## OFFICE AND COMMERCIAL LEASING

Growing in parallel with the Philippine economy and the rise of the business process outsourcing industry, Eton has established a solid track record in the business leasing industry – now a cornerstone of the company. Our office and commercial leasing business showcases Eton's ability to effectively and efficiently meet the global business sector's stringent demands, as well as our success in creating lifestyle hubs that bring together people for work and play.

To date, our properties are home to over 12,000 workers employed by the world's largest and most reputable companies. Over the past few years, Eton Centris and Cyberpod Corinthian have welcomed more business partners, with strong renewal rates across all developments that reflect their trust in our ability to serve their needs.

To nurture this trust, we offer only the best proposition, developing office spaces that conform to global standards, complemented by dining and retail outlets, all in prime locations. In so doing, we envision ourselves as a partner not only of our locators, but also of the country in its continuing journey of growth.



## HOSPITALITY AND LEISURE

Ever mindful of our Filipinos' ever-evolving lifestyle needs, we ventured into the hospitality and leisure business. Our first serviced residence, The Mini Suites at Eton Tower Makati, is seen to be a game-changer in the hospitality segment, answering a long-standing gap for value-laden yet comfortable temporary dwellings in the financial business district. It also complements our residential, office, and commercial developments. True to the Eton way, our developments are strategically located and thoughtfully designed to create new leisure destinations that can bring people together. In the years ahead, we aim to expand our presence in the hotel and leisure segment.

## RESIDENTIAL LEASING

Beyond being a developer, we see ourselves as Metro Manila's property consultants, ready to help our clients find the property they need, or optimize the value of those that they own. Toward this end, we have a dedicated Residential Leasing team, which helps property owners and buyers lease out their residential properties, from finding the right clients all the way to closing the deal and lease documentation.

For clients in search of homes to lease, Eton offers a wide range of options in prime locations, each designed to meet the distinct lifestyle choices of potential residents, at terms that are flexible and simple. The creation of this unit is solid proof that our commitment to help our clients extends beyond the sale of our properties. It also captures our deep understanding of the evolving needs of our clients, and our willingness to grow with them in an ever-shifting dynamic environment.

## PROPERTY MANAGEMENT

Because we value the trust that our clients place in us, we have partnered with the Eton Properties Management Corporation. A vital pillar of Eton, we envision our property management arm to be the best in the Philippines and to be top of mind in this segment in the years to come.

EPMC aims to enhance the value of the properties we manage by providing top-notch services that would enhance the lives of the residents in the communities we have built. It offers residential leasing services, property management, technical services, and security management. From their smallest concerns to major undertakings, our goal is to surpass our clients' expectations each step of the way. As we build more communities in different areas and in varying formats, we will endeavor to be with our clients, nurturing our bond of trust as we continue writing our growth story.





## CORPORATE SOCIAL RESPONSIBILITY

Eton Properties has always believed in giving back to the community, mindful that it can make a positive difference in the lives of people.

In partnership with Hands on Manila, Eton employees visited the Asilo de San Vicente de Paul in Manila to engage in meaningful volunteer work. They created wall murals within the orphanage compound and repainted the umbrella sheds used by the children as study areas with bright and lively colors. They also interacted with the children in an activity conducted by Eton and Hands on Manila.

The outreach activity was an unforgettable moment for both the volunteers and the children. For the volunteers, it was a real opportunity to collaborate and contribute their energy and talent to the community.

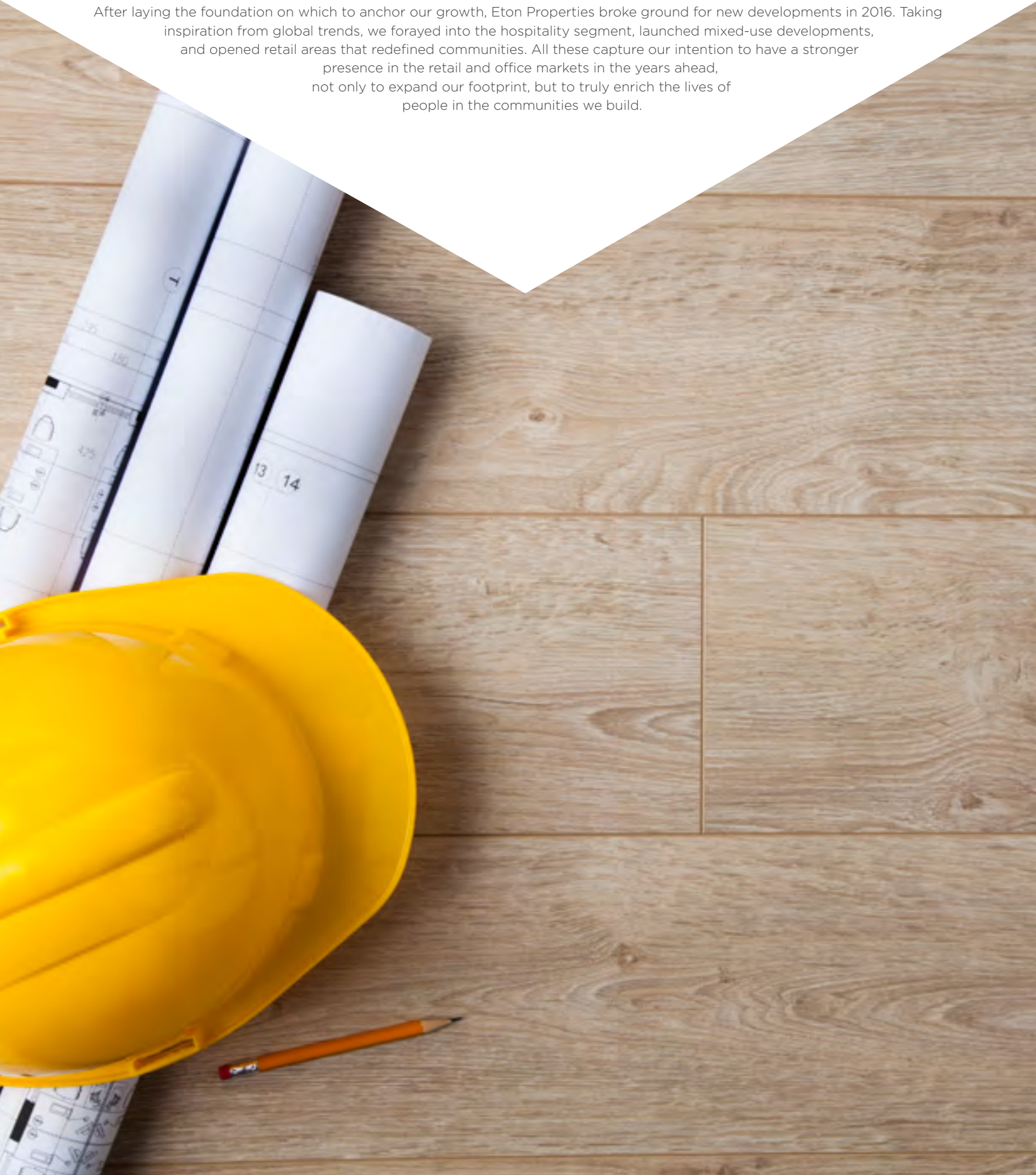
Indeed, this activity embodies the values that Eton Properties upholds in its vision to become the most trusted property developer in the country, building the best communities, and enriching the quality of life of people.





## BREAKING NEW GROUND IN 2016

After laying the foundation on which to anchor our growth, Eton Properties broke ground for new developments in 2016. Taking inspiration from global trends, we forayed into the hospitality segment, launched mixed-use developments, and opened retail areas that redefined communities. All these capture our intention to have a stronger presence in the retail and office markets in the years ahead, not only to expand our footprint, but to truly enrich the lives of people in the communities we build.





## ETON TOWER MAKATI

Adding more dynamism to Makati's vibrant retail scene, we launched new retail areas at the 41-storey Eton Tower Makati in 2016. Located at the corner of Ayala Avenue, Dela Rosa and V.A. Rufino Streets, it is the perfect location for our two-level lifestyle center that is now home to well-known stores, restaurants, and services. Our top-rated tenants include Dean and DeLuca, Moshi Koshi, Bo's Coffee, Picnic, The Morning After, Fry and Bake Bistro, Motorino NY Slice, Coldstone, Karada, Anytime Fitness, Sarabia Style Optics, and Empire Salon. More brands are expected to open their doors soon.









## THE MINI SUITES

To answer the yawning market gap for world-class, yet affordable rooms in the business district, we opened Mini Suites in 2016. Located at the heart of the financial district, this serviced residence occupies several floors of Eton Tower Makati. It is inspired by Hong Kong's The Mini Hotel, a leading global hospitality brand known for best value, and excellent service. With 368 stylish and well-kept guest rooms (all non-smoking) outfitted with practical amenities and WiFi connectivity, Mini Suites is definitely a game changer in the hospitality industry. As an added plus, guests enjoy easy access to the retail and dining options on the first two floors of the building, and warm, friendly service.













## ETON CENTRIS

Meeting strong demand for BPO offices, Eton Centris broke ground for Cyberpod Five and the three new clusters of Centris Walk in 2016. A 25-storey structure which will provide an ideal working environment to outsourcing professionals, Cyberpod Five will be complemented by the retail outlets in the new Centris Walk. A modern and green retail courtyard, Centris Walk will welcome three new clusters that will showcase more specialty retail stores and restaurants. To provide a more relaxing venue for artistic performances and the well-attended Sidcor weekend market, Centris Walk is also getting a new fountain and amphitheater.





## ETON WESTEND SQUARE

Envisioned to revitalize the fringes of Makati, we broke ground for Eton WestEnd Square in 2016. Bounded by Chino Roces Avenue, Yakal and Malugay Streets, this one-hectare self-sustaining mini-city will be home to two residential buildings, the 46-storey Blakes Tower and the already existing Belton Place. Inspired by the trend-setting boroughs of London, it will also be the site of the BPO-focused eWestPod and eWestMall. Altogether, these developments will transform the doorway of Makati City.









# OFFICE SPACES

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## Cyberpod Centris

One of the country's largest BPO hubs, Eton Centris is a 12-hectare lifestyle and business development at the corner of EDSA and Quezon Avenue, the gateway of Quezon City's Triangle Park Central Business District with direct access to the MRT station along EDSA. Within Eton Centris is Cyberpod Centris, which features 4 BPO office buildings, with a fifth 25-storey BPO building underway. To meet its tenants' diverse dining and entertainment needs, it hosts an extensive selection of retail shops and restaurants, as well as an events space.





### Cyberpod Corinthian

Cyberpod Corinthian is a masterplanned development strategically located along Ortigas Avenue. It offers the resilient infrastructure and world-class facilities that its BPO tenants value most, while ensuring the convenience and security of the people who work there.

### eWestPod

A work-friendly environment in the doorway of Makati, eWestPod, located in Eton WestEnd Square, will offer four floors of office spaces for BPOs. Its sleek, modern architecture provides a glimpse of the functionality and efficiency it offers to locators, while its strategic location ensures ease of access for those who will work here. Supported by retail outlets, this self-sustaining BPO building will help tenants attain a comfortable and convenient office life.



# COMMERCIAL DEVELOPMENTS





### Centris Walk

A bustling lifestyle hub with a diverse mix of dining, shopping and entertainment outlets, Eton Centris will undergo major enhancements that will let it stay ahead of shifting market trends and keep it as the entertainment and leisure destination of choice of the Quezon City market.

Clustered around BPO buildings, Centris Walk is a courtyard mall that offers a unique mix of dining outlets, specialty shops, and weekly entertainment with wide open areas conducive for outdoor recreation. Soon, three new clusters will be added to offer more dining and retail options.

### Centris Station

Centris Station at Eton Centris is a two-floor mall connected to the MRT that has access to an average daily foot traffic of over 70,000. It features shops, food stalls, restaurants, and a supermarket.



### Centris Elements

Covering approximately 2,000 square meters, Elements is a modern events venue for social events and corporate functions of BPOs and the corporate market. It offers two air-conditioned halls, two suites, and ample parking space set amidst landscaped gardens.

### Cyberpod Corinthian Retail

A beehive of activity in one of Pasig's busiest crossroads, Cyberpod Corinthian is always accessible from any point of Metro Manila. This two-storey development offers a diverse mix of commercial and dining options to serve global BPO workers 24/7.





### Eton Tower Makati

The stylish Eton Tower Makati is home to two floors of dining and retail outlets, as well as The Mini Suites, Eton's first foray in the hospitality business. A modernistic stylish hotel for the practical business traveler, it offers comfortable rooms, the right amenities, and the unmatched convenience of being located right in the country's financial corridor.

### eWestMall

The boutique mall of Eton WestEnd Square in Makati, Eton WestEnd Square has two floors of retail and commercial units offering dining, entertainment, and shopping options that serve as the area's neighborhood center.



# RESIDENTIAL DEVELOPMENTS

## Eton Residences Greenbelt

Eton Residences Greenbelt is a 39-storey tower of lofts in the most prime spot of the country's financial district. Sitting adjacent to a commercial shopping center, it offers one- to three-bedroom units filled with amenities and convenience for those who want to be at the center of it all.



## Eton Parkview Greenbelt

For those who want luxury above all, the 33-storey Eton Parkview Greenbelt offers premium loft units and amenities amidst lush greenery and a park-like setting at the heart of the business district. It offers the conveniences of a premium location matched with the highest standards of service.



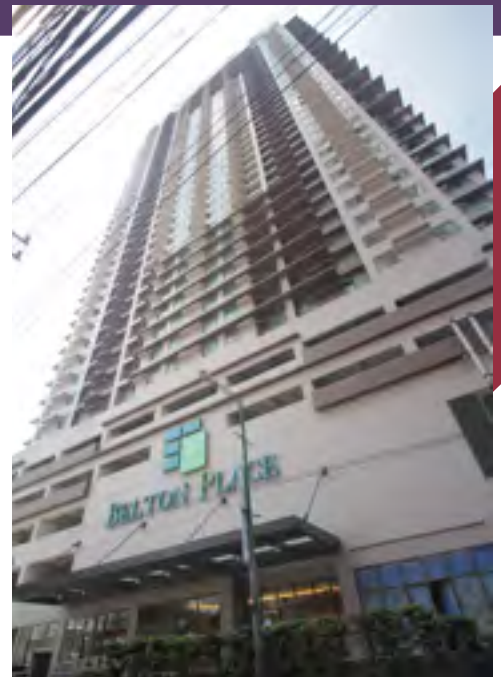
## Eton Tower Makati

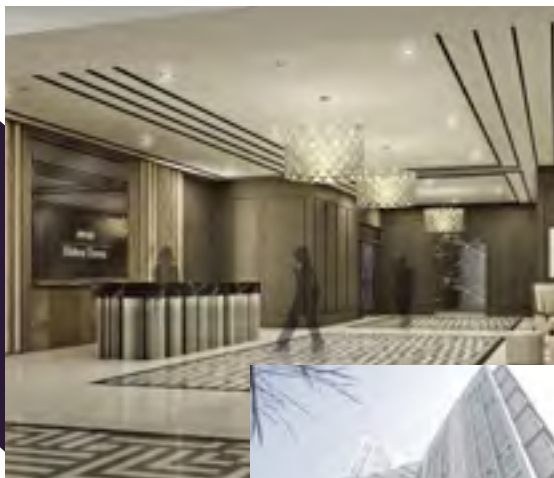
Redefining comfort and convenience, the 41-tower Eton Tower Makati at the corner of Dela Rosa and Rufino Streets has residential and SOHO units for those who want the benefits of a strategic location and well-planned amenities. It is also home to two floors of dining and retail outlets, and the stylistic Mini Suites, Eton's answer to the needs of practical business travelers who want value-laden dwellings without sacrificing modern conveniences and ease of access.



