

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	4	0	0	7	1	6	0
---	---	---	---	---	---	---	---	---	---

COMPANY NAME

A	R	T	H	A	L	A	N	D		C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S	

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

8	/	F		P	i	c	a	d	i	l	l	y		S	t	a	r		B	u	i	l	d	i	n	g	,		4	t	h		A	v	e	n	u	e		
		c	o	r	n	e	r		2	7	t	h		S	t	r	e	e	t	,		B	o	n	i	f	a	c	i	o		G	l	o	b	a	l		C	
		i	t	y	,		T	a	g	u	i	g		C	i	t	y																							

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	/	A	
---	---	---	--

COMPANY INFORMATION

Company's Email Address

—

Company's Telephone Number/s

(02) 403-6910

Mobile Number

—

No. of Stockholders

2,013

Annual Meeting (Month / Day)

Last Friday of June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ferdinand A. Constantino

Email Address

faconstantino@arthaland.com

Telephone Number/s

(02) 403-6910

Mobile Number

—

CONTACT PERSON'S ADDRESS

8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of **ARTHALAND CORPORATION** (the 'Company') is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the year ended **31 December 2016**, 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 in overseeing the Company's financial reporting process.

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

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

Issued this **20 March 2017**, Taguig City, Philippines.



ERNEST K. CUYEGKENG
Chairman of the Board



JAIME C. GONZALEZ
Vice Chairman and President



FERDINAND A. CONSTANTINO
Chief Finance Officer

OATH

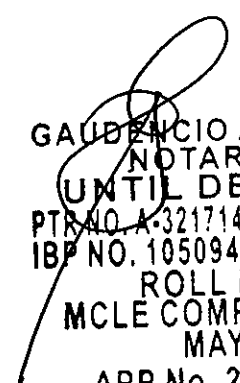
REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY) SS.

I certify that on this 20th day of **March 2017**, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Date/Place of Issue</u>
Ernest K. Cuyegkeng	Passport No. EC3327271	31 January 2015/Manila
Jaime C. Gonzalez	Passport No. EB8872275	07 August 2013/Manila
Ferdinand A. Constantino	Passport No. EC5969532	13 November 2015/NCR South

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc No. 493
Page No. 100
Book No. 6;
Series of 2017.


GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. A-3217144/1-3-17 TAGUIG CITY
IBP NO. 1050940/NOV. 8, 2016 RSM
ROLL NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP No. 26/(2017-2018)

EMMANUEL M. FLORECE
Certified Public Accountant

Board of Accountancy, BIR and SEC - Accredited Practitioner
Member, Philippine Institute of Certified Public Accountants

**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE
FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

To the Stockholders and Board of Directors

Arthaland Corporation

8th Floor, Picadilly Star Building

4th Avenue corner 27th Street

Bonifacio Global City, 1634 Taguig City

On the basis of information provided by management, I have compiled, in accordance with the Philippine Standards on Auditing – Standards on Related Services 4410 *Engagements to Compile Financial Information*, the financial statements of **Arthaland Corporation** (the “Company”) which comprise of its statement of financial position as at December 31, 2016 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to financial statements.

Management is responsible for these financial statements. I have not audited or reviewed these financial statements and accordingly express no assurance thereon.

In discharging my responsibility, I declare that I was contracted by the Company to perform the financial statement compilation services. I further declare that in my compilation services for the preparation of the financial statements and notes to the financial statements, I was not assisted by or did not avail of the services of Reyes Tacandong & Co., who is the external auditor of the Company who rendered the audit opinion for the said financial statements and notes to the financial statements.

EMMANUEL M. FLORECE

CPA License No. 54020

TIN 152-884-089

BOA AN 2952; valid until December 31, 2019

BIR AN 08-002811-1-2016, valid until December 19, 2019

SEC AN 1451-A; Group C, valid until November 24, 2017

PTR No. PC 5283270; January 5, 2017, Pasay City

March 20, 2017

Pasay City

SUBSCRIBED AND SWORN to before me affiant exhibiting his PRC-BOA ID No 54020 on the MAR 21 2017 day of March 2017.

ATTY. JOSEPHINE SARLA LA-ABADEJOS
NOTARY PUBLIC
III-E PASADENA ST. PASAY CITY
UNTIL DECEMBER 31, 2017
PTR NO. 5262345/1-E-17 PASAY CITY
IBP NO. 1037250/1-3-17 PASAY CITY
COMMISSION NO. 16-30/1-7-16 PASAY CITY
ROLL NO. 50806

Doc. No. 81
Page No. 1
Book No. 20
Series of 2017



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

Opinion

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016, 2015 and 2014, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the 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 the years ended December 31, 2016, 2015 and 2014 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 the 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.

Key Audit Matters

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





Fair Value Measurement

The Group's investment properties amounted to ₱4,534.1 million as at December 31, 2016. In 2016, the Group changed its accounting policy from cost model to fair value model of accounting for investment properties.

We focused our audit in assessing the appropriateness of the fair value measurement of investment properties because the process involves significant management judgment when selecting the appropriate valuation techniques and inputs used to determine fair value. Moreover, fair value measurement is significant to our audit as the investment properties account for 45% of the Group's total assets as at December 31, 2016 (see Notes 3 and 10 to the consolidated financial statements).

We have assessed the independence and competency of the Group engaged appraiser. We have also reviewed the reasonableness of the assumptions used to estimate the fair value of the Group's investment properties and found those to be reasonably appropriate.

Revenue from Real Estate Sales

For the year ended December 31, 2016, the Group's revenue from real estate sales recognized using the percentage of completion (POC) method amounted to ₱439.2 million.

We focused our audit on revenue recognition as significant judgment is required when estimating total contract revenue and total estimated project costs that are used to determine POC at the end of the reporting period. In our view, this is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2016 is material to the consolidated financial statements (see Notes 3 and 16 to the consolidated financial statements).

We have reviewed the Group's POC computation and determined that revenue from real estate sales is reasonable and properly accounted for in the consolidated statements of comprehensive income.

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 will 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 audits 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 PFRS, 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 PSA 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, these 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 group 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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Carolina P. Angeles.

REYES TACANDONG & CO.


CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0658-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-007-2017

Valid until January 13, 2020

PTR No. 5908528

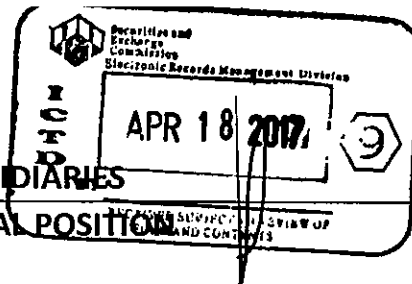
Issued January 3, 2017, Makati City

March 20, 2017

Makati City, Metro Manila



ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



			December 31	January 1
			2015	2015
			(As Restated -	(As Restated -
	Note	2016	Note 4)	Note 4)
ASSETS				
Cash and Cash Equivalents	6	P990,742,203	P604,613,767	P834,733,453
Financial Assets at Fair Value Through Profit or Loss (FVPL)	7	2,050,075,279	732,635,225	272,072,660
Trade and Other Receivables	8	301,089,586	1,831,115,193	1,946,089,269
Real Estate for Sale	9	1,722,192,699	1,558,711,101	713,026,538
Creditable Withholding Taxes (CWT)		243,216,792	214,119,974	193,727,220
Investment Properties	10	4,534,143,705	2,005,226,322	1,947,905,747
Property and Equipment	11	20,071,668	17,202,058	28,597,607
Deferred Tax Assets	23	15,282,811	32,010	1,627,445
Other Assets	12	184,828,088	190,629,078	178,330,680
		P10,061,642,831	P7,154,284,728	P6,116,110,619
LIABILITIES AND EQUITY				
Liabilities				
Loans payable	13	P3,111,038,703	P3,091,768,912	P2,765,827,162
Accounts payable and other liabilities	14	899,207,291	1,377,927,383	880,784,527
Due to a related party	24	249,789,836	—	—
Retirement liability	21	47,244,365	40,801,518	33,672,130
Net deferred tax liabilities	23	644,775,602	352,484,029	330,936,492
Total Liabilities		4,952,055,797	4,862,981,842	4,011,220,311
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	15	989,757,136	957,257,136	955,107,136
Additional paid-in capital		2,031,441,541	75,000,000	75,000,000
Retained earnings		2,098,281,063	1,258,055,239	1,074,840,913
Cumulative remeasurement gains (losses) on retirement liability - net of tax	21	3,022,025	990,511	(57,741)
Parent Company's shares held by a subsidiary	15	(12,500,000)	—	—
		5,110,001,765	2,291,302,886	2,104,890,308
Non-controlling Interest	5	(414,731)	—	—
Total Equity		5,109,587,034	2,291,302,886	2,104,890,308
		P10,061,642,831	P7,154,284,728	P6,116,110,619

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31				
			2015	2014
	Note	2016	(As Restated - Note 4)	(As Restated - Note 4)
REVENUES	16	₱451,075,061	₱1,587,578,861	₱2,053,012,855
COST OF SALES AND SERVICES	17	393,674,538	1,043,700,643	1,216,469,030
GROSS INCOME		57,400,523	543,878,218	836,543,825
OPERATING EXPENSES	18	365,128,458	314,130,772	365,837,703
INCOME (LOSS) FROM OPERATIONS		(307,727,935)	229,747,446	470,706,122
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	10	1,417,865,206	33,495,000	—
FINANCE COSTS	19	(80,348,345)	(40,566,579)	(75,914,835)
OTHER INCOME - Net	20	147,643,198	122,372,763	24,068,983
INCOME BEFORE INCOME TAX		1,177,432,124	345,048,630	418,860,270
INCOME TAX EXPENSE	23	355,015,749	98,017,162	215,105,595
NET INCOME		822,416,375	247,031,468	203,754,675
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Not to be reclassified to profit or loss on subsequent period -</i>				
Remeasurement gain (loss) on retirement liability	21	2,902,163	1,497,503	(3,020,797)
Income tax benefit (expense) relating to item that will not be reclassified		(870,649)	(449,251)	906,239
		2,031,514	1,048,252	(2,114,558)
TOTAL COMPREHENSIVE INCOME		₱824,447,889	₱248,079,720	₱201,640,117

(Forward)

For the Years Ended December 31				
		2015	2014	
	Note	(As Restated - 2016	Note 4)	(As Restated - Note 4)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱840,225,824	₱247,031,468	₱203,754,675
Non-controlling interest	5	(17,809,449)	—	—
		₱822,416,375	₱247,031,468	₱203,754,675
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱842,257,338	₱248,079,720	₱201,640,117
Non-controlling interest	5	(17,809,449)	—	—
		₱824,447,889	₱248,079,720	₱201,640,117
EARNINGS PER SHARE - Basic and diluted	25	₱0.1514	₱0.0465	₱0.0383

