

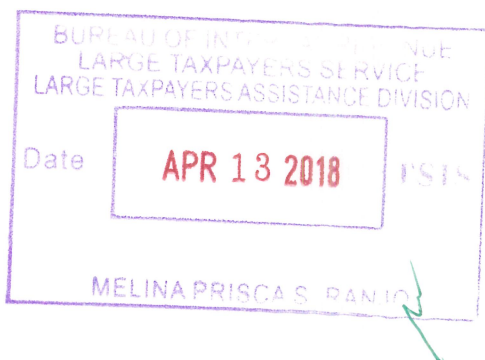
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

The Management of **ARTHALAND CORPORATION** (the 'Company') is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2017**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements for the year ended **December 31, 2017** and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) The Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signed this **21 March 2018**, Taguig City, Philippines.




ERNEST K. CUYEGKENG
Chairman of the Board


JAIME C. GONZALEZ
Vice Chairman and President


FERDINAND A. CONSTANTINO
Chief Finance Officer



**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE**

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

We have audited the accompanying separate financial statements of Arthaland Corporation (the Company) as at and for the year ended December 31, 2017, on which we have rendered our report dated March 21, 2018.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

SEC Accreditation No. 1499-A Group A

Valid until August 31, 2018

BIR Accreditation No. 08-005144-12-2017

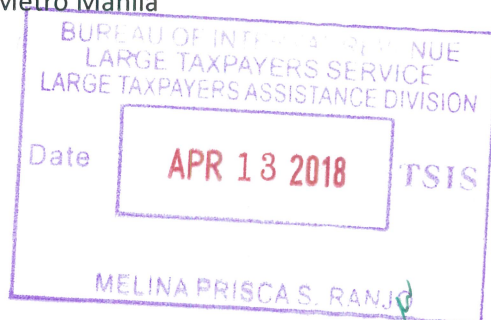
Valid until March 8, 2020

PTR No. 6607962

Issued January 3, 2018, Makati City

March 21, 2018

Makati City, Metro Manila





INDEPENDENT AUDITORS' REPORT

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Arthaland Corporation (the Company), which comprise the separate statements of financial position as at December 31, 2017 and 2016, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2017, 2016 and 2015, and notes to separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017, 2016 and 2015 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the separate 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.

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

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION

Date

APR 13 2018

TSIS





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

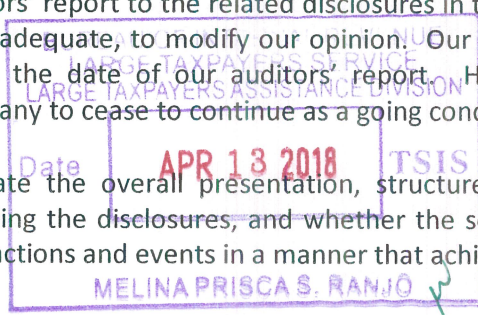
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





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

Report on the Supplementary Information Required Under Revenue Regulations Nos. 15-2010 and 19-2011 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses and the schedule of taxable income and deductible expenses in Note 29 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of the management of Arthaland Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements and in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & Co.


MICHELLE R. MENDOZA-ORUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

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

SEC Accreditation No. 1499-A Group A

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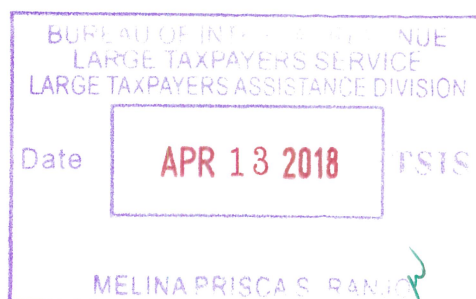
Valid until March 8, 2020