## Belton Place

Unparalleled access and convenience are guaranteed by Belton Place, towering 39 stories along Yakal St. in Makati for families and professionals who value time and work-life balance above all.





## Blakes Tower

The upcoming Blakes Tower is a 46-storey residential tower within Eton WestEnd Square in West Makati. Bordered by Chino Roces Avenue, Yakal, and Malugay Streets, it has a central location that is accessible to the main draws of the Makati CBD.



## Eton Emerald Lofts

When exclusivity and style matter, the 36 storey Eton Emerald Lofts at the Ortigas Center offers comfortable one-bedroom or two-bedroom loft units, plus a sweeping vista of the metropolitan skyline. It stands close to the juncture of Pasig, Mandaluyong and Quezon City, ensuring ease and speed of access across the city.



## 8 Adriatico

Marrying modernity and old-world charm, the 42-storey 8 Adriatico residential tower in historic Manila offers units that combine style and functionality for residential or small office/home office use.

## Eton Baypark Manila

Offering panoramic views of the idyllic Manila Bay Sunset, the 29-storey Eton Baypark Manila has fully-fitted and two-bedroom units, bringing its residents close to the bustling business and commercial districts of Manila and Pasay.



# RESIDENTIAL DEVELOPMENTS

## One Archers Place

Offering accessibility, functionality, and value, the 31-storey One Archers Place in Manila features secure units for those who want to be close to schools or offices without giving up comfort and style.



## 68 Roces

Master-planned for comfort and convenience, the gated 68 Roces sprawls across the quiet side of bustling Quezon City, featuring single-attached townhouse units with premium amenities, amidst recreational and retail facilities.



## North Belton Communities

Located in northern Quezon City, North Belton Communities offers the advantages of city living in a suburban environment. It is composed of The Manors, West Wing Residences, and West Wing Villas.







### West Wing Residences at Eton City

Capturing the majesty of nature, West Wing Residences in Sta. Rosa, Laguna offers homes in a quiet community with wide outdoor spaces, located not too far from emerging urban centers.



### South Lake Village at Eton City

A high-end, first-of-its-kind island lot development in Sta. Rosa, South Lake Village is a 78-hectare residential enclave made up of distinct island lots surrounded by a 35-hectare man-made lake.



### Riverbend at Eton City

A residential community with neighborhood elements integrated into its modern contemporary design, its features and amenities include a clubhouse, swimming pool, basketball court, 24-hour security, and a water reservoir.

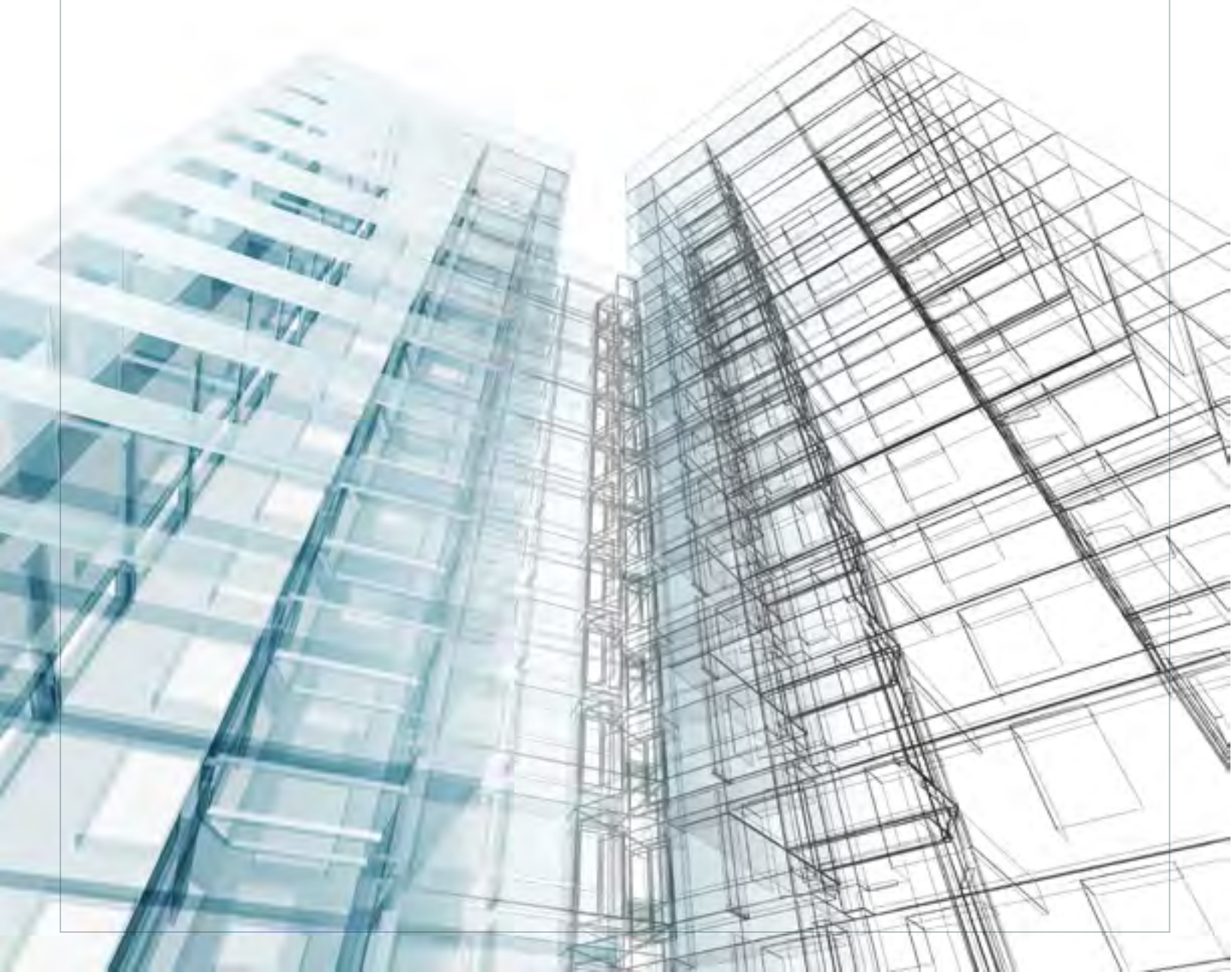
### TierraBela at Eton City

Themed as an Italian-Mediterranean community, Tierrabela is an 8.7 hectare residential development decked with community amenities and greenery.



## UPCOMING PROJECTS

Our story of growth continues as we embark on new developments, our answer to the emerging demand for targeted developments in more locations. With the continued development of the Philippine economy, Eton aims to bring more options to serve various market segments, from global businesses to business enterprises to home owners. In the years to come, we will continue to expand our footprint, while fortifying the pillars that have led us to continued growth. Each of our new projects will be an affirmation of our vision to build only the best communities while enriching people's lives.





ARCHITECTURAL PERSPECTIVE OF THE COURTYARD AT ETON CITY

### Mixed-use Development in Pasay

Built strategically close to the airport and transportation terminals, New Homes Pasay is a mixed-use development composed of a boutique hotel, an office building and a retail complex, designed to be transit-oriented. Envisioned to be a dynamic and self-sustaining city, it will feature a BPO building and a boutique-style hotel that highlights the digital lifestyle. Retail and dining outlets will meet the lifestyle and leisure needs of guests and tenants.

### The Courtyard at Eton City

Located in Eton City in Sta. Rosa, Laguna, The Courtyard is an 11.5 hectare commercial strip that will be home to a varied mix of retail and dining establishments. Envisioned to become a vibrant commercial hub which will offer diverse lifestyle choices for shoppers and foodies, this commercial complex is designed to be a stress-free environment especially made for weekend getaways and will be an ideal family bonding destination.

### Eton Nexus Tower 1

Envisioned to fill demand in the fast-growing Ortigas area, Eton Nexus Tower 1 is a mixed-use commercial building that will rise between Emerald Avenue and Ruby Road. It will offer larger commercial areas and office spaces for BPOs and local businesses. This 33-storey building is designed to ensure the productivity and uninterrupted business operations of the outsourcing trade, while allowing office employees to enjoy the conveniences that its prime location offers.

### Arcada by Eton

Set to bring fresh dynamism to San Juan, Arcada by Eton is a one-storey commercial center that aims to expand the lifestyle and dining options now available in the area. Designed with plenty of greenery and expansive spaces, it is envisioned to be a community lifestyle destination.



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Eton Properties Philippines, Inc. and its subsidiaries** is responsible for the preparation and fair presentation off the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

SGV & 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 or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



**Dr. Lucio C. Tan**  
Chairman



**Lucio K. Tan, Jr.**  
President



**Wilfredo Z. Pineda**  
Chief Financial Officer



SyCip Gorres Velayo & Co.  
6760 Ayala Avenue  
1226 Makati City  
Philippines

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Fax: (632) 819 0872  
ey.com/ph

BOA/PRe Reg. No. 0001.  
December 14, 2015, valid until December 31, 2018  
SEC Accreditation No. 0012~FR~4 (Group A),  
November 10, 2015, valid until November 9, 2018

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Eton Properties Philippines, Inc.

### Opinion

We have audited the consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 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 consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of 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 Consolidated 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 audit of the consolidated 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.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

### Responsibilities of Management and Those Charged with Governance for the Consolidated 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**

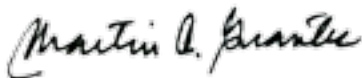
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

SYCIP GORRES VELAYO & CO.



Martin C. Guantes

Partner

CPA Certificate No. 88494

SEC Accreditation No. 0325-AR-3 (Group A),

August 25, 2015, valid until August 24, 2018

Tax Identification No. 152-884-272

BIR Accreditation No. 08-001998-52-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5908704, January 3, 2017, Makati City

March 3, 2017



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 5 and 17)	P2,272,502,337	P2,093,151,673
Trade and other receivables (Notes 6, 14 and 27)	1,963,587,163	3,050,988,883
Real estate inventories (Note 7)	6,552,695,246	8,357,108,226
Other current assets (Note 8)	1,987,297,992	1,302,708,164
<b>Total Current Assets</b>	<b>12,776,082,738</b>	<b>14,803,956,946</b>
<b>Noncurrent Assets</b>		
Receivables - net of current portion (Note 6)	670,729,438	352,317,631
Investment properties (Note 9)	15,466,532,336	10,643,783,726
Property and equipment (Note 10)	51,116,293	42,940,317
Deferred income tax assets - net (Note 24)	25,235,151	54,052,774
Other noncurrent assets (Note 11)	189,255,771	200,129,973
<b>Total Noncurrent Assets</b>	<b>16,402,868,989</b>	<b>11,293,224,421</b>
<b>TOTAL ASSETS</b>	<b>P29,178,951,727</b>	<b>P26,097,181,367</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 12)	P3,359,054,122	P3,517,211,520
Income tax payable	-	6,463,999
Payables to related parties (Note 17)	579,214,113	583,669,830
Customers' deposits (Note 13)	892,286,404	1,426,649,037
Current portion of:		
Loans payable (Note 14)	466,945,986	476,014,679
Payables to landowners (Notes 15 and 17)	1,249,895,303	875,695,891
Deposits and other current liabilities (Note 16)	187,900,213	160,312,708
<b>Total Current Liabilities</b>	<b>6,735,296,141</b>	<b>7,046,017,664</b>
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Note 14)	3,604,003,236	720,003,831
Payables to landowners - net of current portion (Notes 15 and 17)	2,000,678,035	1,920,573,339
Other noncurrent liabilities (Notes 16 and 23)	508,869,417	481,718,407
<b>Total Noncurrent Liabilities</b>	<b>6,113,550,688</b>	<b>3,122,295,577</b>
<b>Total Liabilities</b>	<b>12,848,846,829</b>	<b>10,168,313,241</b>
<b>Equity (Note 25)</b>		
Capital stock - P1 par value	5,723,017,872	5,723,017,872
Additional paid-in capital	8,206,662,618	8,206,662,618
Accumulated remeasurements on retirement benefits (Note 23)	39,308,980	27,581,004
Retained earnings	2,361,123,383	1,971,614,587
Treasury shares	(7,955)	(7,955)
<b>Total Equity</b>	<b>16,330,104,898</b>	<b>15,928,868,126</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P29,178,951,727</b>	<b>P26,097,181,367</b>

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2016	2015	2014
<b>REVENUE</b>			
Real estate sales	<b>P1,552,720,657</b>	P1,311,913,267	P1,538,260,541
Rental income (Notes 9 and 27)	<b>1,278,447,201</b>	1,172,539,294	740,339,594
	<b>2,831,167,858</b>	2,484,452,561	2,278,600,135
<b>COSTS AND EXPENSES</b>			
Cost of real estate sales (Note 7)	<b>1,089,026,269</b>	952,661,153	1,303,734,258
Cost of rental income (Notes 9 and 10)	<b>253,830,432</b>	226,887,628	280,707,826
Selling expenses (Note 19)	<b>52,847,543</b>	42,381,793	155,051,518
General and administrative expenses (Note 20)	<b>639,819,977</b>	588,318,105	425,564,790
	<b>2,035,524,221</b>	1,810,248,679	2,165,058,392
<b>OTHER INCOME (CHARGES) - Net</b>			
Finance charges (Note 18)	<b>(357,699,806)</b>	(175,786,705)	(49,316,716)
Interest income (Note 18)	<b>55,871,003</b>	50,830,169	42,037,214
Foreign exchange gains (losses) - net	<b>4,250,839</b>	3,745,550	(1,153,946)
Other income - net (Note 22)	<b>103,203,307</b>	10,619,858	96,881,591
	<b>(194,374,657)</b>	(110,591,128)	88,448,143
<b>INCOME BEFORE INCOME TAX</b>	<b>601,268,980</b>	563,612,754	201,989,886
<b>PROVISION FOR INCOME TAX</b> (Note 24)			
Current	<b>187,968,833</b>	234,639,520	59,733,710
Deferred	<b>23,791,351</b>	15,718,425	22,391,516
	<b>211,760,184</b>	250,357,945	82,125,226
<b>NET INCOME</b>	<b>P389,508,796</b>	P313,254,809	P119,864,660
<b>BASIC/DILUTED EARNINGS PER SHARE</b> (Note 26)	<b>P0.0681</b>	P0.0547	P0.0413

*See accompanying Notes to Consolidated Financial Statements.*

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
<b>NET INCOME</b>	<b>P389,508,796</b>	P313,254,809	P119,864,660
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on defined benefit obligations (Note 23)	<b>16,754,251</b>	13,849,363	5,577,522
Deferred income tax effect	<b>(5,026,275)</b>	(4,154,809)	(1,673,257)
	<b>11,727,976</b>	9,694,554	3,904,265
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P401,236,772</b>	P322,949,363	P123,768,925

See accompanying Notes to Consolidated Financial Statements.



ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Capital stock- P1 par value (Note 25)	Additional Paid-in Capital (Note 25)	Accumulated Remeasurements on Retirement Benefits (Note 23)	Retained Earnings (Note 25)	Treasury Shares (Note 25)	Total
<b>BALANCES AS AT DECEMBER 31, 2013</b>	<b>P2,905,348,700</b>	<b>P3,500,000,000</b>	<b>P13,982,185</b>	<b>P1,538,495,118</b>	<b>(P7,955)</b>	<b>P7,957,818,048</b>
Net income for the year	-	-	-	119,864,660	-	119,864,660
Other comprehensive income	-	-	3,904,265	-	-	3,904,265
Total comprehensive income	-	-	3,904,265	119,864,660	-	123,768,925
<b>BALANCES AS AT DECEMBER 31, 2014</b>	<b>2,905,348,700</b>	<b>3,500,000,000</b>	<b>17,886,450</b>	<b>1,658,359,778</b>	<b>(7,955)</b>	<b>8,081,586,973</b>
Net income for the year	-	-	-	313,254,809	-	313,254,809
Other comprehensive income	-	-	9,694,554	-	-	9,694,554
Total comprehensive income	-	-	9,694,554	313,254,809	-	322,949,363
Conversion of advances to capital stock	2,067,669,172	3,432,330,828	-	-	-	5,500,000,000
Issuance of capital stock	750,000,000	1,290,000,000	-	-	-	2,040,000,000
Stock issue costs	-	(15,668,210)	-	-	-	(15,668,210)
<b>BALANCES AS AT DECEMBER 31, 2015</b>	<b>5,723,017,872</b>	<b>8,206,662,618</b>	<b>27,581,004</b>	<b>1,971,614,587</b>	<b>(7,955)</b>	<b>15,928,868,126</b>
Net income for the year	-	-	-	389,508,796	-	389,508,796
Other comprehensive income	-	-	11,727,976	-	-	11,727,976
Total comprehensive income	-	-	11,727,976	389,508,796	-	401,236,772
<b>BALANCES AS AT DECEMBER 31, 2016</b>	<b>P5,723,017,872</b>	<b>P8,206,662,618</b>	<b>P39,308,980</b>	<b>P2,361,123,383</b>	<b>(P7,955)</b>	<b>P16,330,104,898</b>

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>P601,268,980</b>	P563,612,754	P201,989,886
Income before income tax			
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 11 and 20)	<b>163,644,403</b>	151,693,041	181,457,877
Loss on retirement of property and equipment (Note 10)	<b>165,955</b>	-	1,981,481
Interest income (Notes 6 and 18)	<b>(55,871,003)</b>	(50,830,169)	(42,037,214)
Interest expense (Notes 14 and 18)	<b>356,898,019</b>	145,361,929	34,075,174
Unrealized foreign exchange losses (gains) - net	<b>4,704,525</b>	(3,686,179)	1,153,946
Retirement benefits cost (Notes 21 and 23)	<b>25,931,585</b>	22,398,566	14,316,049
Operating income before working capital changes	<b>1,096,742,464</b>	828,549,942	392,937,199
Decrease (increase) in:			
Trade and other receivables	<b>746,863,419</b>	1,159,155,951	(1,054,165,320)
Real estate inventories	<b>(744,545,127)</b>	(2,172,338,728)	(600,031,327)
Other assets	<b>(635,722,889)</b>	(29,664,762)	246,361,987
Increase (decrease) in:			
Trade and other payables	<b>(142,244,837)</b>	944,564,162	(1,310,521,967)
Payables to related parties	<b>(4,455,717)</b>	(403,060,684)	137,803,950
Customers' deposits	<b>(534,362,633)</b>	(590,748,732)	(831,748,927)
Deposits and other liabilities	<b>45,561,181</b>	165,956,557	159,989,689
Cash used in operations	<b>(172,164,139)</b>	(97,586,294)	(2,859,374,716)
Interest paid	<b>(369,794,968)</b>	(141,457,016)	(34,004,570)
Interest received	<b>77,997,497</b>	50,076,424	41,324,579
Income taxes paid, including final tax and creditable withholding taxes	<b>(232,223,435)</b>	(91,812,802)	(57,111,052)
Net cash used in operating activities	<b>(696,185,045)</b>	(280,779,688)	(2,909,165,759)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Investment properties (Notes 9 and 33)	<b>(1,077,970,811)</b>	(382,712,615)	(253,046,019)
Property and equipment (Notes 10 and 33)	<b>(29,264,974)</b>	(31,551,676)	(16,397,166)
Software (Note 11)	<b>(8,743,189)</b>	(8,484,029)	(19,063,936)
Cash used in investing activities	<b>(1,115,978,974)</b>	(422,748,320)	(288,507,121)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Availment of loans (Note 14)	<b>3,500,000,000</b>	-	500,000,000
Deposit for future stock subscription (Note 17)	-	-	5,500,000,000
Issuance of capital stock (Note 17)	-	2,040,000,000	-
Payments of:			
Payable to landowners (Note 15)	<b>(875,695,892)</b>	(556,785,000)	-
Loans payable (Note 14)	<b>(610,584,900)</b>	(633,918,935)	(1,627,588,375)
Stock and debt issue costs (Notes 15 and 17)	<b>(17,500,000)</b>	(15,668,210)	-
Net cash from financing activities	<b>1,996,219,208</b>	833,627,855	4,372,411,625
<b>NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(4,704,525)</b>	3,686,179	(1,153,946)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>179,350,664</b>	133,786,026	1,173,584,799
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,093,151,673</b>	1,959,365,647	785,780,848
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 5 and 33)</b>	<b>P2,272,502,337</b>	P2,093,151,673	P1,959,365,647

See accompanying Notes to Consolidated Financial Statements.

ETON PROPERTIES PHILIPPINES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate Information

Eton Properties Philippines, Inc. ("Eton" or "the Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 2, 1971 under the name "Balabac Oil Exploration & Drilling Co., Inc." to engage in oil exploration and mineral development projects in the Philippines. On May 12, 1988, the SEC approved the Parent Company's registration and licensing as a listed company.

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

On February 21, 2007, the Parent Company's Board of Directors (BOD) adopted the following amendments: (a) change the corporate name to Eton Properties Philippines, Inc.; (b) change the primary purpose to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential, including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property, improved or unimproved; to acquire, purchase, hold, manage, develop and sell subdivision lots; to erect, construct, alter, manage, operate, lease buildings and tenements; and to engage or act as real estate broker; (c) increase the number of directors from 11 to 15; and, (d) change of financial year-end from April 30 to December 31.

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

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of P3,953.2 million, owned by Paramount Landequities, Inc. (Paramount), where the Eton Centris projects are situated in exchange for the issuance of 1.6 billion shares to Paramount at P2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap (see Note 17). As approved by SEC in July 2011, the property was recognized by the Parent Company at the value of P4.0 billion (see Notes 7 and 25).

Prior to restructuring in 2012, Paramount and Saturn Holdings, Inc. (Saturn) had ownership interest of 55.07% and 42.39%, respectively, in Eton.

On September 17, 2012, LT Group, Inc. (LTG)'s BOD approved the assumption by LTG of certain liabilities of Paramount from Step Dragon Co. Ltd. and Billinge Investments Ltd., British Virgin Island (BVI)-based companies, and Saturn from Penick Group Ltd., also a BVI-based company, amounting to P1,350.8 million and P521.3 million, respectively. LTG is a publicly listed company incorporated and domiciled in the Philippines.

On September 25 and September 26, 2012, LTG subscribed to 1,350,819,487 common shares of Paramount and 490,000,000 common shares of Saturn, respectively, with a par value of P1.00 per share, which were issued to LTG from the increase in Paramount's and Saturn's authorized capital stock. LTG paid for the subscription in full by way of conversion into equity of LTG's advances to Paramount and Saturn amounting to P1,350.8 million and P490.0 million, respectively. On the same dates, Paramount and Saturn filed their application for increase in authorized capital with the Philippine SEC in order to accommodate LTG's investment.

Upon SEC's approval on October 10, 2012, Paramount and Saturn became subsidiaries of LTG with 98.18% and 98.99% ownership interests, respectively, thus, giving LTG a 98.00% effective ownership in Eton.

On October 30, 2012, LTG entered into deeds of sale of shares with the controlling shareholders of Paramount and Saturn for the remaining issued and outstanding shares of the said companies. Thus, Paramount and Saturn became wholly owned subsidiaries of LTG.

On October 22, 2012, the Parent Company's BOD approved to voluntarily delist the Parent Company from the Philippine Stock Exchange (PSE) in light of the Parent Company's inability to comply with the minimum public ownership requirement of PSE within the allowed grace period. On December 8, 2012, Paramount made a tender offer to buy back shares of the Parent Company traded in the PSE resulting in the increase in its ownership interest from 55.07% to 56.86%, thus, increasing



LTG's effective ownership interest in Eton to 99.30%. The delisting of the Parent Company became effective on January 2, 2013.

On March 2, 2015, the Parent Company's BOD approved the increase of its authorized capital stock from P5.0 billion divided into 5.0 billion common shares with a par value of P1.00 per share to P8.0 billion divided into 8.0 billion common shares with a par value of P1.00 per share. On September 28, 2015, Eton filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on September 30, 2015. Out of the increase of 3.0 billion common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of P2.72 per share.

As of December 31, 2016, Eton is 55.97% owned by Paramount. Eton's ultimate parent company is Tangent Holdings Corporation, a company incorporated and domiciled in the Philippines.

The Parent Company's registered business address is 8th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila.

#### Subsidiaries

Below are the Parent Company's ownership interests in its subsidiaries:

BCI was incorporated and registered with the SEC on November 5, 2007. On February 18, 2008, the BOD of BCI approved

Subsidiaries	Percentage of Ownership
Belton Communities, Inc. (BCI)	100%
Eton City, Inc. (ECI)	100%
FirstHomes, Inc. (FHI)	100%
Eton Properties Management Corporation (EPMC)	100%

the increase of its capital stock from 20,000 shares to 100,000,000 shares at P1.00 par value per share and the subscription of the Parent Company for 24,995,000 shares, which, in addition to 5,000 common shares originally subscribed, would equal to 25% of the authorized capital stock.

On October 15, 2014, the BOD of BCI approved the increase of its authorized capital stock from P20,000 divided into 20,000 common shares with a par value of P1.00 per share to P800,000,000 divided into 800,000,000 common shares with a par value of P1.00 per share. On December 23, 2014, BCI filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on January 7, 2015. Out of the increase in authorized capital stock, 199.995 million common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

ECI was incorporated and registered with the SEC on October 8, 2008. On October 15, 2014, the BOD of ECI approved the increase of its authorized capital stock from P100,000,000 divided into 100,000,000 common shares with a par value of P1.00 per share to P1,000,000,000 divided into 1,000,000,000 common shares with a par value of P1.00 per share. On December 23, 2014, ECI filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on January 6, 2015. Out of the increase in authorized capital stock, 225.0 million common shares have been subscribed by the Parent Company with deposit for future stock subscription as payment for the subscribed common shares.

On October 15, 2010, FHI was incorporated and registered with the Philippine SEC as a wholly owned subsidiary of the Parent Company with a total subscribed capital stock of P1.3 million.

EPMC was incorporated and registered with the SEC on September 29, 2011 to manage, operate, lease, in whole or in part, real estate of all kinds, including buildings, house, apartments and other structures.

All subsidiaries, except for EPMC, are engaged in real estate development. All subsidiaries' registered business address is 8th Floor, Allied Bank Center, 6754 Ayala Avenue, Makati City, Metro Manila.

#### Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements of Eton Properties Philippines, Inc. and its subsidiaries (the "Group") as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issuance by the BOD on March 3, 2017.

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

### Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared under the historical cost basis and are presented in Philippine peso (Peso), which is the Parent Company's functional and presentation currency. All values are rounded to the nearest Peso, except when otherwise indicated.

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016. The financial statements of the subsidiaries are prepared for the same financial reporting year as the Parent Company, using consistent accounting policies.

A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and,
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and,
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but are considered as an impairment indicator of the assets transferred.

### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments do not have any impact to the consolidated financial statements.

- Amendments to PFRS 11, *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. These amendments do not have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. This standard is not applicable since the Group is an existing PFRS preparer.

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- that entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
- that specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any impact to the Group.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the group, given that the Group has not used a revenue-based method to depreciate non-current assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also



require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply.

The amendments are applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

These amendments do not have any impact on the consolidated financial statements.

- Annual Improvements to PFRSs 2012 - 2014 Cycle
- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations: Changes in Methods of Disposal*, is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- Amendment to PFRS 7, *Financial Instruments: Disclosures: Servicing Contracts*, requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*, is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*, is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- Amendment to PAS 34, *Interim Financial Reporting: Disclosure of Information Elsewhere in the Interim Financial Report*, is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### Future Changes in Accounting Policies

The following are the new and revised standards and interpretations that will become effective subsequent to December 31, 2016. Unless otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have any significant impact on its financial statements.

#### *Effective January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a

joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows: Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements.

- Amendments to PAS 12, *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, 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. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact on the Group.

#### *Effective January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment: Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The amendments are not applicable to the Group.

- Amendments to PFRS 4, *Insurance Contracts: Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 is not expected to have any significant impact on the consolidated financial statements.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements* to PFRSs 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

These amendments are not expected to have any significant impact on the consolidated financial statements.

- Amendments to PAS 40, *Investment Property: Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments are not expected to have any significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The adoption of interpretation is not expected to have any significant impact on the consolidated financial statements.



*Effective January 1, 2019*

- PFRS 16, Leases

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

*Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board 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.

These amendments are not expected to have any significant impact on the consolidated financial statements.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2016 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

#### Current versus Non-Current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the reporting period, or;
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period, or;
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value and are acquired three months or less before their maturity.

#### Financial Instruments

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

##### *Initial recognition and classification of financial instruments*

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments includes transaction cost, except for those designated at fair value through profit or loss (FVPL).

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. Financial liabilities are classified as either

financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As of December 31, 2016 and 2015, the Group's financial assets and financial liabilities consist of loans and receivables, and other financial liabilities.

#### *"Day 1" difference*

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in consolidated statement of income, unless it qualifies for recognition as some other type of assets. In cases where the data to be used is not observable, the difference between the transaction price and model value is only recognized in consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2016 and 2015, the Group's loans and receivables include cash in banks and cash equivalents, trade and other receivables and refundable deposits.

#### *Other financial liabilities*

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

As of December 31, 2016 and 2015, the Group's other financial liabilities include trade and other payables (except those non-contractual liabilities and liabilities to government agencies), payables to related parties, loans payable, payables to landowners and security deposits.

#### Impairment of Financial Assets

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

Evidence of impairment may include indications that the contracted parties or a group of contracted parties are/is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.



*Loans and receivables*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a 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 asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of income.

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

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Derecognition of Financial Assets and Financial Liabilities*Financial assets*

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

- 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 rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*Financial liabilities*

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

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

Real Estate Inventories

Property acquired or being constructed 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 (NRV).

Cost includes:

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

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated cost to sell.

Advances to Contractors

Advances to contractors pertain to advance payments made to contractors at the start of each contract packages. These are recouped every progress billing payment based on the percentage of accomplishment of each contract package.

Creditable Withholding Taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within 12 months are classified as current assets. Otherwise, these are classified as other noncurrent asset. CWTs are classified in the "Other current assets" account in the consolidated statement of financial position.

Value-added Tax (VAT)

VAT is equal to 12% of the purchase or selling price of the VATable goods and services. VAT imposed on purchases is called input VAT while VAT imposed on sales is called output VAT. Input VAT and output VAT are presented at net in the consolidated statement of financial position. Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of the asset or as part of the expense item, as applicable. VAT on the purchase of assets classified as capital assets exceeding a certain threshold as provided by the taxing authority is recognized as deferred input VAT and is amortized within the life of the asset or five years, whichever is shorter.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets", "Other noncurrent assets", or "Trade and other payables" accounts in the consolidated statement of financial position.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and are not occupied by the Group.

Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment in value. Land is carried at acquisition cost less any impairment in value. The cost of an investment property, except for land, includes its construction costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. Additions, betterments and major replacements are capitalized while minor repairs and maintenance are charged to expense as incurred.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant asset is completed or put into operational use.

Depreciation of investment properties commences once these are available for use and is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

	Years
Buildings	25 to 40
Residential unit	5
Land improvements	5

Depreciation of investment properties ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The useful lives and depreciation method are reviewed annually based on expected asset utilization to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from the investment properties.

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

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The cost of property and equipment comprised construction cost, including borrowing costs, or purchase price plus any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Construction in progress is stated at cost less any impairment in value. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment is available for use and is computed on a straight-line basis over their estimated useful lives as follows:

	Years
Transportation equipment	5
Furniture, fixtures and equipment	3 to 5
Leasehold improvements	5 or term of the lease, whichever is shorter

Depreciation and amortization ceases at the earlier of the date that the item is classified as held for sale or included in a disposal group that is classified as held for sale in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The assets’ estimated useful lives, and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

When a property and equipment is retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from consolidated statement of financial position and any resulting gain or loss is recognized in consolidated statement of income.

Software

Software, which is included under “Other noncurrent assets” in the consolidated statement of financial position, is measured at cost on initial recognition. Subsequently, software is carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over the software’s estimated useful life of five years.



#### Impairment of Noncurrent Nonfinancial Assets

The Group assesses at each financial reporting date whether there is an indication that its noncurrent nonfinancial assets, which include investment properties, property and equipment, and software, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in consolidated statement of income.

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

#### Security Deposits

Security deposits, included in the "Deposits and other current liabilities" and "Other noncurrent liabilities" in the consolidated statement of financial position, are measured initially at fair value and are subsequently measured at amortized cost using the effective interest method.

#### Capital Stock and Additional Paid-In Capital

Capital stock is measured at par value for all shares subscribed and/or issued. Subscribed capital stock is the portion of the authorized capital stock that has been subscribed but not yet fully paid and therefore still unissued. The subscribed capital stock is reported net of the subscription receivable.

When the shares are subscribed or sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the liability settled or fair value of the shares issued or, whichever is more reliably determinable. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

#### Treasury Shares

Treasury shares are carried at cost and are presented as deduction from equity. No gain or loss is recognized in consolidated statement of income on the purchase, sale, reissuance or cancellation of treasury shares. Any difference between the carrying amount and the consideration on the reissuance of treasury shares is recognized as additional paid-in capital.

#### Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity. Appropriated retained earnings represent that portion which has been restricted, and therefore, not available for dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders.

#### Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

*Real estate sales*

The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

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 Group starts recognizing income under percentage-of-completion when the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), 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.

When a sale of real estate does not meet the requirements for income recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventory continues to be reported in the Group's consolidated statement of financial position as part of real estate inventories and the deposit as part of "Customers' deposits" account.

*Cost of real estate sales*

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of real estate sales recognized in consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage-of-completion used for revenue recognition purposes.

*Rental income*

Rental income under noncancellable leases of investment properties is recognized in consolidated statement of income on a straight-line basis over the lease term or based on the terms of the lease contract or certain percentage of the gross revenue of the tenants, as applicable.

*Charges and expenses recoverable from tenants*

Income arising from expenses recharged to tenants recorded as "Rental dues" in "Other income" account is recognized in the period in which the compensation becomes receivable.

*Cost of rental income*

Cost of rental income is recognized in relation to the leasing activities of the Group. This includes depreciation of the investment properties being leased out, rental expense on the land where the property for lease is located, real property taxes and other directly attributable costs.

*Interest income*

Interest income is recognized as it accrues.

*Other income and other expenses*

Other income and other expenses pertain to the gain or loss, respectively, arising from forfeiture or cancellation of prior years' real estate sales.

Expense Recognition

Expenses are recognized when there is a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

*Selling and general and administrative expenses*

Selling expenses are costs incurred to sell real estate inventories of the Group, which includes commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business. Selling and general and administrative expenses are expensed as incurred.

### Commissions

Commission paid to sales marketing agents on the sale of real estate units are nonrefundable and are expensed as incurred.

### 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 development costs (included in “Real estate inventories” or “Investment properties” accounts in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

### Retirement Benefits Cost

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement benefits costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursements is virtually certain.

### Income Taxes

#### *Current income tax*

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

#### *Deferred income tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT] and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, excess MCIT and unused NOLCO can be utilized before their expiration.

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

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date. Movements in the deferred tax assets and liabilities arising from changes in tax rates are charged or credited to the income for the period.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

#### Other Comprehensive Income

Other comprehensive income comprises items of income and expense that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

#### Basic/Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted earnings per share is computed in the same manner, with the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

#### Foreign Currency-Denominated Transactions and Translations

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the exchange rate at the financial reporting date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the consolidated statement of income, any exchange component of that gain or loss shall be recognized in the consolidated statement of income.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).



*The Group as lessor*

Leases where the Group does not transfer substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments for noncancellable lease are recognized in the consolidated statement of income on a straight-line basis over the lease term. Any difference between the calculated rental income and amount actually received or to be received is recognized as “Deferred rental income” in the consolidated statement of financial position. 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. Variable rent is recognized as income based on the terms of the lease contract.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized under “Other income” account in the consolidated statement of income.

*The 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 for noncancellable lease are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term while the variable rent is recognized as an expense based on terms of the lease contract.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They 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 disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events After the Financial Reporting Date

Events after the financial reporting date that provide additional information about the Group’s position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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**3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group’s accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the parent company financial statements. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effect of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

*Revenue recognition*

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others, the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and stage of completion of the project. Based on the judgment of the Group, the percentage-of-completion method is appropriate in recognizing revenue on real estate sale transactions in 2016, 2015 and 2014.

*Classification of financial instruments*

The Group classifies a financial instrument or its component on initial recognition and re-evaluates this designation at every financial reporting date as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position (see Note 28).

*Operating lease commitments - the Group as lessor*

The Group has entered into commercial property leases of its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases. Rental income recognized by the Group amounted to P1,278.4 million, P1,172.5 million and P740.3 million in 2016, 2015 and 2014, respectively (see Note 27).

*Operating lease commitments - the Group as lessee*

Currently, the Group has land lease agreements with several non-related parties and office lease agreement with a related party. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessors. Thus, the Group considers these lease agreements as operating leases. Rental expense included in "Outside services" under "General and administrative expenses" in the consolidated statements of comprehensive income amounted to P11.7 million in 2016, 2015 and 2014 (see Notes 20 and 27). Additional rental expense amounting to P39.4 million, P39.3 million and P39.2 million recognized in 2016, 2015 and 2014 included under "Cost of rental income" account in the consolidated statements of comprehensive income, relates to the lease of a parcel of land where one of the Parent Company's projects is located.

In determining whether a lease contract is cancellable or not, either acting as a lessor or a lessee, the Group considered, among others, the probability of the cancellation and the significance of the penalty, including economic consequences, to the Group.

*Classification of properties*

The Group determines whether a property is classified as investment property or real estate inventory as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation.
- Real estate inventory comprises property that is held for sale in the ordinary course of business. Principally, this is a residential property that the Group develops and intends to sell before or on completion of construction.

The carrying values of the Group's investment properties and real estate inventories amounted to P15,466.5 million and P6,552.7 million as of December 31, 2016 and P10,643.8 million and P8,357.1 million as of December 31, 2015, respectively (see Notes 7 and 9).

*Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flow 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 as of the financial 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 carrying values of the Group's investment properties and property and equipment amounted to P15,466.5 million and P51.1 million as of December 31, 2016 and P10,643.8 million and P42.9 million as of December 31, 2015, respectively (see Notes 9 and 10).

#### *Determination of fair value of financial instruments*

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets information if possible, but where this is not feasible; estimates are used in establishing fair values (see Note 28).

#### *Provisions and contingencies*

The Group is currently involved in legal proceedings. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings. The Group did not recognize provision in 2016, 2015 and 2014.

#### Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial 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 are as follows:

#### *Revenue and cost recognition*

The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost of real estate sales is recognized based on the percentage-of-completion which is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Real estate sales and cost of real estate sales amounted to P1,552.7 million and P1,089.0 million in 2016, P1,311.9 million and P952.7 in 2015 and P1,538.3 million and P1,303.7 million in 2014, respectively.

#### *Estimation of allowance for impairment of loans and receivables*

The level of allowance for loans and receivables is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior and known market factors that affect the collectability of the accounts. As of December 31, 2016 and 2015, the Group did not recognize any allowance for impairment on its loans and receivables (see Note 28).

#### *Measurement of net realizable value of real estate inventories*

The Group adjusts the cost of its real estate inventories to net realizable value (NRV) based on its assessment of the recoverability of cost of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2016 and 2015, real estate inventories, which are carried at cost, amounted to P6,552.7 million and P8,357.1 million, respectively (see Note 7).

#### *Estimation of useful lives of investment properties, and property and equipment excluding land and construction in progress, and software*

The Group estimates the useful lives of its investment properties, property and equipment and software based on the period over which the assets are expected to be available for use. The estimated useful lives of the investment properties, property and equipment and software are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of investment properties, property and equipment and software would increase depreciation and amortization expense and decrease noncurrent assets.

There were no changes in the estimated useful life of depreciable investment properties, property and equipment and software in 2016 and 2015. The carrying values of the Group's investment properties (excluding land and construction in progress), property and equipment and software amounted to P5,444.1 million, P51.1 million and P20.9 million, respectively, as of December 31, 2016 and P4,641.5 million, P42.9 million and P20.8 million, respectively, as of December 31, 2015 (see Notes 9, 10 and 11).

*Assessment of impairment of noncurrent nonfinancial assets and estimation of recoverable amount*

The Group evaluates its nonfinancial assets, which include investment properties, property and equipment, and software, for any impairment in value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the asset's fair value less costs to sell and value-in-use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

The Group did not identify any indications of impairment, thus, it believes that the carrying amounts of its investment properties, property and equipment, and software amounting to P15,466.5 million, P51.1 million and P20.9 million, respectively, as of December 31, 2016 and P10,643.8 million, P42.9 million and P20.8 million, respectively, as of December 31, 2015 approximate their recoverable amounts.

*Estimation of retirement benefits costs and liability*

The determination of the Group's retirement benefits costs and liability is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions will materially affect retirement benefits obligations.

As of December 31, 2016 and 2015, retirement benefits liability amounted to P56.1 million and P46.9 million, respectively. Retirement benefits cost amounted to P25.9 million, P22.4 million, and P14.3 million in 2016, 2015 and 2014, respectively (see Notes 16 and 23).

*Recognition of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets at each financial reporting date and makes adjustments to it to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Group looks at its projected financial performance in assessing the sufficiency of future taxable income.

As of December 31, 2016 and 2015, the Group recognized deferred income tax assets amounting to P123.2 million and P156.2 million, respectively (see Note 24).

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#### **4. Segment Information**

Operating segments are components of the Group: (a) that engage in business activities from which the Group may earn revenues and incur losses and expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available. The Group's CODM is the Parent Company's BOD. The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenues and segment expenses are measured in accordance with PFRSs.

The presentation and classification of segment revenues and segment expenses are consistent with those in the consolidated statements of income. Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments. Further, the measurement of the segment assets are the same as those described in the summary of significant accounting and financial reporting policies.



The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenue is recognized to the extent that it is probable that those economic benefits will flow to the Group and that the revenue can be reliably measured. The Group does not have revenue from transaction with a single external customer, which amount to 10% or more of the Group's revenues.

Segment expenses are those directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses such as direct costs and expenses and general and administrative expenses.

The business segments where the Group operates follow:

- Residential developments - sale of residential lots and condominium units; and,
- Leasing activities - development of Business Process Outsourcing (BPO) buildings and commercial spaces for lease.

Considering the nature of the business segments, there were no intersegment revenues generated for all years.

2016

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P1,552,720,657	P1,278,447,201	P-	P2,831,167,858
Direct costs	(1,089,026,269)	(253,830,432)	-	(1,342,856,701)
<b>Gross profit</b>	<b>463,694,388</b>	<b>1,024,616,769</b>	<b>-</b>	<b>1,488,311,157</b>
Selling, general and administrative expenses	(40,182,898)	-	(652,484,622)	(692,667,520)
<b>Operating income</b>	<b>423,511,490</b>	<b>1,024,616,769</b>	<b>(652,484,622)</b>	<b>795,643,637</b>
Interest income	41,673,403	-	14,197,600	55,871,003
Other income (charges) - net	(138,116,521)	169,684,010	75,886,657	107,454,146
Finance charges	-	-	(357,699,806)	(357,699,806)
Provision for income tax	-	-	(211,760,184)	(211,760,184)
<b>Segment profit</b>	<b>P327,068,372</b>	<b>P1,194,300,779</b>	<b>(P1,131,860,355)</b>	<b>P389,508,796</b>
<b>Other information</b>				
Segment assets	P9,884,904,852	P4,147,394,409	P15,121,417,315	P29,153,716,576
Deferred income tax assets - net	-	-	25,235,151	25,235,151
<b>Total segment assets</b>	<b>P9,884,904,852</b>	<b>P4,147,394,409</b>	<b>P15,146,652,466</b>	<b>P29,178,951,727</b>
<b>Segment liabilities</b>	<b>P2,121,650,583</b>	<b>P785,123,915</b>	<b>P9,942,072,331</b>	<b>P12,848,846,829</b>
<b>Segment additions to property and equipment, investment properties and software</b>				
	P38,008,163	P2,407,970,812	P-	P2,445,978,975
<b>Depreciation and amortization</b>	<b>29,464,095</b>	<b>134,180,308</b>	<b>-</b>	<b>163,644,403</b>

2015

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P1,311,913,267	P1,172,539,294	P-	P2,484,452,561
Direct costs	(952,661,153)	(226,887,628)	-	(1,179,548,781)
Gross profit	359,252,114	945,651,666	-	1,304,903,780
Selling, general and administrative expenses	(22,730,412)	-	(607,969,486)	(630,699,898)
Operating income	336,521,702	945,651,666	(607,969,486)	674,203,882
Interest income	34,618,423	-	16,211,746	50,830,169
Other income (charges) - net	(202,813,489)	197,746,518	19,432,379	14,365,408
Finance charges	-	-	(175,786,705)	(175,786,705)
Provision for income tax	-	-	(250,357,945)	(250,357,945)
Segment profit	P168,326,636	P1,143,398,184	(P998,470,011)	P313,254,809
Other information				
Segment assets	P11,763,578,537	P10,862,943,950	P3,416,606,106	P26,043,128,593
Deferred income tax assets - net	-	-	54,052,774	54,052,774
Total segment assets	P11,763,578,537	P10,862,943,950	P3,470,658,880	P26,097,181,367
Segment liabilities	P4,231,119,056	P698,803,665	P5,238,390,520	P10,168,313,241
Segment additions to property and equipment, investment properties and software	P40,035,705	P1,446,059,317	P-	P1,486,095,022
Depreciation and amortization	23,268,315	128,424,726	-	151,693,041

2014

	Residential Developments	Leasing Activities	Unallocated Corporate Balance	Consolidated
Revenue from external customers	P1,538,260,541	P740,339,594	P-	P2,278,600,135
Direct costs	(1,303,734,258)	(280,707,826)	-	(1,584,442,084)
Gross profit	234,526,283	459,631,768	-	694,158,051
Selling, general and administrative expenses	(137,023,098)	-	(443,593,210)	(580,616,308)
Operating income	97,503,185	459,631,768	(443,593,210)	113,541,743
Interest income	37,500,147	-	4,537,067	42,037,214
Other income (charges) - net	(64,756,337)	152,690,348	7,793,634	95,727,645
Finance charges	-	-	(49,316,716)	(49,316,716)
Provision for income tax	-	-	(82,125,226)	(82,125,226)
Segment profit	P70,246,995	P612,322,116	(P562,704,451)	P119,864,660
Other information				
Segment assets	P12,901,196,446	P8,349,265,218	P2,369,237,424	P23,619,699,088
Deferred income tax assets - net	-	-	73,926,008	73,926,008
Total segment assets	P12,901,196,446	P8,349,265,218	P2,443,163,432	P23,693,625,096
Segment liabilities	P5,114,691,771	P395,016,546	P10,102,329,806	P15,612,038,123
Segment additions to property and equipment, investment properties and software	P35,461,102	P253,046,019	P-	P288,507,121
Depreciation and amortization	35,777,503	145,680,374	-	181,457,877

## 5. Cash and Cash Equivalents

Cash in banks earn interest at the prevailing bank deposit rates (see Note 17). Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates ranging from 0.25% to 2.0% in 2016 and 2015.