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31				
	Note	2016	2015 (As Restated - Note 4)	2014 (As Restated - Note 4)
CAPITAL STOCK				
	15			
Common - ₱0.18 par value				
Issued and outstanding		₱957,257,136	₱957,257,136	₱950,507,136
Subscribed capital - net of subscriptions receivable		—	—	4,600,000
		957,257,136	957,257,136	955,107,136
Preferred - ₱1.00 par value				
Issued and subscribed		32,500,000	—	—
		989,757,136	957,257,136	955,107,136
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		75,000,000	75,000,000	75,000,000
Issuance of preferred shares	15	1,980,000,000	—	—
Stock issuance costs	15	(23,558,459)	—	—
Balance at end of year		2,031,441,541	75,000,000	75,000,000
RETAINED EARNINGS				
Balance at beginning of year, as previously reported		828,572,831	668,555,690	656,252,442
Prior period adjustments	4	429,482,408	406,285,223	406,285,223
Balance at beginning of year, as restated		1,258,055,239	1,074,840,913	1,062,537,665
Net income for the year		840,225,824	247,031,468	203,754,675
Dividends declared during the year	15	—	(63,817,142)	(191,451,427)
Balance at end of year		2,098,281,063	1,258,055,239	1,074,840,913
CUMMULATIVE REMEASUREMENT GAINS (LOSSES) ON RETIREMENT LIABILITY				
	21			
Balance at beginning of year		990,511	(57,741)	2,056,817
Remeasurement gain (loss) on retirement liability		2,902,163	1,497,503	(3,020,797)
Income tax expense (benefit) relating to OCI for the year		(870,649)	(449,251)	906,239
Balance at end of year		₱3,022,025	₱990,511	(₱57,741)

(Forward)

For the Years Ended December 31				
	Note	2016	2015 (As Restated - Note 4)	2014 (As Restated - Note 4)
PARENT COMPANY'S SHARES HELD BY A				
SUBSIDIARY - at cost	15	(P12,500,000)	P—	P—
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS				
OF THE PARENT COMPANY		5,110,001,765	2,291,302,886	2,104,890,308
NON-CONTROLLING INTEREST				
Balance at beginning of year		—	—	—
Subscription to a subsidiary		17,394,718	—	—
Share in net loss during the year	5	(17,809,449)	—	—
Balance at end of year		(414,731)	—	—
		P5,109,587,034	P2,291,302,886	P2,104,890,308

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years December 31				
	Note	2016	2015 (As Restated - Note 4)	2014 (As Restated - Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱1,177,432,124	₱345,048,630	₱418,860,270
Adjustments for:				
Gain on change in fair value of investment properties	10	(1,417,865,206)	(33,495,000)	—
“Day 1” gain on loan discounting	13	(80,883,656)	(89,952,419)	—
Finance costs		79,540,215	39,713,231	75,099,625
Realized gain on disposals of financial assets at FVPL	20	(17,310,183)	(5,807,623)	(645,922)
Interest income	6	(10,692,204)	(11,159,810)	(11,967,089)
Retirement expense	21	9,345,010	8,626,891	7,118,810
Depreciation and amortization	11	8,214,176	19,282,497	27,319,033
Unrealized holding gains on financial assets at FVPL	7	(5,856,676)	(635,227)	(2,072,660)
Foreign exchange gains	20	(600,156)	(2,407,067)	(645,307)
Others		(185,888)	(9,722)	—
Operating income (loss) before working capital changes		(258,862,444)	269,204,381	513,066,760
Decrease (increase) in:				
Trade and other receivables		1,530,025,607	114,974,076	(550,888,145)
Real estate for sale		105,831,217	(1,421,645,020)	351,053,587
Other assets		5,800,990	(9,216,356)	(108,086,312)
Increase (decrease) in accounts payable and other liabilities		(793,052,842)	982,902,856	(119,206,892)
Net cash generated from operations		589,742,528	(63,780,063)	85,938,998
Income taxes paid		(107,942,444)	(95,716,195)	(73,901,824)
Interest paid		(27,210,251)	(32,261,650)	(54,185,972)
Interest received		10,692,204	11,159,810	11,967,089
Net cash provided by (used in) operating activities		465,282,037	(180,598,098)	(30,181,709)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Financial assets at FVPL		(4,769,675,068)	(2,261,499,999)	(375,000,000)
Investment properties		(1,072,662,242)	58,138,840	(362,664,186)
Property and equipment		(12,999,058)	(8,611,948)	(9,730,387)
Proceeds from disposal of:				
Financial assets at FVPL		3,475,401,873	1,807,380,284	105,645,922
Investment properties		6,630,000	5,154,000	—
Property and equipment		2,101,160	734,722	64,287
Net cash used in investing activities		(₱2,371,203,335)	(₱398,704,101)	(₱641,684,364)

(Forward)

For the Years December 31				
	Note	2016	2015 (As Restated - Note 4)	2014 (As Restated - Note 4)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from:				
Loans payable		₱2,386,606,892	₱1,712,455,981	₱2,068,452,944
Issuance of preferred shares		1,976,441,541	—	—
Due to a related party		249,789,836	—	—
Payments of loans payable		(2,338,783,409)	(1,304,013,393)	(1,072,487,693)
Subscription of non-controlling interest		17,394,718	—	—
Collection of subscription receivable		—	2,150,000	73,580,960
Payment of dividends		—	(63,817,142)	(137,550,763)
Net cash generated from financing activities		2,291,449,578	346,775,446	931,995,448
NET EFFECT OF EXCHANGE RATE CHANGES				
IN CASH AND CASH EQUIVALENTS		600,156	2,407,067	(4,188)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		386,128,436	(230,119,686)	260,125,187
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		604,613,767	834,733,453	574,608,266
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		₱990,742,203	₱604,613,767	₱834,733,453
NONCASH FINANCIAL INFORMATION:				
Acquisition of real estate for sale asset on account		₱314,332,750	₱485,760,000	₱—
Transfer of raw land from “Real estate for sale” account to “Investment properties” account	9	45,019,935	—	323,702,142
Transfer of properties for lease from “Investment properties” account to “Real estate for sale” account	9	—	87,118,415	—
Offsetting of subscription receivable against dividends payable	15	—	—	51,164,280
Reclassification of leasehold improvements from “Real estate for sale” account to “Property and equipment” account		—	—	714,287

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Matters

General Information

Arthaland Corporation (the Parent Company or ALCO) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series B preferred shares are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG), a holding company of leading food manufacturers domiciled in the Philippines and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a holding company domiciled in the Philippines.

In December 2016, the Parent Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated perpetual Series "B" preferred shares with ₱1.00 par value per share with issuance price of ₱100 per share (see Note 15).

The registered office and principal place of business of the Parent Company is located at 8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City.

Composition of the Group

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

Subsidiary	Place of Incorporation	Effective % of Ownership	
		2016	2015
Cazneau, Inc. (Cazneau)	Philippines	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	60%	100%

All of the subsidiaries were established to engage primarily in real estate development and presently hold parcels of land for future development, except for EPMI which is a property management company and MPI which is also engaged in leasing of properties.

The Parent Company subscribed to 100% shares of ZLDC. ZLDC was registered with the SEC on December 28, 2015 with ALCO as one of the incorporators to engage primarily in real estate development.

In 2016, the stockholders and the Board of Directors (BOD) of CLLC approved the subscription of a new investor for 214,351 common shares at ₱100 par value per share and 118,982 preferred shares at ₱100 par value a share out of the unissued authorized capital stock of CLLC. The additional subscription resulted in the reduction of ALCO's ownership from 100% to 60%.

Major Projects

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in Bonifacio Global City (BGC), Taguig. Arya Residences is the first top-market condominium development in the Philippines to be awarded the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program Gold certification. It is expected to achieve multiple star rating from the Philippine Green Building Council's (PHILGBC) BERDE program. As at December 31, 2016, Arya Residences is one-hundred percent (100%) complete.

In 2014, the Group started the construction of Arthaland Century Pacific Tower (ACPT), ALCO's flagship office project, which is set to be BGC's landmark of sustainability. The 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. Similar to Arya Residences, it is on target to achieve dual green building certification from the USGBC LEED and PhilGBC Building for Ecologically Responsive Design Excellence (BERDE). In fact, ACPT is a LEED Gold pre-certified office development.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey premium office building with retail establishments. The Cebu Exchange is poised to be one of the largest and tallest office developments that will cater to Cebu's booming office space market with approximately 314 office units located along Salinas Drive across the Cebu IT Park in Cebu City. Cebu Exchange is expected to receive green building certifications from LEED and BERDE programs.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2016 were approved and authorized for issue by the BOD on March 20, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) and the SEC provisions.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, the Group's functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) and investment properties which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 of 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 by 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 non-financial 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.

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 Significant Accounting Judgments, Estimates and Assumptions
- Note 7 Financial Assets at FVPL
- Note 10 Investment Properties
- Note 27 Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

Change in Accounting Policy and Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the fair value model for accounting of investment properties in 2016 (see separate disclosures under accounting policy for investment properties and Note 4 to the consolidated financial statements). The following new and amended PFRS which the Group adopted effective January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

Effective for annual periods beginning on or after January 1, 2018 -

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at FVPL that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees’ balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Group except for PFRS 9. Additional disclosures will be included in the consolidated financial statements, as applicable.

The Group anticipates that the application of PFRS 9 might have a significant effect on amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- power over 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.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS investment depending on the level of influence retained.

Non-controlling interest represents the portion of net assets and profit or loss not held by the Parent Company and is presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument.

Initial Recognition. Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of financial instruments, except for financial instruments classified at FVPL.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there are no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss 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.

Classification of Financial Instruments. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

The Company does not have AFS financial assets, HTM investments and financial liabilities at FVPL.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading acquired for the purpose of selling in the near term and financial assets designated upon initial recognition as at FVPL. Financial assets at FVPL are carried in the consolidated statements of financial position at fair value. Realized and unrealized gains and losses on these assets are recognized under "Other income - net" account in profit or loss.

The Group classified its investment in money market fund under this category.

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 carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's cash and cash equivalents, trade and other receivables (excluding advances for project development and advances to employees), investment in time deposits, deposits and amounts held in escrow are classified under this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Other Financial Liabilities at Amortized Cost. Other financial liabilities at amortized cost pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain obligations to deliver cash or another financial asset to the holder to settle the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity.

The Group's loans payable, accounts payable and other liabilities (excluding payable to buyers and statutory liabilities) and due to a related party are classified as other financial liabilities at amortized cost.

Derecognition of Financial Instruments

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

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either:
(a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset but has 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 pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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 profit or loss.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments and probability that borrower will enter bankruptcy or other financial reorganization. If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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 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 estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount 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 statements 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 assets and settle the liabilities simultaneously.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Real Estate for Sale

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 acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and cost of improving the properties up to the reporting date. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less an estimate of the time value of money to the date of completion.

Borrowing Costs

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

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties were previously measured at cost, including transaction costs. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties.

Starting 2016, the Group adopted the fair value model for accounting for its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. The fair value of investment properties is determined using market data approach and income approach by independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

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

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

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

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its net recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Other Assets

Other assets include value added tax (VAT), prepayments, deposits, investment in time deposit, amounts held in escrow and materials and supplies.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the consolidated statements of financial position.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred.

Materials and Supplies. The Group recorded as assets several construction materials and supplies from the completed construction of its projects.