PTR No. 6607962

Issued January 3, 2018, Makati City

March 21, 2018

Makati City, Metro Manila



ARTHALAND CORPORATION
SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2017	2016
ASSETS			
Cash and cash equivalents	4	P519,388,835	P855,678,030
Financial assets at fair value through profit or loss (FVPL)	5	376,557,528	2,032,375,277
Trade and other receivables	6	323,986,061	300,313,695
Real estate for sale	7	102,898,713	358,805,538
Creditable withholding taxes (CWT)		243,457,075	235,968,854
Investment properties	8	4,704,116,423	3,169,244,934
Property and equipment	9	24,000,597	19,196,530
Investments in and advances to subsidiaries	10	2,961,141,536	2,022,304,097
Other assets	11	303,263,204	173,771,316
		P9,558,809,972	P9,167,658,271
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	12	P3,618,892,416	P3,111,038,703
Accounts payable and other liabilities	13	684,424,159	618,133,992
Advances from subsidiaries	20	280,202,357	289,568,842
Retirement liability	21	50,668,546	47,244,365
Net deferred tax liabilities	23	389,237,761	395,706,552
Total Liabilities		5,023,425,239	4,461,692,454
Equity			
Capital stock	14	989,757,136	989,757,136
Additional paid-in capital		2,031,441,541	2,031,441,541
Retained earnings		1,506,737,665	1,681,745,115
Cumulative remeasurement gains on retirement liability - net of tax	21	7,448,391	3,022,025
Total Equity		4,535,384,733	4,705,965,817
		P9,558,809,972	P9,167,658,271

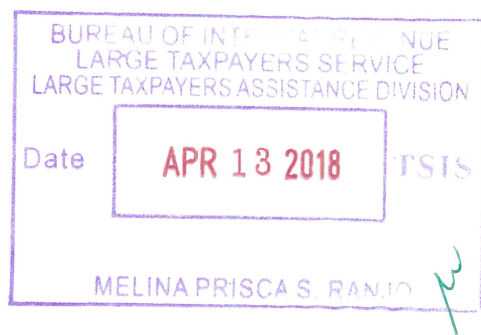
See accompanying Notes to Separate Financial Statements.

MELINA PRISCA S. RANJO

ARTHALAND CORPORATION
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2017	2016	2015
REVENUES	15	₱442,882,042	₱409,965,808	₱1,468,850,441
COST OF SALES AND SERVICES	16	273,377,205	336,699,756	1,010,531,721
GROSS INCOME		169,504,837	73,266,052	458,318,720
OPERATING EXPENSES	17	261,572,754	318,138,042	293,239,126
INCOME (LOSS) FROM OPERATIONS		(92,067,917)	(244,871,990)	165,079,594
FINANCE COSTS	18	(101,471,383)	(69,283,278)	(40,448,990)
GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	8	41,182,639	809,745,956	33,495,000
OTHER INCOME - Net	19	198,490,612	153,763,320	122,369,350
INCOME BEFORE INCOME TAX		46,133,951	649,354,008	280,494,954
PROVISION FOR INCOME TAX	23	16,408,259	186,785,336	83,439,067
NET INCOME		29,725,692	462,568,672	197,055,887
OTHER COMPREHENSIVE INCOME				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gain on retirement liability	21	6,323,380	2,902,163	1,497,503
Income tax expense relating to item that will not be reclassified	23	(1,897,014)	(870,649)	(449,251)
		4,426,366	2,031,514	1,048,252
TOTAL COMPREHENSIVE INCOME		₱34,152,058	₱464,600,186	₱198,104,139

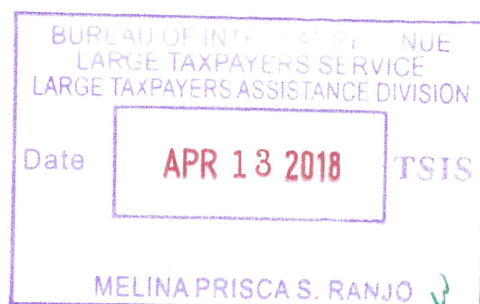
See accompanying Notes to Separate Financial Statements.



ARTHALAND CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	2017	2016	2015
CAPITAL STOCK	14			
Common - at ₱0.18 par value - issued and outstanding		₱957,257,136	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value - issued and outstanding		32,500,000	32,500,000	—
		989,757,136	989,757,136	957,257,136
ADDITIONAL PAID-IN CAPITAL	14			
Balance at beginning of year		2,031,441,541	75,000,000	75,000,000
Issuance of preferred shares		—	1,980,000,000	—
Stock issuance costs		—	(23,558,459)	—
Balance at end of year		2,031,441,541	2,031,441,541	75,000,000
RETAINED EARNINGS				
Balance at beginning of year		1,681,745,115	1,219,176,443	1,085,937,697
Net income		29,725,692	462,568,672	197,055,887
Dividends declared during the year	14	(204,733,142)	—	(63,817,141)
Balance at end of year		1,506,737,665	1,681,745,115	1,219,176,443
CUMULATIVE REMEASUREMENT GAINS ON RETIREMENT LIABILITY	21			
Balance at beginning of year		3,022,025	990,511	(57,741)
Remeasurement gain on retirement liability		6,323,380	2,902,163	1,497,503
Income tax expense relating to other comprehensive income for the year	23	(1,897,014)	(870,649)	(449,251)
Balance at end of year		7,448,391	3,022,025	990,511
		₱4,535,384,733	₱4,705,965,817	₱2,252,424,090

See accompanying Notes to Separate Financial Statements.