Interest income from cash and cash equivalents amounted to P14.2 million, P16.2 million and P4.5 million in 2016, 2015 and 2014, respectively (see Note 18).

	2016	2015
Cash on hand and in banks	<b>P1,081,994,958</b>	P434,506,136
Cash equivalents	<b>1,190,507,379</b>	1,658,645,537
	<b>P2,272,502,337</b>	P2,093,151,673

## 6. Trade and Other Receivables

	2016	2015
Contracts receivables	<b>P2,067,895,683</b>	P2,875,514,044
Receivables from buyers	<b>326,592,413</b>	317,882,545
Lease receivables (Note 27)	<b>28,940,739</b>	29,331,547
Receivables from tenants	<b>24,969,210</b>	23,603,282
Others	<b>185,918,556</b>	156,975,096
	<b>2,634,316,601</b>	3,403,306,514
Less noncurrent portion of contracts receivables	<b>670,729,438</b>	352,317,631
	<b>P1,963,587,163</b>	P3,050,988,883

- a. Contracts receivables consist of revenues recognized to date based on the percentage-of-completion less collections received from the respective buyers.

The Group assigned certain contracts receivables to Banco de Oro Unibank, Inc. (BDO) on a with recourse basis.

Interest from contracts receivables amounted to P41.7 million, P34.6 million and P37.5 million in 2016, 2015 and 2014, respectively (see Note 18).

- b. Receivables from buyers include receivables relating to registration of titles and turnover fees whereas receivables from tenants represent charges to tenants for utilities normally collectible within a year.
- c. Other receivables include accrued interest receivable pertaining to interest earned from cash and cash equivalents and contracts receivables. Included also in other receivables are the advances to officers and employees which pertain to unliquidated cash advances that are due within one year. Unliquidated cash advances to officers and employees are recoverable through salary deduction.

## 7. Real Estate Inventories

	2016	2015
Condominium and residential units	<b>P775,371,530</b>	P2,833,124,000
Land held for development	<b>1,313,136,812</b>	1,275,316,437
Subdivision projects under development	<b>4,464,186,904</b>	4,248,667,789
	<b>P6,552,695,246</b>	P8,357,108,226

- a. A summary of the movements in real estate inventories is set out below:

	2016	2015
Beginning of year	<b>P8,357,108,226</b>	P7,456,687,729
Development costs incurred (Notes 15 and 17)	<b>1,833,571,396</b>	3,106,991,719
Transfer to investment properties (Note 9)	<b>(2,548,958,107)</b>	(1,315,766,355)
Disposals recognized as cost of sales	<b>(1,089,026,269)</b>	(952,661,153)
Borrowing costs capitalized (Note 18)	<b>-</b>	61,856,286
End of year	<b>P6,552,695,246</b>	P8,357,108,226

In 2009, the Group acquired parcels of land through an asset-for-share swap agreement. The land, with a total appraised value of P3,953.2 million, was transferred to the Group in exchange for the issuance of 1.6 billion common shares (see Note 25). A portion of the land where the Group's buildings held for lease is situated, with an allocated cost of P658.9 million, was recognized as investment property in 2009. The remaining portion of the land, with an allocated cost of P3,294.3 million, was considered as real estate inventory. In 2010, the Group reclassified a portion of the land, which was previously recognized as real estate inventory as of December 31, 2009 with cost amounting to P2,187.4 million, to investment property in view of management's plan to develop thereon additional buildings to be held for lease (see Note 9). On July 21, 2011, the SEC approved the valuation of the land acquired through the asset-for-share swap agreement at P4.0 billion, thereby, resulting to an increase in the recorded value of the land by P46.8 million.

- b. Real estate inventories recognized as part of cost of real estate sales amounted to P1,089.0 million, P952.7 million and P1,303.7 million in 2016, 2015 and 2014, respectively.
- c. Borrowing cost capitalized as cost of real estate inventories amounted to P61.9 million and P163.4 million in 2015 and 2014, respectively. Capitalization rates for borrowing costs in 2015 and 2014 were 4.5% and 5.0%, respectively (see Note 18).

## 8. Other Current Assets

	2016	2015
Advances to contractors (Note 17)	<b>P903,015,364</b>	P326,187,541
Input VAT	<b>793,692,150</b>	695,492,525
Deferred rent asset (Note 27)	<b>180,566,203</b>	161,592,388
Creditable withholding taxes	<b>93,758,466</b>	55,751,365
Prepayments	<b>16,265,809</b>	63,684,345
	<b>P1,987,297,992</b>	P1,302,708,164

- a. Advances to contractors are recouped every settlement of progress billings based on percentage of accomplishment of each contract package. The activities related to these advances will be completed within the Group's normal operating cycle.
- b. Prepayments consist of prepaid insurance, taxes and licenses and other prepaid expenses. Prepaid taxes and licenses consist of unamortized portion of taxes and licenses such as business permit and real estate taxes.



## 9. Investment Properties

As of December 31, 2016:

	Land	Land Improvements and Buildings	Residential Unit	Construction in Progress	Total
<b>Cost</b>					
Beginning of year	P5,714,333,156	P5,196,974,041	P7,620,000	P287,957,814	P11,206,885,011
Additions	1,903,416,662	31,346,498	-	473,207,652	2,407,970,812
Transfer from real estate inventories (Note 7)	97,437,637	692,528,077	-	1,758,992,393	2,548,958,107
Reclassifications	-	212,874,665	-	(212,874,665)	-
End of year	7,715,187,455	6,133,723,281	7,620,000	2,307,283,194	16,163,813,930
<b>Accumulated Depreciation</b>					
Beginning of year	-	555,481,286	7,620,000	-	563,101,286
Depreciation for the year (Note 20)	-	134,180,308	-	-	134,180,308
End of year	-	689,661,594	7,620,000	-	697,281,594
Net Book Values	P7,715,187,455	P5,444,061,687	P-	P2,307,283,194	P15,466,532,336

As of December 31, 2015:

	Land	Land Improvements and Buildings	Residential Unit	Construction in Progress	Total
<b>Cost</b>					
Beginning of year	P3,213,445,836	P5,085,014,563	P7,620,000	P138,978,941	P8,445,059,340
Additions	1,394,000,000	8,621,609	-	43,437,708	1,446,059,317
Transfer from real estate inventories (Note 7)	1,106,887,320	103,337,869	-	105,541,166	1,315,766,355
End of year	5,714,333,156	5,196,974,041	7,620,000	287,957,815	11,206,885,012
<b>Accumulated Depreciation</b>					
Beginning of year	-	427,056,560	7,620,000	-	434,676,560
Depreciation for the year (Note 20)	-	128,424,726	-	-	128,424,726
End of year	-	555,481,286	7,620,000	-	563,101,286
Net Book Values	P5,714,333,156	P4,641,492,755	P-	P287,957,815	P10,643,783,726

- a. In 2016 and 2015, the Parent Company reclassified cost of buildings, which was previously recognized as real estate inventory totaling to P2,451.6 million and P105.5 million, respectively, to investment property in view of management's plan to lease the units (see Note 7).

The addition to land in 2016 and 2015 pertains to parcels of land acquired from related parties amounting to P1,903.4 million and P1,394.0 million, respectively, which will be used for future development (see Note 15).

- b. In 2016 and 2015, the Parent Company reclassified costs of land, which were previously recognized as real estate inventory amounting to P97.4 million and P1,106.9 million, to investment property. Management plans to develop thereon additional buildings to be held for lease (see Note 7).
- c. Rental income and direct operating expenses arising from the investment properties amounted to P1,278.5 million and P253.8 million in 2016, and P1,172.5 million and P226.9 million in 2015 and P740.3 million and P280.7 million in 2014, respectively.

Depreciation of investment properties amounting to P134.1 million, P128.4 million and P145.7 million were recognized as part of cost of rental income in 2016, 2015 and 2014, respectively.

- d. The estimated fair value of the investment properties as of December 31, 2014, the latest valuation date, amounted to P22.7 billion. The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator.

For the replaceable fixed assets valuation, the Cost Approach method of valuation is used. It considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based physical wear and tear, and obsolescence. In estimating the cost of replacement of the new building and other land improvements, the Modified Quantity Survey Method is adopted.

Property	Approach	Fair Value
Land	Market data	P15,812,676,000
Building for lease	Cost approach	6,890,541,000
		P22,703,217,000

The valuations were performed by SEC-accredited and independent valuer. The valuation model used in accordance with that recommended by the International Valuation Standards Council has been applied. These valuation models are consistent with the principles in PFRS 13.

Management believes that the fair value of the investment properties as of the latest valuation date is substantially the same as the fair value as of December 31, 2016.

## 10. Property and Equipment

As of December 31, 2016:

	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Beginning of year	P58,797,973	P136,817,775	P20,680,858	P216,296,606
Additions	7,238,838	20,332,084	1,694,052	29,264,974
Retirement	-	(4,132,433)	-	(4,132,433)
End of year	66,036,811	153,017,426	22,374,910	241,429,147
<b>Accumulated Depreciation and Amortization</b>				
Beginning of year	43,938,131	113,333,749	16,084,409	173,356,289
Depreciation and amortization (Note 20)	5,779,116	12,629,737	2,514,190	20,923,043
Retirement	-	(3,966,478)	-	(3,966,478)
End of year	49,717,247	121,997,008	18,598,599	190,312,854
<b>Net Book Values</b>	<b>P16,319,564</b>	<b>P31,020,418</b>	<b>P3,776,311</b>	<b>P51,116,293</b>

As of December 31, 2015:

	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Beginning of year	P49,938,294	P116,015,956	P20,346,037	P186,300,287
Additions	10,408,786	20,808,069	334,821	31,551,676
Retirement	(1,549,107)	(6,250)	-	(1,555,357)
End of year	58,797,973	136,817,775	20,680,858	216,296,606
<b>Accumulated Depreciation and Amortization</b>				
Beginning of year	P39,242,133	P105,202,312	P13,772,867	P158,217,312
Depreciation and amortization (Note 20)	6,245,105	8,137,687	2,311,542	16,694,334
Retirement	(1,549,107)	(6,250)	-	(1,555,357)
End of year	43,938,131	113,333,749	16,084,409	173,356,289
<b>Net Book Values</b>	<b>P14,859,842</b>	<b>P23,484,026</b>	<b>P4,596,449</b>	<b>P42,940,317</b>

The Group has fully depreciated property and equipment that are still in use with cost of P150.8 million and P138.5 million as of December 31, 2016 and 2015, respectively.

In 2016 and 2015, the Group recognized as part of "Cost of rental income" the depreciation of equipment used in leasing activities amounting to P1.2 million and P2.1 million, respectively.

**11. Other Noncurrent Assets**

	2016	2015
Refundable deposits	<b>P154,831,379</b>	P145,375,156
Software	<b>20,967,098</b>	20,764,961
Deferred input VAT	<b>10,557,294</b>	31,089,856
Others	<b>2,900,000</b>	2,900,000
	<b>P189,255,771</b>	P200,129,973

- a. Refundable deposits consist principally of amounts paid to utility providers for service applications and guarantee deposit required by the Makati Commercial Estate Association (MACEA). Deposits paid to utility companies will be refunded upon termination of the service contract while guarantee deposit paid to MACEA will be refunded upon project completion.
- b. The rollforward analysis of the Group's software follows:

	2016	2015
<b>Cost</b>		
Beginning of year	<b>P52,836,922</b>	P44,352,893
Additions	<b>8,743,189</b>	8,484,029
End of year	<b>61,580,111</b>	52,836,922
<b>Accumulated Amortization</b>		
Beginning of year	<b>32,071,961</b>	25,497,980
Amortization (Note 20)	<b>8,541,052</b>	6,573,981
End of year	<b>40,613,013</b>	32,071,961
<b>Net Book Values</b>	<b>P20,967,098</b>	P20,764,961

**12. Trade and Other Payables**

	2016	2015
Accounts payable	<b>P531,706,702</b>	P512,896,834
Retentions payable	<b>576,638,349</b>	690,714,226
Taxes payable	<b>369,888,821</b>	529,139,913
Accrued expenses:		
Real estate development costs	<b>1,496,187,756</b>	1,427,467,194
Rentals	<b>147,306,728</b>	124,611,957
Interest	<b>70,405,770</b>	54,493,209
Utilities, outside services and others	<b>166,919,996</b>	177,888,187
	<b>P3,359,054,122</b>	P3,517,211,520

- a. Accounts payable includes amount payable to contractors for the construction and development costs. Retention payable pertains to the amount withheld from progress billings of the contractors as a guaranty for any claims against them. Accounts payable and retentions payable are normally settled within the Group's normal operating cycle.
- b. Accrued expenses represent various accruals of the Group for its expenses and real estate projects. Accrued real estate development costs are construction-related accruals for the real estate projects of the Group.

### 13. Customers' Deposit

Customers' deposits represent payments received from buyers of condominium and residential units that will eventually be applied against the corresponding contracts receivables following the revenue recognition policy of the Group.

As of December 31, 2016 and 2015, customers' deposits amounted to P892.3 million and P1,426.6 million, respectively.

### 14. Loans Payable

	2016	2015
Bank loans	<b>P4,088,235,294</b>	P1,058,823,529
Notes payable	-	139,996,666
	<b>4,088,235,294</b>	1,198,820,195
Less unamortized transaction costs	<b>17,286,072</b>	2,801,685
	<b>4,070,949,222</b>	1,196,018,510
Less current portion	<b>466,945,986</b>	476,014,679
Noncurrent portion	<b>P3,604,003,236</b>	P720,003,831

#### Bank loans

- a. In 2016, the Parent Company entered into an unsecured term loan agreement with Philippine National Bank (PNB) and Asia United Bank (AUB) amounting to P2,000.0 million and to P1,500.0 million, respectively, to finance the construction of the Parent Company's projects. The term loan with PNB and AUB bears a nominal interest rate of 5.00% and will mature on May 31, 2023 and September 28, 2023, respectively. Principal repayments will commence two years from the date of availment and are due quarterly while interest payments are due quarterly starting August 31, 2016 for term loan with PNB and December 28, 2016 for term loan with AUB.
- b. On January 28, 2013, the Parent Company entered into an unsecured term loan agreement with BDO amounting to P2,000.0 million to finance the construction of the Parent Company's projects. The term loan bears an interest rate of 5.53% and will mature on January 26, 2018. Principal repayments will start one year from the date of availment and are due quarterly while interest payments are due quarterly starting April 28, 2013. Effective October 28, 2013, the Parent Company and BDO agreed to the new interest rate of 4.75%.