Creditable Withholding Taxes

Creditable withholding taxes (CWT) represent the amount withheld by the Group's customers in relation to its income. CWT 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.

Payable to Buyers

Payable to buyers consist of amounts received by the Group from its customers as reservation fee for real estate sales. These are recorded at face amount in the consolidated statements of financial position and recognized as revenue in profit or loss when the revenue recognition criteria are met.

Capital Stock

Common Stock. Common stock is measured at par value for all shares issued.

Preferred Stock. The Group's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Group's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Group.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Additional Paid-in Capital

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

Subscription Receivable

Subscription receivable is the amount to be collected before the subscribed shares are issued and is presented as a deduction from equity.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and prior period adjustments.

Parent Company's Shares Held by Subsidiary

Shares of the Parent Company held by subsidiary are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. 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 principal in all of its revenue arrangements. In addition, the following specific recognition criteria must also be met before revenue is recognized:

Revenue from 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. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (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, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

If any of the criteria under the full accrual or POC method is not met, the deposit method is applied until all the conditions for recording a sale are met. Any excess collections over the recognized receivables are included in the "Payable to Buyers" account under "Accounts payable and other liabilities" of the consolidated statements of financial position.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Rental Income. Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option.

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Project management fees. Revenue is recognized in profit or loss when the related services are rendered.

Other income. Income from other sources is recognized when earned during the period.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of real estate sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of 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.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Cost of services. Cost of services is recognized as expense when services are rendered.

Operating Expenses. Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or 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 the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfilment is dependent on a specified asset; or there is a substantial change to the asset.

Where 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) and at the date of renewal or extension period for scenario (b).

Group as Lessee. Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

Group as Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as income in the period they are earned.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements, and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

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

The retirement liability is the aggregate of the present value of the retirement liability on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency - Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) 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 and carryforwards of unused MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year 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 reporting date.

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

Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

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. These includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the investee that gives them significant influence over the investee and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 29 to the consolidated financial statements.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation 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 an interest expense.

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

Events After the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the consolidated notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

Classifying Financial Instruments. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either 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.

Recognizing Revenue and Cost from Real Estate Sales. Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing and location of the property. The Company's revenue and cost from real estate sales were recognized based on percentage of completion, which is determined based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Change in estimates may affect the reported amounts of revenue and cost of real estate sales and receivable.

Revenue from real estate sales amounted to ₱439.2 million, ₱1,584.0 million and ₱2,053.0 million in 2016, 2015 and 2014, respectively (see Note 16).

Classifying between Real Estate for Sale and Investment Properties. The Group determines whether a property qualifies as a real estate for sale or an investment property. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, or held primarily to earn rentals or capital appreciation or both and is not substantially for use by, or in the operations of the Group.

Determining Highest and Best Use of Investment Properties. The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

Investment properties amounted to ₱4,534.1 million and ₱2,005.2 million as at December 31, 2016 and 2015, respectively (see Note 10).

Determining Lease Commitments - Group as Lessor. The Group entered into various lease contracts for its retail units in Arya Residences. The term of the lease ranges from two to five years. The lease agreements also provide for various escalation rates for the duration of the agreements.

The total rental income recognized from this operating lease amounted to ₱8.1 million, nil and nil in 2016, 2015 and 2014, respectively (see Note 16).

Determining Lease Commitments - Group as Lessee. The Group entered into a property lease as a lessee for its office premises and sales pavilion. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the leases are accounted for as operating leases.

Rental expense amounted to ₱10.4 million, ₱10.5 million and ₱19.7 million in 2016, 2015 and 2014, respectively (see Note 18).

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as at December 31, 2016 and 2015, the Parent Company has the ability to exercise control over these investees.

Estimates and Assumptions

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

Estimating Allowance for Impairment of Trade and Other Receivables. Adequate amount of allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Trade and other receivables amounted to ₱ 301.1 million and ₱ 1,831.1 million as at December 31, 2016 and 2015, respectively (see Note 8).

Determining Net Realizable Value of Real Estate for Sale. The Group adjusts the cost of its real estate assets to NRV based on its assessment of the recoverability of the real estate for sale. NRV for completed real estate for sale 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 assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the 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.

The carrying amount of real estate for sale amounted to ₦1,722.2 million and ₦1,558.7 million as at December 31, 2016 and 2015, respectively (see Note 9).

Estimating Fair Value of Investment Properties. The Management determines the policies and procedures for the fair value measurement of investment properties. External real estate appraisers are engaged by management for valuation of investment properties. The involvement of external real estate appraisers is decided upon by the Management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management reviews the external real estate appraisers' valuation techniques and inputs used for each investment property.

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 investment properties and the level of the fair value hierarchy. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 11 to the consolidated financial statements.

Investment properties amounted to ₦4,534.1 million and ₦2,005.2 million as at December 31, 2016 and 2015, respectively (see Note 10).

Estimating Useful Lives of Property and Equipment. The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development consistent with the Group's pursuit of constant modernization of the equipment fleet to ensure the availability, reliability and cost efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

There were no changes in the estimated useful lives of property and equipment during 2016, 2015 and 2014. The carrying amount of property and equipment amounted to ₦20.1 million and ₦17.2 million as at December 31, 2016 and 2015, respectively (see Note 11).

Assessing Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Recoverable amount represents the value in use, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

No impairment loss on nonfinancial assets was recognized in 2016, 2015 and 2014.

The carrying amount of property and equipment to ₱20.1 million and ₱17.2 million as at December 31, 2016 and 2015, respectively (see Note 11).

Estimating Retirement Expense. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements 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 materially affect retirement liability.

The estimated retirement liability amounted to ₱47.2 million and ₱40.8 million as at December 31, 2016 and 2015, respectively (see Note 21).

Assessing Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

The carrying amount of recognized deferred tax assets amounted to ₱16.4 million and ₱12.4 million as at December 31, 2016 and 2015, respectively. Unrecognized deferred tax assets amounted to ₱2.1 million and ₱1.6 million as at December 31, 2016 and 2015, respectively as management assessed that these may not be realized in the future (see Note 23).

4. Prior Period Adjustments

The 2015 and 2014 financial statements have been restated for the following retrospective adjustments:

- Adoption of fair value model of accounting for investment properties resulting in a gain on change in fair value of investment properties of ₱33.5 million in 2015.
- Interest capitalization of ₱9.3 million in 2015 for the loan availed to finance the development activities of Cebu Exchange.

The following is the summary of the financial impact of the prior period adjustments on the Group's consolidated financial:

As at December 31, 2015			
	As Previously Reported	Effect of Restatements	As Restated
Real estate for sale	₱1,550,935,492	₱7,775,609	₱1,558,711,101
Investment properties	1,391,323,861	613,902,461	2,005,226,322
Accounts payable and other liabilities	1,368,361,438	9,565,945	1,377,927,383
Net deferred tax liabilities	168,313,291	184,170,738	352,484,029
Retained earnings	828,572,831	429,482,408	1,258,055,239
Net income	223,834,283	23,197,185	247,031,468

As at January 1, 2015			
	As Previously Reported	Effect of Restatements	As Restated
Investment properties	₱1,367,498,286	₱580,407,461	₱1,947,905,747
Net deferred tax liabilities	156,814,254	174,122,238	330,936,492
Retained earnings	668,555,690	406,285,223	1,074,840,913

5. Material Non-controlling Interest

The Group's non-controlling interest represents 40% ownership of non-controlling interest shareholders in CLLC amounting to ₱0.4 million as at December 31, 2016. The net loss allocated to non-controlling interest in CLLC amounted to ₱17.8 million in 2016.

The summarized financial information of CLLC, before intercompany eliminations, as at and for the year ended December 31, 2016 follows:

Current assets	₱1,100,731,666
Noncurrent assets	15,528,023
Current liabilities	(308,354,805)
Noncurrent liability	(810,290,234)
Net assets	(₱2,385,350)

6. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	₱30,000	₱45,000
Cash in banks	34,869,125	231,863,279
Short-term placements	955,843,078	372,705,488
	₱990,742,203	₱604,613,767

Cash in bank earns interest at prevailing bank deposit rates and is immediately available for use in the current operations. Short-term placements are made for varying periods up to three (3) months or less and earn interest at the prevailing short-term investment rates. Interest income earned pertains to the following (see Note 20):

	Note	2016	2015	2014
Interest income earned on:				
Cash in banks		₱453,878	₱754,989	₱737,776
Short-term placements		9,350,701	9,542,269	10,521,811
Investment in time deposits	12	887,625	862,552	707,502
		₱10,692,204	₱11,159,810	₱11,967,089

7. Financial Assets at FVPL

Movement in this account is as follows:

	Note	2016	2015
Balance at beginning of year		₱732,635,225	₱272,072,660
Additions		4,769,675,068	2,261,499,999
Disposals		(3,458,091,690)	(1,801,572,661)
Unrealized holding gains	20	5,856,676	635,227
Balance at end of year		₱2,050,075,279	₱732,635,225

Realized gains on disposal of financial assets at FVPL amounted to ₱17.3 million, ₱5.8 million and ₱0.6 million in 2016, 2015 and 2014, respectively (see Note 20).

The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices (see Note 27).

8. Trade and Other Receivables

This account consists of:

	Note	2016	2015
Sale of real estate		₱15,678,222	₱1,395,493,479
Advances for project development		221,316,588	376,152,395
Due from a related party	24	36,052,873	36,052,873
Accrued rent receivable	22	8,103,925	—
Advances to employees		5,404,468	7,117,211
Interest receivable		1,198,773	116,594
Other receivables		13,703,029	16,550,933
		301,457,878	1,831,483,485
Allowance for impairment losses		(368,292)	(368,292)
		₱301,089,586	₱1,831,115,193

Receivables from sale of real estate pertain to receivables from sale of Arya Residences condominium units. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

In 2015, the Parent Company entered into various agreements with local banks whereby the Parent Company assigned its receivables from sale of real estate on a with recourse and without recourse basis.

The Parent Company still retains the receivables assigned on a with recourse basis and records the proceeds from these sales as loans payable (see Note 13). The gross amount of receivables from sale of real estate used as collateral amounted to ₱1,356.0 million as at December 31, 2015.

Assignment of receivables on a without recourse basis are considered as sale of asset and the assignor bank assumes ownership of the receivables and all the risks associated with it. The Parent Company sold receivables from sale of real estate to local banks on a without recourse basis amounting to ₱49.5 million in 2015.

Accrued rent receivable pertains to rental income recognized using straight-line basis under PAS 17.

Advances for project development pertain to downpayments made to contractors for the construction of the Group's real estate projects. These advances are noninterest-bearing and are being recouped against contractors' progress billings.

Advances to employees represent salary and other loans granted to Parent Company's employees which are noninterest-bearing in nature and collectible through salary deductions. These also include various cash advances used for certain operating expenses not covered by disbursement of petty cash fund and are subject to liquidation.

Interest receivable includes accrual of interest from the Group's short-term placements.

Other receivables include other charges and accrued project management fees.