ARTHALAND CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS

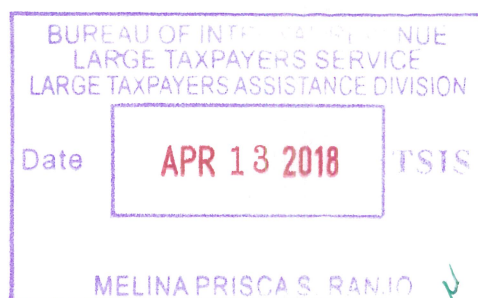
		Years Ended December 31		
	Note	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱46,133,951	₱649,354,008	₱280,494,954
Adjustments for:				
Interest expense	12	98,783,644	68,515,737	39,713,231
Gain on change in fair value of investment properties	8	(41,182,639)	(809,745,956)	(33,495,000)
Realized gain on disposal of financial assets at FVPL	5	(37,402,424)	(15,924,321)	(3,817,010)
Interest income	4	(25,190,536)	(17,546,847)	(11,117,152)
Retirement expense	21	9,747,561	9,345,010	8,626,891
Depreciation and amortization	9	8,816,766	7,976,973	19,136,068
"Day 1" gain on loan discounting	12	(2,907,783)	(80,883,656)	(89,952,419)
Unrealized holding gains on financial assets at FVPL	5	(1,752,251)	(5,656,674)	(448,603)
Loss (gain) on disposal of property and equipment	9	475,131	(185,888)	(9,722)
Amortization of initial direct leasing costs	8	249,952	—	—
Foreign exchange gains	19	(83,999)	(600,156)	(2,407,067)
Operating income (loss) before working capital changes		55,687,373	(195,351,770)	206,724,171
Decrease (increase) in:				
Trade and other receivables		(10,721,014)	1,500,772,093	63,307,132
Real estate for sale		255,906,825	140,299,533	224,607,054
Other assets		(129,491,888)	12,949,115	(33,686,077)
Increase (decrease) in accounts payable and other liabilities		54,636,957	(233,237,123)	(16,352,878)
Net cash generated from operations		226,018,253	1,225,431,848	444,599,402
Income tax paid		(32,262,285)	(103,771,587)	(64,105,069)
Interest paid		(28,810,679)	(11,070,481)	(32,261,650)
Interest received		12,239,184	8,590,012	11,117,152
Net cash provided by operating activities		177,184,473	1,119,179,792	359,349,835
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	8	(1,490,488,197)	(1,068,272,189)	(238,378,381)
Investments in and advances to subsidiaries		(938,837,439)	(548,079,950)	(441,238,237)
Financial assets at FVPL	5	(909,600,000)	(4,710,175,068)	(1,727,500,000)
Property and equipment	9	(15,269,921)	(12,448,027)	(8,611,945)
Proceeds from disposal of:				
Financial assets at FVPL		2,604,572,424	3,148,829,389	1,554,389,670
Property and equipment		1,173,957	2,101,160	734,722
Net cash used in investing activities		(748,449,176)	(3,188,044,685)	(860,604,171)

(Forward)

MELINA PRISCAS RANJO

Years Ended December 31				
	Note	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from:				
Loans payable	12	₱1,400,662,463	₱2,386,606,892	₱1,712,455,981
Issuance of preferred shares	14	—	1,988,941,541	—
Payments of loans payable	12	(951,520,000)	(2,338,783,409)	(1,304,013,393)
Payment of dividends	24	(204,884,469)	—	(63,817,141)
Proceeds from (net payment of) advances from subsidiaries		(9,366,485)	289,568,842	—
Collections of subscription receivable		—	—	2,150,000
Net cash provided by financing activities		234,891,509	2,326,333,866	346,775,447
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS				
		83,999	600,156	2,407,067
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(336,289,195)	258,069,129	(152,071,822)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		855,678,030	597,608,901	749,680,723
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		₱519,388,835	₱855,678,030	₱597,608,901
NONCASH FINANCIAL INFORMATION -				
Transfer of raw land from "Real estate for sale" account to "Investment properties" account	7	₱—	₱45,019,935	₱—

See accompanying Notes to Separate Financial Statements.