The transaction costs representing fees, taxes and other charges incurred in obtaining the loan were deferred and amortized using the effective interest rate. The amortization of transaction costs are recognized as part of "Finance charges" account in the consolidated statements of income.

Movements in the unamortized transaction costs of bank loans as follows:

	2016	2015
Balances at beginning of year	<b>P2,801,685</b>	P5,829,280
Additions	<b>17,500,000</b>	-
Amortization of transaction costs	<b>(3,015,613)</b>	(3,027,595)
Balances at end of year	<b>P17,286,072</b>	P2,801,685

#### Notes payable

Notes payable include various notes from BDO which arose from the assignment of the Groups' contract receivables on a with recourse basis in 2013 and 2012 (see Note 6). These notes bear interest based on Philippine Dealing System Treasury Fixing (PDSTF) rate for one year plus 1.5% net of gross receipts tax. In 2016 and 2015, interest rates ranged from 5.10% to 6.66%, subject to annual repricing. Interest is due monthly in arrears during the first two years of the term and thereafter, interest shall be collected with the principal covering the term of three years or the term of the contracts to sell, whichever comes first. In 2016, the outstanding notes payable were fully paid by the Group.

Interest expense related to loans payable amounted to P112.0 million, P67.2 million and P8.3 million, net of capitalized portion of nil, P9.2 million and P111.9 million in 2016, 2015 and 2014, respectively (see Notes 7, 9 and 18).



**15. Payable to Landowners**

	Notes	2016	2015
Five-year 6%-promissory note, quarterly installment	a, c	<b>P2,017,223,762</b>	P754,000,000
Five-year 6%-promissory note; monthly installment	b	<b>240,427,048</b>	309,346,702
Three-year floating rate promissory note, quarterly installment	d, e	<b>992,922,528</b>	1,732,922,528
		<b>3,250,573,338</b>	2,796,269,230
Less current portion		<b>1,249,895,303</b>	875,695,891
Noncurrent portion		<b>P2,000,678,035</b>	P1,920,573,339

- a. In February 2016, the Parent Company executed a contract to sell, subject to interest rate of 6%, to a related party amounting to P1,900.0 million in relation to its purchase of parcels of land located at Mactan Island, Cebu. The Parent Company paid P570.0 million as a downpayment. The remaining balance amounting to P1,330.0 million is payable in quarterly installments for the first five years starting 2017, totaling to P665.0 million and the remaining balance amounting to P665.0 million through balloon payment on the 5th year from the execution of the contract.
- b. In February 2015, the Parent Company executed promissory notes, subject to interest rate of 6%, to a related party amounting to P369.0 million in relation to its purchase of land located at Meralco Avenue, Pasig City with a total purchase price of P410.0 million. The promissory note is payable monthly for five years from the date of execution. As of December 31, 2016 and 2015, outstanding payables amounted to P240.4 million and P309.3 million, respectively (see Note 17).
- c. In December 2015, the Parent Company executed promissory notes, subject to interest rate of 6%, to a related party amounting to P754.0 million in relation to its purchase of land located at San Juan City, Pasig City and Pasay City with a total purchase price of P984.0 million. The promissory note is payable quarterly for five years from execution of the note. As of December 31, 2016 and 2015, outstanding payable amounted to P91.2 million and P100.0 million, respectively (see Note 17).
- d. On various dates in 2014, ECI and BCI executed a P992.9 million promissory note, subject to interest rate of PDSTF 3 years + 0.50%, to various landowners in relation to its purchased land located in Sta. Rosa, Laguna with total purchase price of P1.3 billion. The promissory note is due on the third year of its execution date.
- e. In November 2012, Parent Company executed a promissory note to a landowner amounting to P740.0 million, subject to interest rate of PDSTF 3 years + 0.50%, in relation to its purchase of land located in Quezon City with total purchase price of P1,000.0 million. The promissory note is due on the third year of its execution date. In November 2015, the promissory note was extended until 2016. The loan was fully paid by the Parent Company in 2016.
- f. Interest expense related to payables to landowners amounted to P217.4 million in 2016, P55.3 million in 2015 and nil in 2014 (see Notes 7, 9 and 18).

**16. Other Noncurrent Liabilities**

	2016	2015
Security deposits	<b>P428,784,612</b>	P387,620,205
Advance rentals	<b>152,611,893</b>	145,586,457
Deferred rental income	<b>59,254,895</b>	61,883,557
Retirement benefits liability (Note 23)	<b>56,118,230</b>	46,940,896
	<b>696,769,630</b>	642,031,115
Less current portion of:		
Security deposits	<b>131,060,005</b>	105,114,742
Advance rentals	<b>56,840,208</b>	55,197,966
	<b>187,900,213</b>	160,312,708
	<b>P508,869,417</b>	P481,718,407

Security deposits pertain to the amounts paid by the tenants at the inception of the lease which are refundable at the end of the lease term.

Advance rentals pertain to deposits from tenants which will be applied against receivables either at the beginning or at the end of lease term based on the lease contract.

## 17. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes (i) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (ii) associates; and (iii) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The table below shows the details of the Group's transactions with related parties.

	Financial Statement Account	Amount Volume		Outstanding Balance		Terms and Conditions
		2016	2015	2016	2015	
<b>Parent Company</b>	Payables to related parties	P-	P400,000,000	P-	P-	Unsecured; interest bearing
<b>Intermediate Parent Company</b>	Deposit for future stock subscription	-	3,150,000,000	-	-	
	Capital stock	-	1,603,210,526	-	-	
	Additional paid-in capital	-	2,686,469,473	-	-	
<b>Stockholder and Subsidiary of LTG</b>	Deposit for future stock subscription	-	2,350,000,000	-	-	
	Capital stock	-	1,214,458,646	-	-	
	Additional paid-in capital	-	2,035,861,352	-	-	
<b>Subsidiaries of LTG</b>	Cash and cash equivalents	1,222,693,412	337,770,448	533,843,836	1,963,844,651	Deposits and placements; interest-bearing
	Payables to related parties	-	-	(444,000,000)	(444,000,000)	Unsecured; Non-interest bearing
	Payables to related parties	345,783	-	(135,214,113)	(134,868,330)	Unsecured; interest bearing
	Loans payable	2,000,000,000	-	(2,000,000,000)	-	Unsecured; interest bearing
	Payables to landowners	-	-	(81,096,600)	(81,096,600)	Unsecured; interest bearing
	Payable to landowners	1,900,000,000	1,394,000,000	(2,257,650,811)	(1,063,346,702)	Unsecured; interest bearing
<b>Entities under Common Control</b>	Payables to related parties	62,865,000	57,681,081	-	(4,801,500)	Management fee; non-interest bearing
	Other current assets	641,898	-	-	641,898	Advances to contractors; non-interest bearing

#### Compensation of Key Management Personnel

Compensation of key management personnel of the Group amounted to P82.7 million, P78.1 million and P71.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016 and 2015, the outstanding related party balances are unsecured and settlement occurs in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

#### *Transactions with LTG*

- The Parent Company obtained a loan from LTG amounting to P250.0 million in 2013 and P150.0 million in 2012 to fund the operations of the Parent Company. The Parent Company fully paid the loan in 2015.

#### *Transactions with Paramount and Saturn*

In 2015, the Parent Company's BOD approved the increase in its authorized capital stock from P5,000.0 million divided into 5,000.0 million common shares with a par value of P1.00 per share to P8,000.0 million divided into 8,000.0 million common shares with a par value of P1.00 per share. Out of the increase of 3,000.0 million common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of P2.72 per share. P1,139.7 million and P900.3 million have been paid by Paramount and Saturn, respectively.

- In 2014, the Parent Company received advances from its stockholders, Paramount and Saturn, amounting to P3,150.0 million and P2,350.0 million, respectively. On November 14, 2014, Paramount and Saturn authorized the conversion of their advances to the Parent Company into equity by way of subscription to 2,067,669,172 common shares at an issue price of P2.66 per share. On January 14, 2015, the Parent Company filed an application with the SEC for the increase in authorized capital stock and was subsequently approved on January 23, 2015 (see Note 25).

#### *Transactions with Subsidiaries of LTG*

- Portion of the Group's cash and cash equivalents are deposited with PNB.
- In 2016, the Parent Company entered into an unsecured term loan agreement with Philippine National Bank (PNB) amounting to P2,000.0 million to finance the construction of the Parent Company's projects. Total outstanding payable were recorded under "Loans payable" in the statement of financial position.
- In 2016 and 2015, the Parent Company purchased parcels of land from PNB for its future projects. The total price of the parcels of land amounted to P1,900.0 million and P1,394.0 million, respectively. Total outstanding payable amounting to P2,257.7 million and P1,063.4 million were recorded under "Payables to landowners" as of December 31, 2016 and 2015, respectively (see Note 15).
- In 2014, the Parent Company and ECI purchased certain parcels of land owned by affiliates amounting to P182.2 million which were recorded under "Investment properties" account. Total outstanding payables amounting to P135.2 million were recorded under "Payables to related parties" as of December 31, 2016 and 2015.
- In 2014, ECI purchased parcels of land from related parties amounting to P109.6 million. Total outstanding payables amounting to P81.1 million were recorded as part of "Payables to landowners" as of December 31, 2016 and 2015 (see Note 15).
- On October 1, 2013, the Group purchased a parcel of land from Asia Brewery, Inc. with total lot area of 10,000 square meters for P600.0 million. Of this amount, the Group paid P156.0 million as down payment and issued a promissory note for the remaining balance with a 0.5% interest rate per annum. The outstanding balance is payable within four years from the execution of the promissory note.
- The Group has a lease agreement with PNB for the use of the latter's common area as office space of the former. Total rental expense recognized by the Group is included in "Outside services" account under "General and administrative expenses" in the consolidated statements of income (see Note 20).

*Transactions with Entities under Common Control*

- The Group has outstanding advances to Grandspan Development Corporation pertaining to the development of the Group's projects and is included as part of "Other current assets" account.

In 2011, the Group entered into a management contract agreement with BHC. Total management fee recognized by the Group included in "Outside services" amounted to P62.9 million, P59.4 million and P57.2 million in 2016, 2015 and 2014, respectively (see Note 20). As of December 31, 2016 and 2015, unpaid management fees amounted to nil and P4.8 million, respectively.

- The following are the transactions and balances among related parties which are eliminated in the consolidated statements of financial position:

Amounts owed by:	Amounts owed to:	Terms and Conditions	2016	2015
ECI	EPPI	Advances; noninterest-bearing	<b>P874,249,044</b>	P474,310,843
ECI	BCI	-do-	<b>53,850,674</b>	22,767
BCI	EPPI	-do-	<b>113,194,355</b>	-
FHI	EPPI	-do-	<b>194,165,618</b>	198,306,165
EPMC	EPPI	-do-	<b>13,430,688</b>	166,431

**18. Interest Income and Finance Charges**

	2016	2015	2014
Interest income:			
Cash and cash equivalents (Note 5)	<b>P14,197,600</b>	P16,211,746	P4,537,067
Contracts receivables (Note 6)	<b>41,673,403</b>	34,618,423	37,500,147
	<b>P55,871,003</b>	P50,830,169	P42,037,214
Finance charges:			
Interest expense on:			
Loans payable (Note 14)	<b>P112,343,362</b>	P76,482,699	P127,070,641
Notes payable (Notes 14 and 15)	<b>222,545,593</b>	130,735,516	100,397,509
	<b>334,888,955</b>	207,218,215	227,468,150
Capitalized interest in:			
Real estate inventories (Note 7)	-	(61,856,286)	(163,393,579)
Investment properties (Note 9)	-	-	(29,999,397)
	-	(61,856,286)	(193,392,976)
	<b>334,888,955</b>	145,361,929	34,075,174
Bank charges and others	<b>22,810,851</b>	30,424,776	15,241,542
	<b>P357,699,806</b>	P175,786,705	P49,316,716

Others include penalties and surcharges which are individually not material as to amounts.

**19. Selling Expenses**

	2016	2015	2014
Commissions	<b>P40,182,898</b>	P22,730,412	P137,023,098
Advertising and promotions	<b>12,664,645</b>	19,651,381	18,028,420
	<b>P52,847,543</b>	P42,381,793	P155,051,518



**20. General and Administrative Expenses**

	2016	2015	2014
Personnel costs (Note 21)	<b>P201,562,781</b>	P164,557,413	P136,008,058
Outside services (Note 17)	<b>165,014,795</b>	170,935,676	126,645,683
Taxes and licenses	<b>61,648,392</b>	108,532,262	62,823,726
Repairs and maintenance	<b>30,771,485</b>	23,666,973	5,335,318
Travel and transportation	<b>28,965,608</b>	31,548,733	24,315,496
Depreciation and amortization (Notes 10 and 11)	<b>26,187,745</b>	21,199,329	26,468,769
Communication, light and water	<b>23,569,092</b>	18,728,049	9,417,573
Entertainment, amusement and recreation	<b>13,261,399</b>	12,299,361	4,919,635
General insurance	<b>11,696,149</b>	7,097,492	2,414,389
Professional fees	<b>9,058,689</b>	11,360,339	12,901,228
Office supplies	<b>5,765,160</b>	3,969,653	3,492,449
Others	<b>62,318,682</b>	14,422,825	10,822,466
	<b>P639,819,977</b>	P588,318,105	P425,564,790

Others include expenditures training and seminar fees, membership fees and research and development costs which are individually not material.

**21. Personnel Costs**

	2016	2015	2014
Salaries and wages	<b>P142,750,549</b>	P119,864,037	P102,263,473
Employee benefits	<b>32,880,647</b>	22,294,810	19,428,536
Retirement benefits cost (Note 23)	<b>25,931,585</b>	22,398,566	14,316,049
	<b>P201,562,781</b>	P164,557,413	P136,008,058

**22. Other Income - Net**

	2016	2015	2014
Rental dues	<b>P169,684,010</b>	P182,623,797	P136,641,587
Loss on cancelled contracts	<b>(244,804,900)</b>	(215,001,981)	(76,540,209)
Forfeiture income	<b>106,688,379</b>	12,188,491	7,982,648
Management revenue	<b>10,690,423</b>	-	-
Penalty income and late payment charges	<b>8,222,249</b>	15,023,847	13,721,901
Others - net	<b>52,723,146</b>	15,785,704	15,075,664
	<b>P103,203,307</b>	P10,619,858	P96,881,591

**23. Retirement Benefits**

The Parent Company has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees. The Parent Company's retirement benefits is equivalent to seventeen-and-a-half (17.50) days final basic salary for every year of service with a fraction of six months considered as one year. The projected unit credit cost method is used in determining the liability of the Parent Company, which takes into account the factors of mortality, discount, turnover, retirement and salary increase rates of employees. The latest actuarial valuation report is as at December 31, 2016.

RA No. 7641 ("Retirement Pay Law"), an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The components of retirement benefits cost (included in "Personnel costs" under general and administrative expenses) in the Group's consolidated statements of income are as follows:

	2016	2015	2014
Current service cost	<b>P23,593,928</b>	P20,670,940	P12,928,281
Interest cost on defined benefits obligation	<b>2,337,657</b>	1,727,626	1,387,768
	<b>P25,931,585</b>	P22,398,566	P14,316,049

The retirement benefits liabilities recognized as part of "Other noncurrent liabilities" in the consolidated statements of financial position amounted to P56.1 million and P46.9 million as of December 31, 2016 and 2015, respectively.