9. Real Estate for Sale

This account consists of:

	2016	2015 (As restated - see Note 4)
Assets under construction	₱978,084,141	₱579,572,259
Condominium units for sale	418,494,305	40,057,174
Raw land	325,614,253	939,081,668
	₱1,722,192,699	₱1,558,711,101

The movements of this account follows:

	Note	2016	2015 (As restated - see Note 4)
Balance at beginning of year		₱1,558,711,101	₱713,026,538
Purchase of raw land		314,332,750	485,760,000
Construction costs incurred		254,596,763	1,191,218,761
Capitalized borrowing costs	13	28,615,156	125,288,030
Transfers from and to investment properties	10	(45,019,935)	87,118,415
Cost of real estate sales	17	(389,043,136)	(1,043,700,643)
Balance at end of year		₱1,722,192,699	₱1,558,711,101

Assets under Construction

Assets under construction consist of land and project development costs of ongoing real estate projects of the Group. As at December 31, 2016, this account includes the land and development costs of Cebu Exchange. Total estimated costs to complete the Cebu Exchange amounted to ₱7,467.0 million as at December 31, 2016.

In 2016, Arya Residences Tower 2 was completed and the related cost amounting to ₱409.2 million was transferred from assets under construction to condominium units for sale.

Condominium units for sale

Condominium units for sale pertain to unsold and completed units of Arya Residences.

Arya Residences condominium units with carrying amount of ₱418.5 million as at December 31, 2016 are under an unregistered real estate mortgage and were used as collateral for a loan with an outstanding amount of ₱381.5 million as at December 31, 2016 (see Note 13).

General borrowings were used to partially finance the Group's ongoing real estate projects. The related borrowing costs were capitalized as part of real estate for sale. The capitalization rate used to determine the borrowings eligible for capitalization ranges from 3.0% to 3.5% in 2016 and 2015, respectively.

As at December 31, 2016 and 2015, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory write-down as at December 31, 2016 and 2015.

Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale.

In 2016, the Group transferred raw land amounting to ₱45.0 million from "real estate for sale" account to "investment properties" account because the Group has yet to be determined the strategic use of the property as at December 31, 2016 (see Note 10). The property was recognized at its fair value amounting to ₱84.0 million.

10. Investment Properties

Investment properties consist of:

	Note	2016	2015 (As restated - see Note 4)
ACPT		₱3,067,015,343	₱1,439,851,839
Arya Residences:			
Commercial units		855,110,000	280,928,249
Parking slots		129,919,062	134,629,857
Raw Land:			
UPHI's property		398,122,800	149,816,377
Batangas and Tagaytay property	9	83,976,500	—
		₱4,534,143,705	₱2,005,226,322

The movements of this account follows:

	Note	2016	2015 (As restated - see Note 4)
Balance at the beginning of year		₱1,391,323,861	1,367,498,286
Construction costs incurred		1,046,695,733	113,390,101
Transfers from and to real estate for sale	9	45,019,935	(87,118,415)
Capitalized borrowing costs	13	25,966,509	2,707,889
Disposals		(6,630,000)	(5,154,000)
		2,502,376,038	1,391,323,861
Cumulative gain on change in fair value		2,031,767,667	613,902,461
Balance at end of year		₱4,534,143,705	₱2,005,226,322

Movements of the cumulative gain on change in fair value are as follows:

	2016	2015 (As restated - see Note 4)
Balance at beginning of year	₱613,902,461	₱580,407,461
Gain on change in fair value during the year	1,417,865,206	33,495,000
Balance at end of year	₱2,031,767,667	₱613,902,461

ACPT

Total estimated costs to complete ACPT amounted to ₱3,523.5 million as at December 31, 2016.

Arya Residences Commercial Spaces and Parking Slots

Parking slots pertain to parking units of ALCO and MPI in Arya Residences which are intended for lease. Commercial units pertain to retail establishments of MPI in Arya Residences which are intended for lease.

In 2016 and 2015, MPI sold non-appurtenant parking slots with original cost of ₱6.6 million and ₱5.2 million for a total proceeds of ₱5.9 million and ₱5.2 million, respectively.

Raw Land

Raw land includes UPHI's raw land with fair value amounting to ₱398.1 million and ₱149.8 million as at December 31, 2016 and 2015, respectively. The land has an area of 33 hectares located at Barangay Gonzalo-Bontog, Calamba City and Barangay Calabuso, Tagaytay City.

Portion of the UPHI's raw land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. NAPOCOR built a tower on the residential land owned by UPHI covering an area of one (1) hectare, the tower forms part of the Tayabas - Dasmarias Line Project. The covered area is about 3% of the total land area owned by UPHI. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at December 31, 2016 and 2015, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

Raw land also includes land of the Parent Company with an area of 10.3 hectares located in Batangas and Tagaytay amounting ₱84.0 million as at December 31, 2016 which was transferred from "real estate for sale" (see Note 9).

Rental income and direct operating expenses from the investment properties are as follows:

	Note	2016	2015
Rental income	16	₱8,103,925	₱-
Direct operating expenses		(4,631,402)	(3,280,705)
		₱3,472,523	(₱3,280,705)

The fair value of investment properties as at December 31, 2015 was determined using the market data approach. This approach considers sales and listings of comparable property registered within the vicinity of the investment properties. In 2016, the Group changed the valuation technique for determining the fair value of ACPT and Arya Residences commercial spaces and parking slots from market data approach to income approach, which includes discounted cash flows (DCF) and land development approaches, because it results in a measurement that is representative of the fair value of the investment properties as at December 31, 2016.

Details of the valuation techniques used in measuring fair values of investment properties are as follows:

Discounted Cash Flow (DCF) Approach

Inputs used for the fair value measurement of investment properties using DCF approach as at December 31, 2016 are as follows:

Investment Properties	Significant Unobservable Inputs	Range
Arya Residences:		
Commercial units	Rental rate per square meter (sq.m.)	₱2,265
	Rent escalation rate per annum (p.a.)	5%
	Discount rate	8.5%
	Vacancy rate	2%
Investment Properties	Significant Unobservable Inputs	Range
Parking slots	Rental rate per slot	₱5,500
	Rent escalation rate p.a.	5%
	Discount rate	8.5%
	Vacancy rate	2%

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy using the DCF approach are as follows:

- *Rental rate* - estimated rental value at which space could be let in the market conditions prevailing at the date of valuation.
- *Rent escalation rate p.a.* - estimated average increase in rent based on both market estimations and contractual indexations.
- *Discount rate* - rate used to discount the net cash flows generated from rental activities during the period of analysis.
- *Vacancy rate* - percentage of expected long term average structural vacant space divided by total leasable area (sq.m.).

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

Sensitivity Analysis. Generally, significant increases (decreases) in rental rate (per sq.m.) and rent escalation rate p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate in isolation would result in a significantly lower (higher) fair value measurement.

Market Data Approach

Market data approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

- *Price per sq.m.* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

Land Development Approach

Details of significant unobservable inputs for the fair value measurement of ACPT as at December 31, 2016 follow:

Significant Unobservable Input	Range
Discount rate	8.5%
Proposed rental rates (per sq.m.)	₱1,200
Calculated no. of net leasable area	27,809 sq.m.

Under this approach, the investment property are treated as office and commercial units development and the gross rental income that may be expected from the proposed leasable units are then estimated in accordance with the prevailing prices of comparable office and commercial units development within the immediate vicinity. Overhead and operating expenses, and developer's profit from the gross rental income, the resulting residual income is then attributed to the "raw" land value.

The valuation process consists of the following:

- Preparation of an office and commercial building study in accordance with the highest and best use concept of the land.
- Establishment of total rental income from lease of office and commercial units are the current rental rates in similar office building within the immediate vicinity.

- Determination of development costs consisting of clearing and grading, survey, tilting services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor's profit and overhead expenses.
- Estimation of overhead and operating expenses such as promotion and advertisement, administrative and collection, taxes and miscellaneous expenses.

Sensitivity Analysis. The following factors were considered in determining the market value of the subject property:

- location/neighborhood
- the subject property is a commercial/residential
- grid analysis (quantitative market value adjustments)
- highest and best use (office and commercial building)

Significant increase (decrease) in value adjustments would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

The reconciliation of the balances of investments properties classified according to level in the fair value hierarchy is as follows:

	2016		
	Level 2	Level 3	Total
Balance at beginning of year	₱1,349,692,443	₱655,533,879	₱2,005,226,322
Gain on change in fair value	72,133,844	1,345,731,362	1,417,865,206
Construction costs incurred	—	1,046,695,733	1,046,695,733
Transfer from real estate for sale	45,019,935	—	45,019,935
Capitalized borrowing costs	—	25,966,509	25,966,509
Disposals	—	(6,630,000)	(6,630,000)
Transfer between levels	(984,746,922)	984,746,922	—
Balance at end of year	₱482,099,300	₱4,052,044,405	₱4,534,143,705

	2015		
	Level 2	Level 3	Total
Balance at beginning of year	₱1,321,351,443	₱626,554,304	₱1,947,905,747
Gain on change in fair value	33,495,000	—	33,495,000
Construction costs incurred	—	26,271,686	26,271,686
Capitalized borrowing costs	—	2,707,889	2,707,889
Disposals	(5,154,000)	—	(5,154,000)
Balance at end of year	₱1,349,692,443	₱655,533,879	₱2,005,226,322

11. Property and Equipment

The balances and movements of this account consist of:

	Note	2016				Total
		Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	
Cost						
Balance at beginning of year		₱37,467,642	₱7,534,354	₱48,363,334	₱33,992,553	₱127,357,883
Additions		1,079,900	44,158	–	11,875,000	12,999,058
Disposals		–	–	–	(5,309,497)	(5,309,497)
Balance at end of year		38,547,542	7,578,512	48,363,334	40,558,056	135,047,444
Accumulated Depreciation and Amortization						
Balance at beginning of year		35,803,169	7,391,289	47,948,094	19,013,273	110,155,825
Depreciation and amortization	18	1,026,601	139,264	257,664	6,790,647	8,214,176
Disposals		–	–	–	(3,394,225)	(3,394,225)
Balance at end of year		36,829,770	7,530,553	48,205,758	22,409,695	114,975,776
Carrying Amount		₱1,717,772	₱47,959	₱157,576	₱18,148,361	₱20,071,668

	Note	2015				Total
		Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	
Cost						
Balance at beginning of year		₱35,939,043	₱7,483,639	₱69,430,117	₱31,744,222	₱144,597,021
Additions		1,528,599	50,715	436,366	6,596,268	8,611,948
Disposals		–	–	(21,503,149)	(4,347,937)	(25,851,086)
Balance at end of year		37,467,642	7,534,354	48,363,334	33,992,553	127,357,883
Accumulated Depreciation and Amortization						
Balance at beginning of year		26,463,182	6,925,249	67,970,611	14,640,372	115,999,414
Depreciation and amortization	18	9,339,987	466,040	1,480,632	7,995,838	19,282,497
Disposals		–	–	(21,503,149)	(3,622,937)	(25,126,086)
Balance at end of year		35,803,169	7,391,289	47,948,094	19,013,273	110,155,825
Carrying Amount		₱1,664,473	₱143,065	₱415,240	₱14,979,280	₱17,202,058

As at December 31, 2016 and 2015, fully depreciated property and equipment that are still being used by the Group amounted to ₱10.0 million and ₱9.3 million, respectively.