ARTHALAND CORPORATION
NOTES TO SEPARATE FINANCIAL STATEMENTS

1. General Information

Corporate Information

Arthaland Corporation (the 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 Company is primarily engaged in real estate development and leasing.

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

In December 2016, the Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated perpetual Series B preferred shares ₱1.00 par value a share with issuance price of ₱100 a share (see Note 14).

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

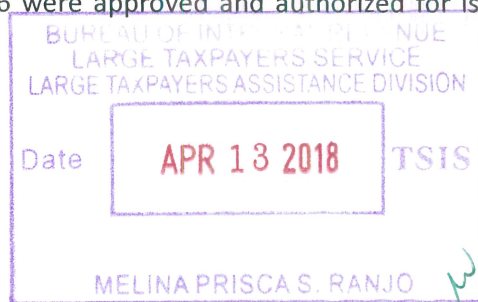
Major Projects

The 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) Building for Ecologically Responsive Design Excellence (BERDE) program. Arya Residences was completed on December 31, 2016.

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. This 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, and is a building targeting dual certification. It has been pre-certified as LEED Gold and the Parent Company is targeting to secure a LEED Platinum certification for it. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 23) and is expected to be completed in the second quarter of 2018.

Approval of the Separate Financial Statements

The separate financial statements of the Company as at and for the years ended December 31, 2017 and 2016 were approved and authorized for issue by the Board of Directors (BOD) on March 21, 2018.



2. Summary of Significant Accounting Policies

Basis of Preparation

The separate 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, including SEC pronouncements. 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 separate financial statements are presented in Philippine Peso (Peso), the Company's functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The separate financial statements of the Company 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 an asset and fair value of consideration received in exchange for incurring liability.

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 or 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 Company.

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 Company 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 Company (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 5 - Financial Assets at FVPL
- Note 8 - Investment Properties
- Note 26 - 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 Company at the end of the reporting period during which the change occurred.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year. The following amended PFRS which the Company adopted effective 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.
- Amendment to PFRS 12, *Disclosures of Interests in Other Entities - Clarification of the Scope of the Standard* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 apply to interests in entities within the scope of PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

The adoption of the foregoing amended PFRS did not have any material effect on the separate financial statements. Additional disclosures have been included in the notes to separate 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, 2017 and have not been applied in preparing the separate financial statements are summarized below.

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement*, (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.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).
- Amendment to PFRS 15, *Revenue from Contracts with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- PIC Q&A No. 2016-04, *Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-completion Contracts* – The interpretation provide implementation guidance, in relation to the mandatory adoption of the new revenue accounting standard in 2018, specifically on accounting for revenue from the sale of a residential property unit under pre-completion stage by a real estate developer that enters into a Contract to Sell with a buyer – whether the sale meet the criteria for revenue recognition over time.
- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

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

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases*, and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position 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 separate financial statements of the Company except for PFRS 15 and PFRS 16. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Financial Assets and Liabilities

Date of Recognition. Financial assets and liabilities are recognized in the separate 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 Company 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 Company 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 Company determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. The Company 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 Company 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 separate 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 Company classified its investment in money market fund under this category (see Note 5).

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 Company's cash and cash equivalents, trade and other receivables (excluding advances for project development and accrued rent under straight-line basis of accounting), advances to subsidiaries, 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 Company's loans payable, accounts payable and other liabilities (excluding payable to buyers and statutory liabilities) and advances from subsidiaries 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 Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its 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 Company’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 Company 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 Company 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 Company 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 Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is 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 separate 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 Company; 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 Company 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 Company'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. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

The Company 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 separate financial statements, in order to avoid double counting, the fair value reported in the separate 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 separate 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 any 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.

Investment in Subsidiaries

The Company's investment in subsidiaries, entities over which the Company has control, are accounted for under the cost method of accounting in the separate financial statements less any impairment in value. In assessing control, the Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Other Assets

Other assets include value added tax (VAT), deposits, prepayments, amounts held in escrow investment in time deposit 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 separate statements of financial position.

Deferred Input VAT. In accordance with the BIR Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Company 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 Company recorded as assets several excess construction materials and supplies from the completed construction of its projects.

Deposits, amounts held in escrow and investment in time deposit qualify as financial asset.

CWT

CWT represent the amount withheld by the Company's customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Impairment of Nonfinancial Assets

The carrying amounts of the Company'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 Company. 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.