Changes in the present value of the defined benefits obligation are as follows:

	2016	2015	2014
Beginning of year	<b>P46,940,896</b>	P38,391,693	P29,653,166
Retirement benefits cost in profit or loss:			
Current service cost	<b>23,593,928</b>	20,670,940	12,928,281
Interest cost on defined benefits obligation	<b>2,337,657</b>	1,727,626	1,387,768
	<b>25,931,585</b>	22,398,566	14,316,049
Remeasurement loss (gain) in other comprehensive income (loss) - actuarial changes arising from:			
Experience adjustments	<b>(13,977,650)</b>	(8,788,229)	(7,107,216)
Change in financial assumptions	<b>(2,776,601)</b>	(5,545,657)	1,529,694
Change in demographic assumptions	<b>-</b>	484,523	-
	<b>(16,754,251)</b>	(13,849,363)	(5,577,522)
End of year	<b>P56,118,230</b>	P46,940,896	P38,391,693

The principal assumptions used in determining retirement benefits cost for the Group as of January 1 follow:

	2016	2015	2014
Discount rate	<b>5.19%</b>	4.50%	4.68%
Salary increase rate	<b>10.00%</b>	10.00%	10.00%
Average future working years of service	<b>24</b>	24	24

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2016		2015	
Discount rate	<b>+0.5%</b>	<b>(P6,012,017)</b>	+0.5%	(P5,102,939)
	<b>-0.5%</b>	<b>6,880,860</b>	-0.5%	5,853,863
Future salary increase rate	<b>+1.0%</b>	<b>13,625,910</b>	+1.0%	11,581,491
	<b>-1.0%</b>	<b>(10,755,355)</b>	-1.0%	(9,105,000)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2016	2015
Less than 1 year	<b>P1,560,243</b>	P828,024
More than 1 year up to 5 years	<b>934,670</b>	1,750,039
More than 5 years up to 10 years	<b>23,016,031</b>	15,676,812
More than 10 years up to 15 years	<b>86,191,186</b>	82,546,130
More than 15 years up to 20 years	<b>235,635,464</b>	200,975,793
More than 20 years	<b>4,584,504,371</b>	4,652,930,385

## 24. Income Tax

a. Details of the Group's provision for current income tax follow:

	2016	2015	2014
RCIT	<b>P182,632,145</b>	P230,932,064	P57,922,096
MCIT	<b>2,489,830</b>	417,353	1,080,937
Final	<b>2,846,858</b>	3,290,103	730,677
	<b>P187,968,833</b>	P234,639,520	P59,733,710

b. The Group's recognized net deferred income tax assets as of December 31, 2016 and 2015 follow:

	2016	2015
Deferred income taxes directly recognized in profit or loss:		
Deferred income tax assets on:		
Accrued rent expense	<b>P44,192,018</b>	P37,383,587
Retirement benefits liability	<b>34,374,908</b>	26,595,433
Advance rentals	<b>27,349,555</b>	37,601,862
Accrued expenses	<b>13,699,268</b>	34,327,774
Excess MCIT	<b>2,992,708</b>	3,144,398
Difference between tax basis and book basis of accounting for real estate transactions	<b>624,512</b>	17,180,362
	<b>123,232,969</b>	156,233,416
Deferred income tax liabilities on:		
Deferred rental income	<b>(47,434,375)</b>	(41,555,143)
Difference between tax basis and book basis of accounting for real estate transactions	<b>(31,612,646)</b>	(47,006,482)
Unrealized foreign exchange gain - net	<b>(1,411,358)</b>	(1,105,854)
	<b>(80,458,379)</b>	(89,667,479)
	<b>42,774,590</b>	66,565,937
Deferred income tax liability from gains arising from changes in actuarial assumptions directly recognized in equity	<b>(17,539,439)</b>	(12,513,163)
	<b>P25,235,151</b>	P54,052,774

c. As of December 31, 2016 and 2015, the Group has not recognized deferred income tax assets on the carryforward benefits of NOLCO and excess MCIT totaling to P314.1 million and P265.7 million, respectively, based on the assessment that sufficient taxable profit will not be available to allow the deferred income tax assets to be utilized.

Details of the Group's NOLCO follow: Details of the Group's excess MCIT follow:

Year Incurred	Amount	Additions	Applied	Balance as of December 31, 2016	Available Until
2013	P46,594,968	P-	(P46,594,968)	P-	-
2014	96,458,167	-	(13,683,225)	82,774,942	2017
2015	122,616,711	-	(509,685)	122,107,026	2018
2016	-	108,310,355	-	108,310,355	2019
	P265,669,846	P108,310,355	(P60,787,878)	P313,192,323	

Details of the Group's excess MCIT follow:

Year Incurred	Amount	Additions/ (Expired)	Applied	Balance as of December 31, 2016	Available Until
2013	P1,646,107	(P1,646,107)	P-	P-	-
2014	1,080,937	-	-	1,080,937	2017
2015	417,354	-	-	417,354	2018
2016	-	2,451,447	-	2,451,447	2019
	P3,144,398	P805,340	P-	P3,949,738	

- d. A reconciliation of the provision for income tax at the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of income follows:

	2016	2015	2014
Provision for income tax at the statutory income tax rate	<b>P180,380,694</b>	P169,083,826	P60,596,966
Adjustments for:			
NOLCO and excess MCIT for which no deferred income tax assets were recognized	<b>33,450,138</b>	36,785,013	1,946,998
Application of NOLCO for which no deferred income tax asset was recognized in prior years	<b>(18,236,363)</b>	-	-
Nondeductible expenses	<b>15,932,029</b>	11,126,545	23,774,572
Expiration of NOLCO and excess MCIT for which deferred income tax assets were recognized in prior year	<b>1,646,107</b>	6,721,237	-
Interest income subjected to final tax	<b>(1,412,421)</b>	(1,573,415)	(234,336)
Derecognition of deferred income tax assets deemed to be worthless	-	28,214,739	-
Deductible temporary differences utilized in current year for which no deferred income tax assets were recognized in prior years	-	-	(3,958,974)
Provision for income tax	<b>P211,760,184</b>	P250,357,945	P82,125,226



## 25. Equity

### Capital Stock

Information on the number of shares of the Parent Company's capital stock as of December 31 are as follows:

	Number of Shares	
	2016	2015
<b>Authorized capital stock at P1 par value</b>		
Beginning of year	8,000,000,000	5,000,000,000
Increase in authorized capital stock	-	3,000,000,000
End of year	8,000,000,000	8,000,000,000
<b>Issued and outstanding capital stock at P1 par value</b>		
Beginning of year	5,723,017,872	2,905,348,700
Conversion of advances to capital stock	-	2,067,669,172
Issuance of capital stock	-	750,000,000
Issued capital stock	5,723,017,872	5,723,017,872
Treasury shares	(10,000)	(10,000)
Outstanding capital stock	5,723,007,872	5,723,007,872

On May 12, 1988, the SEC approved the registration and licensing of the 30.0 billion authorized capital stock of the Parent Company with a total par value of P300.0 million divided into 18 billion Class "A" shares with par value of P0.01 per share and 12.0 billion Class "B" shares with par value of P0.01 per share. The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On May 12, 1988, the SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the P300.0 million worth of shares of the latter and issuance of certificates of stock for the shares already subscribed and paid for.

On February 21, 1994, the SEC approved the increase in the authorized capital stock of the Parent Company from P300.0 million to P1.0 billion divided into 60.0 billion Class "A" shares with par value of P0.01 per share and 40.0 billion Class "B" shares with par value of P0.01 per share. The Parent Company's management does not have the necessary information on the issue/offer price of these shares. On March 11, 1994, the SEC issued a certificate of permit to offer securities for sale to the Parent Company authorizing the sale of the latter's shares.

On June 25, 1996, by majority vote of the BOD and stockholder representing at least two-thirds votes of the outstanding capital stock, an amendment on the articles of incorporation of the Parent Company was adopted. The amendment among others includes the changing of the par value of the authorized capital stock of the Parent Company from P0.01 per share to P1.00 per share. The amendment was approved by the SEC on August 12, 1997.

In the stockholders meeting held on January 14, 2003, a quasi re-organization was approved which includes a reduction in the authorized capital stock of the Parent Company from P1,000.0 million to P73.8 million and subsequently, an increase in the authorized capital stock of the Parent Company, after decrease is effected, to P5,000.0 million divided into 5,000.0 million shares having a par value of P1.00 per share.

On October 8, 2003, the SEC approved the decrease in the total authorized capital stock of the Parent Company from P1,000.0 million to P73.8 million consisting of 73.8 million shares with par value of P1.00 per share. On the same day, the SEC approved the increase in the total authorized capital stock of the Parent Company from P73.8 million to P5,000.0 million consisting of 5,000.0 million shares with par value of P1.00 per share. Saturn subscribed to P1,231.6 million out of the P4,926.2 million increase in the authorized capital stock.

On March 2, 2015, the Parent Company's BOD approved the increase in its authorized capital stock from P5,000.0 million divided into 5,000.0 million common shares with a par value of P1.00 per share to P8,000.0 million divided into 8,000.0 million common shares with a par value of P1.00 per share. On September 28, 2015, Eton filed an application with the SEC to increase its authorized capital stock which was subsequently approved by the SEC on September 30, 2015. Out of the increase of 3,000.0 million common shares, 419 million common shares and 331 million common shares have been subscribed by Paramount and Saturn, respectively, at a subscription price of P2.72 per share (see Note 1).

The issued and outstanding registered shares are held by 1,665 stockholders as of December 31, 2016 and 2015, respectively.

Asset-for-Share Swap

On October 6, 2009, the Parent Company's BOD approved the acquisition of an approximately 12-hectare property, with an appraised value of P3,953.2 million, owned by Paramount where the Eton Centris projects are situated in exchange for the issuance of 1.6 billion shares to Paramount at P2.50 per share. On October 22, 2009, the Parent Company and Paramount executed a Deed of Conveyance pertaining to the asset-for-share swap. In 2011, the property and the deposit for future stock subscription were adjusted by the Parent Company to reflect the amount equal to P4.0 billion as approved by SEC. Accordingly, the Parent Company reclassified the deposit for future stock subscription into subscribed capital stock and additional paid-in capital amounting to P1.6 billion and P2.4 billion, respectively. The subscribed capital stock was issued as of December 31, 2012.

In 2012, subscription receivable from Paramount amounting to P573.7 million was collected. The corresponding subscribed shares were issued as of December 31, 2012.

Deposit for Future Stock Subscription

On November 14, 2014, Paramount and Saturn authorized the conversion of its advances to the Parent Company amounting to P3,150.0 million and P2,350.0 million, respectively, into equity by way of subscription to 2,067,669,172 shares of stock at an issue price of P2.66 per share. On January 14, 2015, the Parent Company filed the application for conversion with the SEC which was subsequently approved on January 23, 2015.

Additional Paid-in Capital

In 2013, the Parent Company received cash from Paramount amounting to P1,100.0 million as additional capital contribution, which is recognized under "Additional paid-in capital" account.

Costs incurred directly related to the issuance of capital stock in 2015 amounting to P15.7 million were charged to "Additional paid-in capital".

Retained Earnings

The retained earnings is restricted for payment of dividends to the extent of the amount of treasury shares amounting to P7,955.

Portion of the retained earnings pertaining to undistributed earnings of subsidiaries amounting to P168.2 million as of December 31, 2016 and 2015, and unrealized items amounting to P123.2 million and P156.2 million as of December 31, 2016 and 2015, respectively, are not available for dividend declaration.

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**26. Basic/Diluted Earnings Per Share**

Basic/diluted earnings per share were calculated as follows:

	2016	2015	2014
Net income	<b>P389,508,796</b>	P313,254,809	P119,864,660
Divided by weighted average number of common shares	<b>5,723,007,872</b>	5,723,007,872	2,905,338,700
Basic/diluted earnings per share	<b>P0.0681</b>	P0.0547	P0.0413

In 2016, 2015, and 2014, there are no potential common shares, thus, basic and diluted earnings per share are the same.

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**27. Operating Leases**
*The Group as lessor*

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The Group records rental income on a straight-line basis over the lease term and a certain percentage of gross revenue of tenants, as applicable, on a noncancellable lease term. The Group recognized variable rental income amounting to P13.2 million, P14.1 million and P10.1 million in 2016, 2015 and 2014, respectively.

Future minimum rentals receivables under noncancellable operating leases as of December 31 follow:

	2016	2015
Within one year	<b>P1,086,431,073</b>	P996,261,757
After one year but not more than five years	<b>2,071,213,067</b>	2,338,623,003
More than five years	<b>270,637,399</b>	254,716,342
	<b>P3,428,281,539</b>	P3,589,601,102

*The Group as lessee*

The Group entered into a renewable cancellable lease agreement with PNB, which generally provides for a fixed monthly rent for the Group's office spaces (see Note 17).

The Parent Company also entered into a lease agreement with third parties for the lease of parcels of land where one of the Parent Company's projects is located. The lease agreement shall be for the period of 20 years commencing on January 1, 2011 renewable for another 20 years at the option of the lessee, the Parent Company, with lease payment subject to 5% escalation annually.

Future minimum rentals payables as of December 31 follow:

	2016	2015
Within one year	<b>P17,441,613</b>	P16,611,060
After one year but not more than five years	<b>78,934,308</b>	75,175,531
More than five years	<b>1,387,329,045</b>	1,408,529,434
	<b>P1,483,704,966</b>	P1,500,316,025

## 28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are cash and cash equivalents, payables to related parties and loans payable. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets and financial liabilities such as trade and other receivables, refundable deposits, security deposits, and trade and other payables, which arise directly from its operations.

It is the Group's policy that no trading of financial instruments shall be undertaken. Management closely monitors the cash fund and financial transactions of the Group. Cash funds are normally deposited with banks considered as related parties, and financial transactions are normally dealt with related parties. These strategies, to an extent, mitigate the Group's interest rate and credit risks.

Exposure to credit, liquidity, interest rate and foreign currency risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are: (a) to identify and monitor such risks on an ongoing basis, (b) to minimize and mitigate such risks, and (c) to provide a degree of certainty about costs.

The BOD reviews and approves the policies for managing these risks which are described below.

*Credit risk*

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group's credit risks are primarily attributable to contracts receivables and other financial assets.

Credit risk is managed primarily through analysis of receivables on a continuous basis. In addition, the credit risk for contracts receivables is mitigated as the Group has the right to cancel the sales contract without the risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because the corresponding title to the property sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The carrying amount of cash in banks and cash equivalents, trade and other receivables, and refundable deposits represent the Group's maximum exposure to credit risk.

As of December 31, 2016 and 2015, the Group's maximum exposure to credit risk for the components of the consolidated statements of financial position follows:

	2016	2015
Loans and receivables:		
Cash in banks and cash equivalents	<b>P2,271,620,297</b>	P2,092,420,950
Trade and other receivables:		
Contracts receivables	<b>2,067,895,683</b>	2,875,514,044
Lease receivables	<b>28,940,739</b>	29,331,547
Receivable from buyers	<b>326,592,413</b>	317,882,545
Receivable from tenants	<b>24,969,210</b>	23,603,282
Others	<b>185,918,556</b>	156,975,096
Refundable deposits	<b>154,861,379</b>	145,375,156
	<b>P5,060,798,277</b>	P5,641,102,620

The Group is not exposed to concentration risk because it has a diverse base of counterparties.