The Parent Company disposed of property and equipment with carrying amount of ₱2.0 million and ₱0.7 million as at December 31, 2016 and 2015, respectively, resulting in gain on disposal of ₱0.2 million and ₱0.01 as at December 31, 2016 and 2015, respectively.

12. Other Assets

This account consists of:

	2016	2015
Input VAT	₱73,307,494	₱408,468
Prepayments	43,186,452	19,232,703
Deposits	35,982,536	36,954,924
Investment in time deposits	17,402,000	98,858,090
Amounts held in escrow	11,143,822	31,679,600
Deferred input VAT	2,264,763	1,954,272
Materials and supplies	1,541,021	1,541,021
	₱184,828,088	₱190,629,078

Prepayments consist of prepaid rent, taxes, insurance and other expenses which are amortized over a year.

Deposits pertain to rental deposits, deposits for professional services, and guarantee deposits for the construction of the Group's real estate projects. Deposits are refundable to the Group.

Investment in time deposits pertains to US Dollar-denominated time deposits with a term of two years and a fixed interest rate of 1.75% per annum. These time deposits are subject to a holding period of six months from the date of issuance. In case of early retirement, the investment will earn interest based on regular deposit rates. Interest income earned from investment in time deposits amounted to ₱0.9 million, ₱0.9 million and ₱0.7 million in 2016, 2015 and 2014, respectively (see Note 6).

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank and the amount of which is equivalent to a quarterly principal and interest amortization. The outstanding loan balance under Omnibus Loan and Security Agreement (OLSA) amounted to ₱579.7 million and ₱171.5 million as at December 31, 2016 and 2015, respectively (see Note 13).

13. Loans Payable

This account consists of:

	Note	2016	2015
Local bank loans		₱1,516,231,539	₱933,519,225
Private funders		1,594,807,164	790,546,742
Payable under CTS financing	8	—	1,356,028,566
Car loan financing		—	11,674,379
		₱3,111,038,703	₱3,091,768,912

The movement of this account follows:

	2016	2015
Balance at beginning of year	₱3,208,775,804	₱2,765,827,162
Availments	2,386,606,892	1,746,962,035
Payments	(2,338,783,409)	(1,304,013,393)
Balance at end of year	3,256,599,287	3,208,775,804
Unamortized "day 1" gain	(116,503,414)	(84,499,117)
Unamortized debt issue cost	(29,057,170)	(32,507,775)
	3,111,038,703	3,091,768,912
Less current portion of loans payable	(726,243,970)	(169,723,970)
Long term portion of loans payable	₱2,384,794,733	₱2,922,044,942

The movement in "day 1" gain follows:

	Note	2016	2015
Balance at beginning of year		₱84,499,117	₱—
Additions	20	80,883,656	89,952,419
Amortization		(48,879,359)	(5,453,302)
Balance at end of year		₱116,503,414	₱84,499,117

The movement in debt issue cost follows:

	2016	2015
Balance at beginning of year	P32,507,775	P-
Additions	-	34,506,054
Amortization	(3,450,605)	(1,998,279)
Balance at end of year	P29,057,170	P32,507,775

Future repayment of the principal follows:

	2016	2015
Within one year	P726,243,970	P169,723,970
After one year but not more than three years	1,650,643,779	2,770,009,284
More than three years	879,711,538	269,042,550
	P3,256,599,287	P3,208,775,804

Local Bank Loans

These are loans from local banks which are interest-bearing secured loans obtained to finance the Group's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 2.75% to 7.5% and 5.6% to 7.5% in 2016 and 2015, respectively.

Details and outstanding balances of loans from local banks as at December 31 follow:

Purpose	Security	Effective interest rate (p.a.)	2016	2015
To finance construction of ACPT	Payable in full on July 31, 2025; secured by an escrow account and real estate mortgage.	5.81%	P579,711,539	P171,519,225
Working fund	Payable in full on June 16, 2017; secured by Arya Residences condominium units with carrying amount of P358.8 million as at December 31, 2016 (see Note 8).	2.75%	381,520,000	-
To finance acquisition of land	Payable in full on July 5, 2019 secured by 9 commercial units and 121 parking slots of MPI in Arya Residences.	5.12%	300,000,000	-
Working fund	Payable in full on January 30, 2017; unsecured	2.75%	255,000,000	-
To finance construction of ACPT	Payable in quarterly principal payments of P40.0 million starting January 31, 2015; secured by ACPT Land with TCT No. 2028-P.	5.85%	-	360,000,000
To finance remaining purchase price of MPI shares	Payable in quarterly principal payments of P23.5 million starting January 31, 2015; secured by deed of assignment on outstanding shares of MPI and deed of assignment on CTS covering condominium units in Arya Residences Tower 1.	7.39%	-	282,000,000
To finance construction of ACPT	Payable in full on November 24, 2016; unsecured	5.60%	-	120,000,000
			P1,516,231,539	P933,519,225

The Parent Company entered into an OLSA with credit line of ₱2,000.0 million, to partially finance the cost of the construction and development of the ACPT. The loan is supported by six (6) promissory notes that are maturing on July 2025. In addition, OLSA provides the following:

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over present and future real estate assets in relation to the lot and building for the ACPT;
- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements (see Note 12).
- Parent Company is required to maintain the following debt to equity ratio:

Period	Debt to Equity Ratio
2015	2.00 : 1.00
2016 to 2018	1.75 : 1.00
2019 to 2025	1.50 : 1.00

The outstanding loan balance under OLSA amounted to ₱579.7 million and ₱171.5 million as at December 31, 2016 and 2015, respectively.

Debt to equity ratio is calculated as total outstanding interest-bearing loans over total equity. The Parent Company's debt to equity ratio as at December 31 is as follows:

	2016	2015
Total liabilities	₱2,927,552,090	₱3,520,733,874
Total equity	4,705,965,817	2,252,424,090
	0.62:1.00	1.56:1.00

The Parent Company is compliant with the required debt to equity ratio as at December 31, 2016 and 2015, respectively.

Private Funders

The Parent Company obtained unsecured loans from private funders amounting to ₱89.7 million and ₱49.7 million in 2016 and 2015, respectively. These loans have maturities of 180 days to 3 years from the reporting date and bear interest rates ranging from 3% to 4% in 2016 and 2015. As at December 31, 2016 and 2015, the loan outstanding balance amounted to ₱89.7 million and ₱49.7 million, respectively.

In 2015, the Parent Company entered into a non-interest bearing loan agreement with Centrobless Corporation (Centrobless) to partially finance the construction of ACPT. Drawdowns ₱825.3 million were made in 2016 and 2015, respectively.

This loan is payable in cash or in kind at the option of Centrobless. In the event Centrobless elects to be paid in kind on maturity date, the Parent Company shall pay the loan by dacion en pago with total space encompassing seven (7) floors of ACPT and 150 parking slots therein at the total purchase price of ₱1,650.6 million. "Day 1" gain of ₱80.9 million and ₱90.0 million in 2016 and 2015, respectively, was recognized on these loans and is presented under "Other income - net" account in the consolidated statements of comprehensive income (see Note 20).

Outstanding balance of this loan amounted to ₱1,534.1 million and ₱740.8 million as at December 31, 2016 and 2015 (see Note 24).

Payable under CTS Financing

In 2015, the Parent Company obtained additional CTS financing from local banks with outstanding balance amounting to ₱1,356.0 million as at December 31, 2016 and 2015, respectively. These loans bear interest rates ranging from 5.5% to 6.0% in 2015.

Car Loan Financing

The Parent Company obtained loans to finance the acquisition of transportation equipment which have an outstanding balance of ₱11.7 million as at December 31, 2015.

Borrowing Costs

Borrowing costs capitalized are as follows:

	Note	2016	2015
Real estate for sale	9	₱28,615,156	₱125,288,030
Investment properties	10	25,966,509	2,707,889
		₱54,581,665	₱127,995,919

The range of capitalization rates used to determine the amount of capitalized borrowing costs is 3.0% to 3.5% in 2016 and 2015 (see Note 9).

Interest Expense

Total interest expense charged under "Finance costs" consists of the following (see Note 19):

	2016	2015	2014
Interest expense on interest-bearing loans	₱30,660,856	₱34,259,929	₱54,185,972
Amortization of "day 1" gain on loan discounting	48,879,359	5,453,302	—
	₱79,540,215	₱39,713,231	₱54,185,972

14. Accounts Payable and Other Liabilities

This account consists of:

	Note	2016	2015
Accounts payable:			
Third parties		₱304,800,771	₱551,564,170
Related party	24	5,678,057	—
Retention payable		292,557,574	344,413,225
Accrued expenses		128,166,786	168,375,393
Payable to buyers		139,796,738	138,727,064
Withholding taxes payable		9,523,732	7,039,350
Deferred output VAT		1,679,417	131,062,891
Output VAT		220,288	20,419,309
Others		16,783,928	16,325,981
		₱899,207,291	₱1,377,927,383

Accounts payable, which are noninterest-bearing and are normally settled within 30 days to one year, consist mainly of liabilities to Group's suppliers.

Retention payable, which will be released after the completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Accrued expenses, which are expected to be settled within the next 12 months, are the accruals for unbilled project costs, interest, utilities, salaries and wages and other employee benefits. Accrued interest expense amounted to ₱13.9 million and ₱4.5 million as of December 31, 2016 and 2015, respectively. Accrued interest expense includes interest payable to related party amounting to ₱7.8 million as at December 31, 2016.

Payable to buyers, which are to be applied against the receivable upon execution of sales documents and recognition of revenue, include reservation fees and collections received from prospective buyers. This account also includes excess collections from buyers over the related revenue recognized based on POC method.

Deferred output VAT pertains to VAT from sales of property on installments. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the transaction will be considered as a sale under installment, in which case VAT will be paid based on collection.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF and dividend payables.

15. Equity

The details of the Parent Company's number of common and preferred shares follow:

	2016		2015	
	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	–	16,368,095,199
Par value per share	₱1.00	₱0.18	–	₱0.18
Subscribed	32,500,000	5,318,095,199	–	5,318,095,199
Issued and outstanding	20,000,000	5,318,095,199	–	5,318,095,199

Preferred Shares

The rollforward analysis of the outstanding preferred shares in 2016 follows:

	Number of Shares	Amount
Subscribed		
Balance at beginning of year	–	₱–
Issuances during the year	32,500,000	32,500,000
Balance at end of year	32,500,000	32,500,000
Parent Company's shares held by a subsidiary	(12,500,000)	(12,500,000)
Issued and outstanding	20,000,000	₱20,000,000

On June 24, 2016, the stockholders and BOD of the Parent Company approved the increase in authorized capital stock by ₱5.0 billion consisting of 50 million preferred shares with a par value of ₱100.00 a share. On August 30, 2016, BOD of the Parent Company approved the reduction of the increase in authorized capital stock from ₱5.0 billion to ₱50.0 million consisting of 50 million preferred shares with a par value of ₱1.00 a share. The increase in authorized capital stock was approved by the SEC on September 22, 2016.