Payable to Buyers

Payable to buyers consist of amounts received by the Company from its customers as reservation fee for real estate sales and lease of ACPT. These are recorded at face amount in the separate statements of financial position. Reservation fees for real estate sales are recognized as revenue in profit or loss when the revenue recognition criteria are met. Reservation fees for the lease of ACPT will be applied as security deposits upon execution of the lease contracts.

Capital Stock

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

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

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.

Retained Earnings

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company 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 Company assesses whether it is probable that the economic benefits will flow to the Company 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 Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (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 separate 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.

Rent 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.

Common Use Service Area (CUSA) Fees. CUSA fees are recognized as income once earned. These are charged monthly and are based on the lessee's proportionate share on the common areas.

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

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

Cost and Expense 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 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 the related 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
- d. 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).

Operating Leases - Company as a Lessor. Leases where the Company does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Operating Leases - Company as Lessee. Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Company 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.

Employee Benefits

Short-term Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company 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 Company 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 Company 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 Company recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income 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 separate 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, to the extent that it is probable that taxable income will be available against which the deductible temporary differences.

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 Company; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

The key management personnel of the Company are also considered to be related parties.

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

Provisions and Contingencies

Provisions are recognized when the Company 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 separate financial statements but are disclosed in the notes to separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to the separate 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 Company's financial position at the end of the reporting period (adjusting event) is reflected in the separate financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of separate 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 the carrying amounts 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 Company'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 separate financial statements:

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

Classifying Financial Instruments. The Company 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 separate statements of financial position.

Recognizing Revenue and Cost of 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 of real estate sales from sales of completed real estate projects are accounted for using full accrual method.

Real estate sales amounted to ₱428.8 million, ₱410.0 million and ₱1,468.9 million in 2017, 2016 and 2015, respectively (see Note 15). Cost of real estate sales amounted to ₱271.1 million, ₱336.7 million, ₱1,010.5 million in 2017, 2016 and 2015, respectively (see Note 16).

Classifying Between Real Estate for Sale and Investment Properties. The Company determines whether a property qualifies as a real estate for sale or an investment property. In making its judgment, the Company 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 Company.

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

Investment properties amounted to ₱4,704.1 million and ₱3,169.2 million as at December 31, 2017 and 2016, respectively (see Note 8).

Determining Lease Commitments - Company as Lessor. The Company entered into commercial property leases on ACPT. Considering that there was no transfer of ownership of the leased properties to the lessee, the Company determined that it retained all the significant risks and rewards of ownership of these properties. Accordingly, the leases were accounted for as operating leases.

Rent income amounted to ₱11.2 million in 2017 (see Note 22).

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

Rent expense amounted to ₱11.3 million, ₱10.1 million and ₱10.5 million in 2017, 2016 and 2015, respectively (see Note 22).

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:

Determining Revenue and Cost Recognition. The assessment process for the percentage of completion (POC) and the estimated development cost requires technical determination by management's specialist (project engineers) and involves significant judgment. The Group applied the POC method in determining real estate revenue and costs in 2016 and 2015. The POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. In 2017, the Company's revenue and cost of real estate sales from sales of completed real estate projects are accounted for using full accrual method.

Real estate sales amounted to ₱428.8 million, ₱410.0 million and ₱1,468.9 million in 2017, 2016 and 2015, respectively (see Note 15). Cost of real estate sales amounted to ₱271.1 million, ₱336.7 million, ₱1,010.5 million in 2017, 2016 and 2015, respectively (see Note 16).

Estimating Fair Value of Investment Properties. Investment properties are stated at fair values. The Company works closely with external qualified valuers who performed the valuation using the appropriate valuation techniques. The Company estimates expected future cash flows and discount rates. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 8 to the separate financial statements.

Investment properties amounted to ₱4,704.1 million and ₱3,169.2 million as at December 31, 2017 and 2016, respectively (see Note 8).

For the purpose of fair value disclosures, the Company 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.

Determining NRV of Real Estate for Sale. Real estate for sale is stated at lower of cost or NRV. 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 Company 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 ₱102.9 million and ₱358.8 million as at December 31, 2017 and 2016, respectively (see Note 7).

Estimating Allowance for Impairment of Financial Assets. A financial asset or a group of financial assets, are assessed for indicators of impairment at the end of each reporting period. The Company estimates the allowance for impairment losses related to financial assets based on specific evaluation of the accounts and collectively for receivables that are not individually significant, and where the Company has information that certain customers are unable to meet their financial obligations. The Company evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Company'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.

No impairment loss on financial assets was recognized in 2017, 2016 and 2015.