The tables below show the credit quality of the Group's financial assets:

As of December 31, 2016:

	Neither past due nor impaired			
	High Grade	Medium Grade	Past due but not impaired	Total
Cash in banks and cash equivalents	<b>P2,271,620,297</b>	<b>P-</b>	<b>P-</b>	<b>P2,271,620,297</b>
Trade and other receivables:				
Contracts receivables	-	<b>824,973,129</b>	<b>1,242,922,554</b>	<b>2,067,895,683</b>
Lease receivables	-	<b>11,835,029</b>	<b>17,105,710</b>	<b>28,940,739</b>
Receivable from buyers	-	<b>326,592,413</b>	-	<b>326,592,413</b>
Receivables from tenants	-	<b>22,555,605</b>	<b>2,413,605</b>	<b>24,969,210</b>
Others	-	<b>185,918,556</b>	-	<b>185,918,556</b>
Refundable deposits	-	-	<b>154,861,379</b>	<b>154,861,379</b>
	<b>P2,271,620,297</b>	<b>P1,371,874,732</b>	<b>P1,417,303,248</b>	<b>P5,060,798,277</b>

As of December 31, 2015

	Neither past due nor impaired			
	High Grade	Medium Grade	Past due but not impaired	Total
Cash in banks and cash equivalents	P2,092,420,950	P-	P-	P2,092,420,950
Trade and other receivables:				
Contracts receivables	-	2,117,096,584	758,417,460	2,875,514,044
Lease receivables	-	4,414,716	24,916,831	29,331,547
Receivable from buyers	-	317,882,545	-	317,882,545
Receivables from tenants	-	21,031,557	2,571,725	23,603,282
Others	-	156,975,096	-	156,975,096
Refundable deposits	-	-	145,375,156	145,375,156
	P2,092,420,950	P2,617,400,498	P931,281,172	P5,641,102,620



The credit qualities of the financial assets were determined as follows:

- High grade - pertains to cash in banks and cash equivalents that are deposited or invested in reputable banks.
- Medium grade - pertains to financial instruments wherein counter parties have a minimal likelihood of default and have consistently exhibited good paying habits. These financial assets are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.
- Past due but not impaired - pertains to financial instruments with probability of impairment based on historical trend. Contracts receivables under this credit quality classification show propensity to default in payment despite regular follow up actions and extended payment terms.

The table below shows an aging analysis of financial assets that are past due but not impaired:

As of December 31, 2016:

	Less than 30 days	30 - 60 days	More than 60 days	Total
Loans and receivables:				
Trade and other receivables:				
Contracts receivables	<b>P4,969,410</b>	<b>P11,570,966</b>	<b>P1,226,382,178</b>	<b>P1,242,922,554</b>
Lease receivables	<b>4,929,322</b>	<b>961,575</b>	<b>11,214,813</b>	<b>17,105,710</b>
Receivable from tenants	<b>340,400</b>	<b>215,387</b>	<b>1,857,818</b>	<b>2,413,605</b>
Refundable deposits	<b>-</b>	<b>4,600,000</b>	<b>150,261,379</b>	<b>154,861,379</b>
	<b>P10,239,132</b>	<b>P17,347,928</b>	<b>P1,389,716,188</b>	<b>P1,417,303,248</b>

As of December 31, 2015:

	Less than 30 days	30 - 60 days	More than 60 days	Total
Loans and receivables:				
Trade and other receivables:				
Contracts receivables	P20,665,097	P20,102,957	P717,649,406	P758,417,460
Lease receivables	1,045,100	15,487,917	8,383,814	24,916,831
Receivable from tenants	1,264,998	126,462	1,180,265	2,571,725
Refundable deposits	-	-	145,375,156	145,375,156
	P22,975,195	P35,717,336	P872,588,641	P931,281,172

### *Liquidity risk*

Liquidity risk is defined as risk that the Group would not be able to settle or meet its obligations on time. The Group maintains sufficient cash in order to fund its operations.

In mitigating liquidity risk, management measures and forecasts its cash commitments, matches debt maturities with the assets being financed, maintains a diversity of funding sources with its unhampered access to bank financing and the capital markets and develops viable funding alternatives through its customers' deposits arising from the Group's pre-selling activities.

The following tables show the maturity profile of the Group's other financial liabilities (undiscounted amounts of principal and related interest) as well as the undiscounted cash flows from financial assets used for liquidity management.

As of December 31, 2016:

	On demand	Less than 1 year	1 - 5 years	Total
<b>Financial liabilities:</b>				
Trade and other payables:				
Accounts payables	P-	P531,706,702	P-	P531,706,702
Retentions payable	-	576,638,349	-	576,638,349
Accrued expenses	-	1,880,820,250	-	1,880,820,250
Payables to related parties	-	579,214,113	-	579,214,113
Loans payable	-	466,945,986	3,604,003,236	4,070,949,222
Payable to landowners	-	1,131,805,303	2,118,768,035	3,250,573,338
Security deposits	-	132,628,595	296,156,017	428,784,612
	P-	P5,299,759,298	P6,018,927,288	P11,318,686,586
<b>Financial assets:</b>				
Cash and cash equivalents	P1,081,994,958	P1,190,507,379	P-	P2,272,502,337
Trade and other receivables*	1,262,441,869	525,514,826	670,729,438	2,458,686,133
	P2,344,436,827	P1,716,022,205	P670,729,438	P4,731,188,470

\*Excluding other receivables amounting to P175.6 million.

As of December 31, 2015:

	On demand	Less than 1 year	1 - 5 years	Total
<b>Financial liabilities:</b>				
Trade and other payables:				
Accounts payables	P-	P512,896,834	P-	P512,896,834
Retentions payable	-	690,714,226	-	690,714,226
Accrued expenses	-	1,784,460,547	-	1,784,460,547
Payables to related parties	-	583,669,830	-	583,669,830
Loans payable	-	476,014,679	720,003,831	1,196,018,510
Payable to landowners	-	875,695,891	1,920,573,339	2,796,269,230
Security deposits	-	105,114,742	282,505,463	387,620,205
	P-	P5,028,566,749	P2,923,082,633	P7,951,649,382
<b>Financial assets:</b>				
Cash and cash equivalents	P434,506,136	P1,658,645,537	P-	P2,093,151,673
Trade and other receivables*	785,906,016	2,108,107,771	352,317,631	3,246,331,418
	P1,220,412,152	P3,766,753,308	P352,317,631	P5,339,483,091

\*Excluding other receivables amounting to P157.0 million.

#### Interest rate risk

The Group's exposure to interest rate risk arises from the Parent Company's loans payable. The Group's policy is to manage its interest cost using a mix of fixed and variable rate loans.

The table below demonstrates the possible increase (decrease) in the Group's income before tax as a result of reasonably possible changes in interest rate as of December 31, 2016 and 2015, with all other variables held constant. There is no impact on the Group's equity other than those already affecting the consolidated statements of income.

	Changes in basis points	2016	2015
Bank loans	+100	(P63,882,353)	(P11,988,202)
	-100	63,882,353	11,988,202
Notes payable	+100	-	(18,541,783)
	-100	-	18,541,783

*Foreign currency risk*

Foreign exchange risk is the risk on volatility of earnings or capital arising from changes in foreign exchange rates, mainly US Dollar to Peso exchange rate. The Group's exposure to foreign currency risk arises from US Dollar-denominated cash and cash equivalents.

The following table shows the Group's cash and cash equivalents denominated in US dollar and their peso equivalents as of December 31, 2016 and 2015.

	<b>US Dollar Value</b>	Peso Equivalent
2016	<b>\$1,300,002</b>	P64,636,099
2015	<b>\$1,456,207</b>	P68,529,101

The exchange rate used as of December 31, 2016 and 2015 were P49.72 to US\$1.00 and P47.06 to US\$1.00, respectively. The Group recognized net foreign exchange gains amounting to P4.4 million and P3.7 million in 2016 and 2015, respectively.

The table below represents the impact on the Group's income before income tax as a result of about a reasonably possible change in US Dollar to Peso exchange rate with all other variables held constant as of December 31, 2016 and 2015. There is no impact on the Group's equity other than those already affecting the consolidated statements of income.

	<b>Change in Dollar Foreign Exchange Rate</b>	Effect on Income before Income Tax
2016	<b>4.35%</b> <b>(4.35%)</b>	<b>P2,808,654</b> <b>(2,808,654)</b>
2015	3.63% (3.63%)	P2,487,606 (2,487,606)

### Fair Value Information

Presented below is the comparison of the carrying values and fair values of the Group's financial instruments that are presented in the consolidated statements of financial position as of December 31, 2016 and 2015.

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash on hand	<b>P882,040</b>	<b>P882,040</b>	P730,723	P730,723
<b>Loans and receivables:</b>				
Cash in banks and cash equivalents	<b>2,271,620,297</b>	<b>2,271,620,297</b>	2,092,420,950	2,092,420,950
Contracts receivables	<b>2,067,895,683</b>	<b>2,067,895,683</b>	2,875,514,044	2,875,514,044
Lease receivables	<b>28,940,739</b>	<b>28,940,739</b>	29,331,547	29,331,547
Receivables from buyers	<b>326,592,413</b>	<b>326,592,413</b>	317,882,545	317,882,545
Receivables from tenants	<b>24,969,210</b>	<b>24,969,210</b>	23,603,282	23,603,282
Others	<b>185,918,556</b>	<b>185,918,556</b>	156,975,096	156,975,096
Refundable deposits*	<b>154,861,379</b>	<b>154,861,379</b>	145,375,156	145,375,156
	<b>P5,061,680,317</b>	<b>P5,061,680,317</b>	P5,641,833,343	P5,641,833,343
<b>Financial Liabilities</b>				
Other financial liabilities:				
Trade and other payables:				
Accounts payable	<b>P531,706,702</b>	<b>P531,706,702</b>	P512,896,834	P512,896,834
Retentions payable	<b>576,638,349</b>	<b>576,638,349</b>	690,714,226	690,714,226
Accrued expenses***	<b>1,880,820,250</b>	<b>1,880,820,250</b>	1,784,460,547	1,784,460,547
Payables to related parties	<b>579,214,113</b>	<b>579,214,113</b>	583,669,830	583,669,830
Loans payable	<b>4,070,949,222</b>	<b>3,712,315,611</b>	1,196,018,510	1,191,558,763
Payables to landowners	<b>3,250,573,338</b>	<b>3,186,368,747</b>	2,796,269,230	2,876,115,537
Security deposits**	<b>428,784,612</b>	<b>390,791,278</b>	387,620,205	351,781,057
	<b>P11,318,686,586</b>	<b>P10,857,855,050</b>	P7,951,649,382	P7,991,196,794

\*Presented as part of "Other noncurrent assets" account.

\*\*Presented as part of "Deposits and other liabilities" and "Other noncurrent liabilities" account.

\*\*\*Excluding payable to government agencies amounting to P369.9 million and P529.1 million as of December 31, 2016 and 2015, respectively.

The following methods and assumptions are used to estimate the fair value of each class of financial and non-financial instruments:

#### *Cash and cash equivalents, trade and other receivables, trade and other payables, and payables to related parties*

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, and payables to related parties approximate their fair values due to the short-term nature of these financial instruments. The noncurrent portion of trade receivables is interest-bearing with interest rates that approximate market interest rates as at December 31, 2016 and 2015.

#### *Refundable deposits*

The carrying value of deposits is the best estimate of its fair value since the related contracts and agreements pertaining to these deposits have indeterminable terms.

#### *Loans payable, payables to landowners and security deposits*

The fair values of loans payable, payables to landowners and security deposits are estimated using the discounted cash flow method based on the discounted value of future cash flows using the applicable risk-free rates for similar types of instruments. The discount rates used range from 1.89% to 3.88% and 2.67% to 3.89% as of December 31, 2016 and 2015, respectively. Management has determined the inputs to be Level 3.

#### *Investment properties*

The estimated fair value of the investment properties as of December 31, 2014, the latest valuation date, amounted to P22.7 billion. The value of the land was arrived at using the Market Data Approach as discussed in Note 9. Due to the judgment involved in calculating the fair value of the investment properties, management has determined the inputs to be Level 3.

In 2016 and 2015, there were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of December 31, 2016 and 2015, there are no financial instruments measured at fair value under Levels 1, 2 and 3. There was no transfer between hierarchies in 2016 and 2015.

## 29. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2016 and 2015. Accordingly, the Group is not subject to externally imposed capital requirements.

The table below summarizes the total capital considered by the Group:

	2016	2015
Capital stock	<b>P5,723,017,872</b>	P5,723,017,872
Additional paid-in capital	<b>8,206,662,618</b>	8,206,662,618
Retained earnings	<b>2,361,123,383</b>	1,971,614,587
Treasury shares	<b>(7,955)</b>	(7,955)
	<b>P16,290,795,918</b>	P15,901,287,122

## 30. Registration with Philippine Economic Zone Authority (PEZA)

The Group's projects namely, Eton Cyberpod Corinthian and Eton Centris, were registered with PEZA on August 27, 2008 and September 19, 2008, respectively, as non-pioneer "ecozone developer/operator". The locations are created and designated as Information Technology Park.

## 31. Registration with Board of Investments (BOI)

The Group has three BOI-registered projects namely, Belton Place (BP), Eton Emerald Lofts (EEL) and One Archers Place (OAP).

BP is registered with BOI as a new developer of low-cost housing project on a Non-Pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226) on September 15, 2008.



This registration entitles the Group to four years ITH from November 2008 or actual commercial operations or selling, whichever is earlier but in no case earlier than the date of registration. The ITH shall be limited only to the revenue generated from this project. Revenue with selling price exceeding P3.0 million shall not be covered by ITH.

Likewise, on September 23, 2008, two other projects of the Group namely, OAP and EEL, were registered with the BOI as a new developer of low-cost housing project on a Non-Pioneer status. These two projects shall enjoy the same benefits as BP.

The ITH incentives entitlements of the Group already expired in 2012.

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### 32. Contingencies

The Group has various contingent liabilities from legal cases arising from the normal course of business which are currently being contested by the Group. The outcomes of these cases are not currently determinable. Management and its legal counsel believe that the eventual liability from these legal cases, if any, will not have a material effect on the consolidated financial statements.

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### 33. Notes to Consolidated Statements of Cash Flows

The principal non-cash investing and financing activities of the Group follow:

- In 2016 and 2015, the Parent Company reclassified real estate inventory amounting to P2,549.0 million and P1,106.9 million, respectively, to investment property (see Note 7).
- In February 2016, the Parent Company executed a contract to sell amounting to P1,900.0 million in relation to its purchase of parcel of land which was included as part of "Investment properties" (see Note 15). As of December 31, 2016, the outstanding balance amounting to P1,330.0 million was included under "Payable to landowners" in the consolidated statement of financial position.
- In 2015, the Parent Company purchased parcels of land from a related party amounting to P1,394.0 million which were included as part of "Investment properties". As of December 31, 2016 and 2015, the unpaid portion amounting to P927.7 million and P1,063.3 million, respectively, were recognized and included under "Payable to landowners" in the consolidated statements of financial position.
- On November 14, 2014, the BOD of Paramount and Saturn authorized the conversion of its advances to the Parent Company amounting to P3,150.0 million and P2,350.0 million, respectively, into equity by way of subscription to 2,067,669,172 shares of stock (see Note 25).
- In September 2014, the Group reclassified the cost of land improvements with a total amount of P7.5 million from property and equipment to investment properties (see Notes 9 and 10).
- In 2014, the Group purchased parcels of land which were capitalized as real estate inventories. As of December 31, 2014, the unpaid portion of the land purchases of P1,127.8 million is recognized and included under "Payables to related parties" and "Payable to landowners" in the amount of P134.9 million and P992.9 million, respectively (see Notes 7, 15 and 17).