Of the ₱50.0 million increase in authorized capital stock, ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the Series A preferred shares) to MPI and 20.0 million preferred shares (the Series B preferred shares) which are likewise cumulative, nonvoting, nonparticipating, nonconvertible and Peso-denominated, among other conditions, to the public with issuance price of ₱100 per share. MPI acquired the 12.5 million Series A preferred shares at par value of ₱1.00 a share.

The Parent Company recognized additional paid-in capital related to the issuance of Series B preferred shares amounting to ₱1,980.0 million arising from the excess of the proceeds over par value of the shares sold. Total cost incurred in the offering and issuance of Series B preferred shares to the public amounted to ₱26.4 million consisting of ₱2.8 million which was charged to profit or loss and ₱23.6 million which was recognized as reduction to additional paid-in capital.

Common Shares

The rollforward analysis of the outstanding common shares follows:

	2016		2015	
	Number of Shares	Amount	Number of Shares	Amount
Issued				
Balance at beginning of year	5,318,095,199	₱957,257,136	5,318,095,199	₱950,507,136
Issuances during the year	—	—	—	6,750,000
Balance at end of year	5,318,095,199	957,257,136	5,318,095,199	957,257,136
Subscribed				
Balance at beginning of year	—	—	37,500,000	6,750,000
Issuances during the year	—	—	(37,500,000)	(6,750,000)
Balance at end of year	—	—	—	—
Issued and outstanding	5,318,095,199	₱957,257,136	5,318,095,199	₱957,257,136

The details and movement of the shares listed with PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20
	Public offering of Series "B"		
2016	preferred shares	20,000,000	100

The total number of shareholders is 2,013 and 2,027 as at December 31, 2016 and 2015, respectively.

Dividend Declaration

The Parent's Company's BOD and stockholders approved the following cash dividends to common stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
March 9, 2015	March 23, 2015	April 8, 2015	₱63,817,142	₱0.012
March 10, 2014	March 28, 2014	April 22, 2014	191,451,427	0.036

In 2014, dividends of ₱51.2 million on subscribed capital were applied to the subscription receivable.

16. Revenues

The Group's revenues are as follows:

	Note	2016	2015	2014
Real estate sales		₱439,160,673	₱1,584,016,397	₱2,053,012,855
Rental income	22	8,103,925	—	—
Project management fees		3,810,463	3,562,464	—
		₱451,075,061	₱1,587,578,861	₱2,053,012,855

Rental income pertains to the revenues from various lease contracts for retail units of MPI in Arya Residences recognized on a straight line basis under PAS 17.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation (ARCC) as project manager. The related service contract has a term of 7 years commencing December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

17. Cost of Sales and Services

	Note	2016	2015	2014
Cost of real estate sales	9	₱389,043,136	₱1,043,700,643	₱1,216,469,030
Cost of services	10	4,631,402	—	—
		₱393,674,538	₱1,043,700,643	₱1,216,469,030

Cost of services consists of real property and other taxes pertaining to MPI's investment properties.

18. Operating Expenses

The operating expenses in the consolidated statements of comprehensive income are classified as follows:

	2016	2015	2014
Administrative	₱298,360,928	₱244,806,979	₱289,460,170
Selling and marketing	66,767,530	69,323,793	76,377,533
	₱365,128,458	₱314,130,772	₱365,837,703

Details of operating expenses by nature are as follows:

	Note	2016	2015	2014
Personnel costs		₱134,721,050	₱132,319,593	₱122,065,916
Taxes and licenses		58,472,179	34,369,989	50,723,829
Advertising		43,239,749	18,027,303	20,282,082
Management and professional fees		33,341,170	13,400,124	12,098,215
Commissions		23,527,781	51,296,490	56,095,451
Communication and office expenses		18,242,802	12,910,462	23,549,967
Insurance		12,074,379	9,971,139	9,613,177
Rental	22	10,357,319	10,478,643	19,683,565
Depreciation and amortization	11	8,214,176	19,282,497	27,319,033
Utilities		8,062,059	1,465,325	6,522,687
Transportation and travel		5,593,670	4,886,530	7,153,507
Representation		3,018,354	883,885	7,441,152
Repairs and maintenance		2,181,796	2,316,718	1,883,766
Others		4,081,974	2,522,074	1,405,356
		₱365,128,458	₱314,130,772	₱365,837,703

Personnel costs consist of:

	Note	2016	2015	2014
Salaries and other employee benefits		₱125,376,040	₱123,692,702	₱114,947,106
Retirement expense	21	9,345,010	8,626,891	7,118,810
		₱134,721,050	₱132,319,593	₱122,065,916

19. Finance Costs

This account consists of:

	Note	2016	2015	2014
Interest expense	13	₱79,540,215	₱39,713,231	₱54,185,972
Bank charges		808,130	853,348	815,210
Discount on receivable financing		—	—	20,913,653
		₱80,348,345	₱40,566,579	₱75,914,835

Discount on receivable financing pertains to the amount of interest recognized from receivables from sale of real estate sold to certain local banks on a without recourse basis.

20. Other Income - Net

This account consists of:

	Note	2016	2015	2014
"Day 1" gain on loan discounting	13	₱80,883,656	₱89,952,419	₱—
Forfeited collections		31,696,556	8,496,305	6,893,139
Realized gain on disposals of financial assets at FVPL	7	17,310,183	5,807,623	645,922
Interest income	6	10,692,204	11,159,810	11,967,089
Unrealized holding gains on financial assets at FVPL	7	5,856,676	635,227	2,072,660
Foreign exchange gains		600,156	2,407,067	645,307
Others		603,767	3,914,312	1,844,866
		₱147,643,198	₱122,372,763	₱24,068,983

Others include gain disposal on disposal of property and rental income earned on idle raw land.

21. Retirement Liability

The Parent Company has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular employees.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated February 3, 2017).

Movements in the present value of retirement liability are as follows:

	2016	2015
Balance at beginning of year	₱40,801,518	₱33,672,130
Current service cost	7,272,293	7,061,137
Interest cost	2,072,717	1,565,754
Remeasurement gain	(2,902,163)	(1,497,503)
Balance at end of year	₱47,244,365	₱40,801,518

Movements in the retirement liability as shown in the consolidated statements of financial position are as follows:

	Note	2016	2015
Balance at beginning of year		₱40,801,518	₱33,672,130
Retirement expense	18	9,345,010	8,626,891
Remeasurement gain		(2,902,163)	(1,497,503)
Balance at end of year		₱47,244,365	₱40,801,518

The cumulative remeasurement gains (losses) on retirement liability recognized in other comprehensive income as follows:

	2016		
	Cumulative Remeasurement Gains (Losses)	Deferred Tax	Net
Balance at beginning of year	₱1,415,016	₱424,505	₱990,511
Remeasurement gains	2,902,163	870,649	2,031,514
Balance at end of year	₱4,317,179	₱1,295,154	₱3,022,025

	2015		
	Cumulative Remeasurement Gains (Losses)	Deferred Tax	Net
Balance at beginning of year	(₱82,487)	₱24,746	(₱57,741)
Remeasurement gains	1,497,503	449,251	1,048,252
Balance at end of year	₱1,415,016	₱473,997	₱990,511

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2016	2015
Discount rate	5.38%	5.08%
Salary projection rate	5.00%	5.00%
Average remaining service years	22.5	23.5

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2016 and 2015 are presented below.

	Change in Assumption	Effect on Present Value of Retirement Liability	
		Discount Rate	Salary Projection Rate
December 31, 2016	+1%	(₱3,288,817)	₱3,698,262
	-1%	4,011,251	(3,106,027)
December 31, 2015	+1%	(3,026,829)	3,401,705
	-1%	3,706,479	(2,845,531)

The expected future benefit payments as at December 31, 2016 are as follows:

Financial Year	Amount
2017	₱2,888,890
2018	3,968,512
2019	1,431,269
2020-2025	22,880,600

22. Lease Commitments

Operating Lease Commitments - Group as Lessee

The Parent Company is a lessee under non-cancellable operating leases where its office space is situated. The lease term for the office space is 3 years, with renewal options and provisions for escalation.

The future minimum rental payables under these non-cancellable operating leases are as follows:

	2016	2015
Within one year	P16,140,214	P9,255,935
After one year but not more than five years	18,600,665	29,784,662
	P34,740,879	P39,040,597

The total rental expense recognized from these operating leases amounted to P10.4 million, P10.5 million and P19.7 million in 2016, 2015 and 2014, respectively (see Note 18).

Operating Lease Commitments - Group as Lessor

In 2016, the Group entered into various lease agreements for its retail units in Arya Residences. The term of the lease ranges from two to five years. The lease agreements also provide for various escalation rates for the duration of the agreements. Accrued rent receivable amounted to P8.1 million as at December 31, 2016 (see Note 8).

The total rental income recognized from this operating lease amounted to P8.1 million in 2016 (see Note 16).

23. Income Taxes

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

	2016	2015 (As restated - see Note 4)	2014 (As restated - see Note 4)
Reported in Profit or Loss			
Current income tax:			
RCIT	P72,574,496	P73,413,668	P12,662,196
Final taxes	6,129,472	2,069,509	2,427,515
MCIT	141,658	21,805	183,728
	78,845,626	75,504,982	15,273,439
Deferred income tax	276,170,123	22,512,180	199,832,156
	P355,015,749	P98,017,162	P215,105,595
Reported in Other Comprehensive Income			
Deferred tax expense (benefit) related to remeasurement gain (loss) on retirement liability	P870,649	P449,251	(P906,239)

Deferred Tax Assets and Net Deferred Tax Liabilities

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

	2016	2015 (As restated - see Note 4)
Deferred Tax Assets		
NOLCO	₱15,282,811	₱8,018
Excess MCIT over RCIT	—	23,992
	₱15,282,811	₱32,010
Net deferred Tax Liabilities		
Deferred tax assets:		
Retirement liability	₱14,173,309	₱12,240,455
NOLCO	1,398,976	—
Advanced rent collections	595,045	—
Excess MCIT over RCIT	141,658	—
Allowance for doubtful accounts	110,488	110,488
	16,419,476	12,350,943
Deferred tax liabilities:		
Gain on change in fair value of investment properties	609,530,300	184,170,738
"Day 1" gain on loan discounting	34,951,025	25,349,735
Debt issue cost	10,351,816	9,752,333
Accrued rent receivable	2,431,178	—
Depreciation and amortization	1,885,430	—
Excess of financial over taxable gross profit on sale of real estate	1,865,282	144,113,900
Foreign exchange gains	180,047	1,448,266
	661,195,078	364,834,972
Net deferred Tax Liabilities	(₱644,775,602)	(₱352,484,029)

The Group did not recognize the deferred tax assets of ₱2.1 million and ₱1.6 million on NOLCO as at December 31, 2016 and 2015, respectively. Management has assessed that these may not be realized in the future.

NOLCO and Excess MCIT over RCIT

The details of the Group's NOLCO and Excess MCIT over RCIT are as follows:

NOLCO

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Balance at End of Year	Valid Until
2016	₱—	₱54,184,932	₱—	₱54,184,932	2019
2015	—	1,421,026	—	1,421,026	2018
2014	26,725	—	26,725	—	2017
	₱26,725	₱55,605,958	₱26,725	₱55,605,958	

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Balance at End of Year	Valid Until
2016	P—	P141,658	P—	P141,658	2019
2015	21,805	—	21,805	—	2018
2014	2,187	—	2,187	—	2017
	P23,992	P141,658	P23,992	P141,658	

The reconciliation between the income tax expense (benefit) based on statutory income tax rate and effective income tax rate reported in the consolidated statements of comprehensive income is as follows:

	2016	2015 (As restated - see Note 4)	2014 (As restated - see Note 4)
Income tax computed at statutory tax rate	P353,229,637	P103,514,589	P125,658,081
Add (deduct) tax effect of:			
Nondeductible expenses and nontaxable income	12,377,366	(2,959,920)	93,074,660
Stock issuance costs	(7,067,538)	—	—
Unrealized holding gains on financial assets at FVPL	(1,757,003)	(597,184)	—
Relaized gain on disposals of financial assets at FVPL	(1,081,306)	(134,581)	—
Interest income subjected to final tax	(1,189,939)	(2,480,602)	(1,978,187)
Change in unrecognized deferred tax assets	504,532	44,901	(2,805,557)
Expired NOLCO	—	629,959	1,156,598
	P355,015,749	P98,017,162	P215,105,595

PEZA Registration

ACPT is registered with the Philippine Economic Zone Authority (PEZA) as a Ecozone Facilities Enterprise. The scope of the registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- Four-year income tax holiday (ITH) on income solely derived from servicing foreign clients for its operations limited to accommodation and other special interest and attraction activities/establishments. Upon expiry of the ITH period, ACPT shall pay 5% Gross Income Tax (GIT), in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities/activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to regular corporate income tax.

As at December 31, 2016 and 2015, ACPT Project is still under construction in-progress.

24. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2016	2015	2016	2015
Due from a Related Party -							
CPG	Stockholder	8	Share purchase agreement	P-	P-	P36,052,873	P36,052,873
Loans Payable -							
Centrobless Corporation (Centrobless)	Entity under common ownership	13	Non-interest bearing loans	P825,321,890	P825,321,890	P1,534,140,364	P740,822,772
Accounts Payable -							
CPG	Stockholder	14	Management fee	P5,678,057	P-	P5,678,057	P-
Due to a Related Party -							
			Advances for project development	P249,789,836	P-	P249,789,836	P-
Rock & Salt B.V.	Non-controlling interest		Interest expense	7,813,957	-	7,813,957	-

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to P36.1 million as at December 31, 2016 and 2015 arising from the share purchase agreement between the Parent Company, CPG and AOC1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Management Fee

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

Advances for Project Development

In addition to the advances from the Parent Company, CLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects with outstanding balance of P249.8 million and interest expense of P7.8 million as at December 31, 2016.

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2016	2015	2014
Salaries and other employee benefits	₱63,395,457	₱50,606,184	₱44,546,201
Retirement expense	4,830,248	3,134,101	2,758,799
	₱68,225,705	₱53,740,285	₱47,305,000

25. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2016	2015 (As restated - see Note 4)	2014 (As restated - see Note 4)
Net income attributable to equity holders of the Parent Company	₱840,225,824	₱247,031,468	₱203,754,675
Less share of Series "B" Preferred Shares	(35,229,000)	—	—
	804,996,824	247,031,468	203,754,675
Divided by weighted average number of outstanding common shares	5,318,095,199	5,318,095,199	5,318,095,199
Earnings per share	₱0.1514	₱0.0465	₱0.0383

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three years presented.

26. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, financial assets at FVPL, trade and other receivables (excluding advances for project development and advances to employees), investment in time deposits, deposits, amounts held in escrow, accounts and other liabilities (except payable to buyers and statutory liabilities) and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

Credit Risk

Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As at December 31, 2016 and 2015, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash and cash equivalents, financial assets at FVPL, trade and other receivables (excluding advances for project development and advances to employees), investment in time deposits, deposits and amounts held in escrow, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

The table below shows the gross maximum exposure to credit risk for the components of the Group's consolidated statements of financial position, before taking into consideration any collateral and credit enhancements:

	2016	2015
Cash and cash equivalents*	₱990,712,203	₱604,568,767
Financial asset at FVPL	2,050,075,279	732,635,225
Trade and other receivables**	74,368,530	1,447,845,587
Investment in time deposits	17,402,000	98,858,090
Deposits	35,982,536	36,954,924
Amounts held in escrow	11,143,822	31,679,600
	₱3,179,684,370	₱2,952,542,193

*Excludes cash on hand amounting to ₱30,000 and ₱45,000 as at December 31, 2016 and 2015, respectively.

**Excludes advances for project development and employees amounting to ₱226.8 million and ₱383.3 million as at December 31, 2016 and 2015, respectively.

The Group's credit risk is primarily attributable to its trade receivables and other financial assets. The credit quality of the Group's financial assets is managed using internal credit ratings.

The tables below show the credit quality by class of financial assets based on the Group's credit rating system and aging of past due but not impaired financial assets.

	2016						
	Neither Past Due nor Impaired			Past Due but not Impaired			
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	P990,712,203	P-	P-	P-	P-	P-	P990,712,203
Financial assets at FVPL	2,050,075,279	-	-	-	-	-	2,050,075,279
Trade and other receivables**	74,368,530	-	-	-	-	368,292	74,736,822
Investment in time deposits	17,402,000	-	-	-	-	-	17,402,000
Amounts held in escrow	11,143,822	-	-	-	-	-	11,143,822
Deposits	35,982,536	-	-	-	-	-	35,982,536
	P3,179,684,370	P-	P-	P-	P-	P368,292	P3,180,052,662

*Excludes cash on hand amounting to P30,000.

**Excludes advances for project development and employees amounting to P226,721,056.

	2015						
	Neither Past Due nor Impaired			Past Due but not Impaired			
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	P604,568,767	P-	P-	P-	P-	P-	P604,568,767
Financial assets at FVPL	732,635,225	-	-	-	-	-	732,635,225
Trade and other receivables**	1,447,845,587	-	-	-	-	368,292	1,448,213,879
Investment in time deposits	98,858,090	-	-	-	-	-	98,858,090
Amounts held in escrow	31,679,600	-	-	-	-	-	31,679,600
Deposits	36,954,924	-	-	-	-	-	36,954,924
	P2,952,542,193	P-	P-	P-	P-	P368,292	P2,952,910,485

*Excludes cash on hand amounting to P45,000.

**Excludes advances for project development and employees amounting to P383,269,606.

The credit quality of the financial assets was determined as follows:

- High grade - cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms,
- Standard grade - receivables from customers who need to be reminded of their dues,
- Past due but not impaired - items with history of frequent default, nevertheless, the amounts are still collectible

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2016 and 2015:

	2016					
	Due and Payable on Demand	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Loans payable	P-	P726,243,970	P1,650,643,779	P-	P879,727,000	P3,256,614,749
Accounts payable and other liabilities*	725,525,131	-	-	-	-	725,525,131
Due to a related party	249,789,836	-	-	-	-	249,789,836
	P975,314,967	P726,243,970	P1,650,643,779	P-	P879,727,000	P4,231,929,716

*Excludes payable to buyers and statutory liabilities amounting to P168,004,103 as at December 31, 2016.

2015						
	Due and Payable on Demand	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Loans payable	P=	P169,723,970	P1,113,549,024	P1,721,475,810	P236,534,775	P3,241,283,579
Accounts payable and other liabilities*	578,592,788	242,880,000	242,880,000	—	—	1,064,352,788
	P578,592,788	P412,603,970	P1,356,429,024	P1,721,475,810	P236,534,775	P4,305,636,367

*Excludes payable to buyers and statutory liabilities amounting to P313,574,595 as at December 31, 2015.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

Interest Rate Risk

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

The Group's loans payable to local banks subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's net income.

Capital Management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2016	2015 (As restated - see Note 4)
Total liabilities	P4,952,055,797	P4,862,981,842
Total equity	5,109,587,034	2,291,302,886
Debt-to-equity ratio	0.97 : 1.00	2.12 : 1.00

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

27. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and the corresponding fair value hierarchy:

2016					
Fair Value					
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and cash equivalents		P990,742,203	P-	P990,742,203	P-
Financial assets at FVPL	7	2,050,075,279	2,050,075,279	-	-
Trade and other receivables*		74,368,530	-	74,368,530	-
Investment on time deposits		17,402,000	-	17,402,000	-
Amounts held in escrow		11,143,822	-	11,143,822	-
Deposits		35,982,536	-	35,982,536	-
Nonfinancial asset -					
Investment properties	10	4,534,143,705	-	482,099,300	4,052,044,405
		P7,713,858,075	P2,050,075,279	P1,611,738,391	P4,052,044,405
Financial liabilities:					
Loans payable		P3,111,038,703	P-	P3,256,614,749	P-
Accounts payable and other liabilities**		725,525,131	-	725,525,131	-
Due to a related party		249,789,836	-	249,789,836	-
		P4,086,353,670	P-	P4,231,929,716	P-
2015					
Fair Value					
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets:					
Cash and cash equivalents		P604,613,767	P-	P604,613,767	P-
Financial assets at FVPL	7	732,635,225	732,635,225	-	-
Trade and other receivables*		1,447,845,587	-	1,447,845,587	-
Investment on time deposits		98,858,090	-	98,858,090	-
Amounts held in escrow		31,679,600	-	31,679,600	-
Deposits		36,954,924	-	36,954,924	-
Nonfinancial asset -					
Investment properties	10	2,005,226,322	-	1,349,692,443	655,533,879
		P4,957,813,515	P732,635,225	P3,569,644,411	P655,533,879
Financial liabilities:					
Loans payable		P3,091,768,912	P-	P3,241,283,579	P-
Accounts payable and other liabilities**		1,064,352,788	-	1,064,352,788	-
		P4,156,121,700	P-	P4,305,636,367	P-

*Excludes advances for project development and advances to employees amounting to P226.7 million and P383.3 million as at December 31, 2016 and 2015, respectively.

**Excludes payable to buyers and statutory liabilities amounting to P168.0 million and P313.6 million as at December 31, 2016 and 2015, respectively.

The carrying amounts of financial assets and accounts payable and other liabilities approximate their fair values due to the short-term nature of these financial instruments. Interest-bearing loans payable includes accrued interest in the estimation of its fair value. The fair value of the Group's loans payable was determined by discounting the sum of all future cash flows using the prevailing market rates of interest for instruments with similar maturities.

All of the Group's financial instruments are classified under level 3 of fair value hierarchy.

28. Classification of Consolidated Statements of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2016 and 2015 are as follows:

	Note	2016	2015
Current Assets			
Cash and cash equivalents	6	₱990,742,203	₱604,613,767
Financial asset at FVPL	7	2,050,075,279	732,635,225
Trade and other receivables	8	301,089,586	1,831,115,193
Real estate for sale	9	1,722,192,699	1,558,771,101
Creditable withholding tax		243,216,792	214,119,974
Other assets*	12	129,727,245	54,332,235
		₱5,437,043,804	₱4,995,587,495

*Excludes investments in time deposits, deposits and non-current portion of deferred input VAT amounting to ₱55.1 million and ₱136.3 million as at December 31, 2016 and 2015, respectively.

	Note	2016	2015
Current Liabilities			
Current portion of loans payable**	13	₱726,243,970	₱169,723,970
Accounts payable and other liabilities***	14	789,138,288	1,357,135,699
Due to a related party	24	249,789,836	—
		₱1,765,172,094	₱1,526,859,669

**Excludes long term portion of loans payable amounting to ₱2,384.8 million and ₱2,922.0 million as at December 31, 2016 and 2015, respectively.

***Excludes non-current portion of retention payable amounting to ₱110.1 million and ₱20.8 million as at December 31, 2016 and 2015, respectively.

29. Segment Information

The Group is organized into one reportable segment which is the development and sale of real estate. The Group also has one geographical segment and derives all its revenues from domestic operations. All of the Group's activities are interrelated and each activity is dependent on the other. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

30. Events After Reporting Period

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Common	February 8, 2017	February 24, 2017	March 6, 2017	₱63,817,142	₱0.012
Preferred	February 28, 2017	March 14, 2017	April 7, 2017	35,229,000	1.76145

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2016.

During the first quarter of 2017, the Parent Company incorporated Savya Land Development Corporation (SLDC) and subscribed to 499,995 common shares, with par value of ₱100 per share. SLDC purchased two parcels of land in Arca South amounting to ₱1.1 billion located in Barangay West Bicutan, Taguig City.



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

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at and for the year ended December 31, 2016, on which we have rendered our report dated March 20, 2017.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 1,999 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.


CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0658-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-007-2017

Valid until January 13, 2020

PTR No. 5908528

Issued January 3, 2017, Makati City

March 20, 2017
Makati City, Metro Manila





**REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
8/F Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2016, included in this Form 17-A and have issued our report thereon dated March 20, 2017. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. These supplementary schedules include the following:

- Financial Soundness Indicators
- Adoption of Effective Accounting Standards and Interpretations
- Supplementary Schedules as Required by Part II of Securities Regulation Code Rule 68 as Amended
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Use of Proceeds
- Conglomerate Map

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & Co.


CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0658-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-007-2017

Valid until January 13, 2020

PTR No. 5908528

Issued January 3, 2017, Makati City

March 20, 2017

Makati City, Metro Manila

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING


RSM

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction



ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2016

Below is a schedule showing financial soundness indicators in the years 2016, 2015 and 2014.

	2016	2015	2014
Current/Liquidity Ratio	3.08	3.27	2.17
Current assets	₱5,437,043,804	₱4,995,527,495	₱4,023,818,590
Current liabilities	1,765,172,094	1,526,859,669	1,851,409,037
Solvency Ratio	0.17	0.05	0.06
Net income before depreciation	830,630,551	266,313,965	231,073,706
Total liabilities	4,952,055,797	4,862,981,842	4,011,220,311
Debt-to-Equity Ratio	0.97	2.12	1.91
Total liabilities	4,952,055,797	4,862,981,842	4,011,220,311
Total equity	5,109,587,034	2,291,302,886	2,104,890,308
Debt-to-Equity Ratio	0.31	1.03	1.31
Interest-bearing liabilities	1,590,157,939	2,361,852,743	2,765,827,162
Total equity	5,109,587,034	2,291,302,886	2,104,890,308
Asset-to-Equity Ratio	1.97	3.12	2.91
Total assets	10,061,642,831	7,154,284,728	6,116,110,619
Total equity	5,109,587,034	2,291,302,886	2,104,890,308
Interest Rate Coverage Ratio	15.65	9.51	6.52
Pretax income before interest	1,257,780,469	385,615,209	494,775,105
Interest expense	80,348,345	40,566,579	75,914,835
Profitability Ratio	0.16	0.11	0.10
Net income	822,416,375	247,031,468	203,754,675
Total equity	5,109,587,034	2,291,302,886	2,104,890,308

ARTHALAND CORPORATION AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2016**

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash- settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Operating Segments- Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets			✓
	Financial Instruments: Classification and Measurement of Financial Liabilities			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27 (Amended): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Asset	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39: Financial Guarantee Contracts	✓		
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property – Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		
PAS 41	Agriculture			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

Table of Contents

<i><u>Schedule</u></i>	<i><u>Description</u></i>	<i><u>Page</u></i>
A	Financial Assets	<u>1</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>2</u>
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>3</u>
D	Intangible Assets - Other Assets	<u>N/A</u>
E	Long-Term Debt	<u>4</u>
F	Indebtedness to Related Parties	<u>5</u>
G	Guarantees of Securities of Other Issuers	<u>N/A</u>
H	Capital Stock	<u>6</u>

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2016

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Unit Investment Trust Fund -BDO Institutional Cash Reserve Fund	-	P2,050,075,279	P2,050,075,279	P-

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2016

Name and designation of debtor	Balance at beginning of period	Deductions			Ending Balance	
		Additions	Amounts collected	Amounts written off	Current	Not current
CPG	P36,052,873	P-	P-	P-	P36,052,873	P-
						P36,052,873

ARTHALAND CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2016

Name and designation of debtor	Balance at beginning of period	Deductions		Ending Balance	
		Amounts written off	Current	Not current	Balance at end of period
Advances from subsidiaries:					
Urban Property Holdings, Inc.					
(net of allowance for impairment amounting to P3,261,249)					
Cebu Lavana Land Corp.	P56,547,369	P245,572	P-	P56,792,941	P56,792,941
Emera Property Management, Inc.	386,783,936	173,716,461	-	560,500,397	560,500,397
Cazneau, Inc.	1,872,495	311,247	-	2,183,742	2,183,742
Zileya Land Development, Inc.	338,945	317,966,297	-	318,305,242	318,305,242
Manchesterland Properties, Inc.	-	7,573,444	-	7,573,444	7,573,444
	2,486,585	-	-	3,514	3,514
		(2,483,071)	-		
	P448,029,330	P499,813,021	P-	P945,359,280	P945,359,280
		(P2,483,071)	P-		

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2016

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt"		Carrying amount	Interest Rate(s)	Payment Terms	Amount shown under caption "Long-Term Debt" in related statement of financial position	
		Amount of long-term debt	sheet related balance					
Bank Loans								
Bank 1 – A	₱500,000,000	₱–	₱–	₱–	6.00%	Monthly	March 30, 2017, April 30, 2017	February 28, 2017,
Bank 1 – B	22,701,748	–	–	–	8.96%	Monthly	May 31, 2021, July 8, 2021,	September 21, 2021,
Bank 1 – C	2,375,500,000	–	–	579,711,539	6.00%	At end of term	November 11, 2021	November 11, 2021
Bank 1 – D	255,000,000	255,000,000	255,000,000	–	2.75%	At end of term	January 30, 2017	July 31, 2025
Bank 2 – A	510,000,000	381,520,000	381,520,000	–	2.75%	Monthly	June 16, 2017	January 30, 2017
Bank 2 – B	25,047,642	–	–	–	6.00%	At end of term	November 24, 2015	June 16, 2017
Bank 3 – A	300,000,000	–	–	300,000,000	5.12%	Monthly	July 5, 2019	November 24, 2015
Various Loan from private funders	89,723,970	89,723,970	89,723,970	–	3.5%, 3.80%	Renewable on maturity	January 23, 2016, April 3, 2016,	July 5, 2019
Centrobless Corporation	1,650,643,779	–	–	1,505,083,194	Interest-free	At end of term	May 8, 2017	May 8, 2017
	₱5,983,617,139	₱726,243,970	₱726,243,970	₱2,384,794,733			December 31, 2018	

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2016

Name of related party	Balance at beginning of the period	Balance at end of the period
Centrobless Corporation	₱740,822,772	₱1,534,140,364*

**Material increase in 2016 pertains to additional loans from Centrobless Corporation to Arthaland Corporation for the construction of ACPT.*

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2016

Title of Issue	Number of shares			Number of shares held by		
	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	—	3,526,349,910	9	1,791,745,280
Preferred shares - ₱1.00 par value per share	50,000,000	32,500,000	—	12,500,000	—	20,000,000

ARTHALAND CORPORATION

RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS
DECEMBER 31, 2016

Unappropriated Retained Earnings, as restated, beginning of year		₱1,219,176,443
Less unrealized adjustments in prior years' reconciliation net of tax:		
Gain on change in fair value of investment properties	(279,141,322)	
"Day 1" gain on loan discounting	(59,149,382)	
Unrealized holding gains on financial assets at FVPL	(448,603)	
Sub-total		(338,739,307)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of year		880,437,136
Add net income actually earned/realized during the year		
Net income during the year closed to retained earnings	462,568,672	
Less non-actual/unrealized net income net of tax:		
Gain on change in fair value of investment properties	(566,822,169)	
"Day 1" gain on loan discounting	(41,449,283)	
Unrealized holding gains on financial assets at FVPL	(5,656,674)	
Sub-total		(151,359,454)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, end of year		₱729,077,682

ARTHALAND CORPORATION
SCHEDULE OF USE OF PROCEEDS
DECEMBER 31, 2016

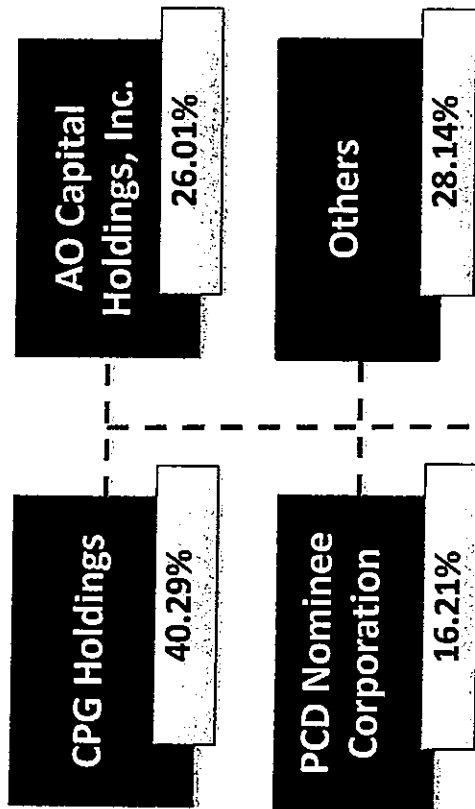
The estimated gross proceeds from the offer amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	Balance for Disbursement 12/31/2016	Actual Disbursement as of 3/31/2017	Balance for Disbursement
South of Metro Manila Project	₱822.4	822.4	₱822.4	₱292.4	₱530.0
Makati CBD Residential Project	371.6	371.6	371.6	—	371.6
Binan Laguna Project	331.9	331.9	331.9	4.9	327.0
Partial repayment of loans	330.0	330.0	176.0	235.4	94.6
General corporate purposes	62.3	63.4	63.4	—	63.4
Cebu Exchange project	53.6	53.6	—	53.6	—
Total	₱1,971.8	1972.9	₱1,765.3	₱586.3	₱1,386.6

CONGLOMERATE MAP

Stockholders



Parent Company



Subsidiaries