The carrying amounts of financial assets are as follows:

Asset Type	Note	2017	2016
Trade and other receivables*	6	₱212,495,512	₱78,997,107
Advances to subsidiaries	10	1,834,196,719	945,359,280
Deposits	11	43,194,039	35,668,656
Amounts held in escrow	11	20,096,757	11,143,822
Investment in time deposits	11	19,972,000	17,402,000

*Excluding advances for project development and accrued rent under straight-line basis of accounting aggregating ₱111.5 million and ₱221.3 million as at December 31, 2017 and 2016, respectively.

Estimating Useful Lives of Property and Equipment. The Company reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development. 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 in 2017 and 2016. The carrying amount of property and equipment amounted to ₱24.0 million and ₱19.2 million as at December 31, 2017 and 2016, respectively (see Note 9).

Assessing Impairment of Nonfinancial Assets. The Company 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 Company 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 Company, 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 Company 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 2017, 2016 and 2015.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2017	2016
Advances for project development*	6	₱100,247,378	₱221,316,588
CWT		243,457,075	235,968,854
Property and equipment	9	24,000,597	19,196,530
Investment in subsidiaries	10	1,126,944,817	1,076,944,817
Other assets**	11	220,000,408	109,556,838

*presented under "trade and other receivables".

**excluding deposits, investment in time deposits and amounts held for escrow aggregating ₱83.3 million and ₱64.2 million as at December 31, 2017 and 2016, respectively.

Estimating Retirement Expense. The determination of the Company'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 separate financial statements and include among others, discount rate and salary increase rate. While the Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement liability.

Retirement liability amounted to ₱50.7 million and ₱47.2 million as at December 31, 2017 and 2016, respectively (see Note 21).

Assessing Realizability of Deferred Tax Assets. The Company'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 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 ₱18.0 million and ₱14.3 million as at December 31, 2017 and 2016, respectively. Unrecognized deferred tax assets amounted to ₱2.5 million as at December 31, 2017 and 2016, as management assessed that there may not be realized in the future (see Note 23).

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	₱30,000	₱30,000
Cash in banks	12,540,351	25,609,345
Short-term placements	506,818,484	830,038,685
	₱519,388,835	₱855,678,030

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 deposit rates.

Interest income is earned from the following (see Note 19):

	Note	2017	2016	2015
Advances to a subsidiary	20	₱13,265,911	₱7,874,656	₱-
Short-term placements		11,459,532	8,377,907	9,502,739
Investment in time deposits	11	281,865	887,625	862,552
Cash in banks		183,228	406,659	751,861
		₱25,190,536	₱17,546,847	₱11,117,152

5. Financial Assets at FVPL

Movements in this account are as follows:

	Note	2017	2016
Balance at beginning of year		₱2,032,375,277	₱449,448,603
Disposals		(2,567,170,000)	(3,132,905,068)
Additions		909,600,000	4,710,175,068
Unrealized holding gains	19	1,752,251	5,656,674
		₱376,557,528	₱2,032,375,277

Realized gain on disposals of financial assets at FVPL amounted to ₱37.4 million, ₱15.9 million and ₱3.8 million in 2017, 2016 and 2015, respectively (see Note 19).

The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices (see Note 26).

6. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Sale of real estate		₱1,554,441	₱15,678,222
Nontrade receivable	20	133,547,340	–
Advances for project development		100,247,378	221,316,588
Due from a stockholder	20	36,052,873	36,052,873
Interest receivable on:			
Advances to a subsidiary	20	21,140,567	7,874,655
Short-term placements		884,214	1,198,774
Accrued rent receivable	22	11,243,171	–
Advances to employees		6,828,097	5,150,351
Other receivables		12,856,272	13,410,524
		324,354,353	300,681,987
Allowance for impairment losses		(368,292)	(368,292)
		₱323,986,061	₱300,313,695

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 years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

Nontrade receivable pertains to the management fee charged by the Company to CLLC (see Note 20).

Advances for project development pertain to downpayments made to contractors for the construction of the Company's real estate projects. These advances are applied against contractors' progress billings.

Accrued rent receivable pertains to rental income recognized using straight-line method of accounting.

Advances to employees represent salary and other loans granted to Company's employees, which are noninterest-bearing and collectible through salary deduction.

Other receivables mainly include other charges and receivables from Arya Residences Condominium Corp. (ARCC).

7. Real Estate for Sale

Real estate for sale pertains to unsold condominium units of Arya Residences.

The movements of this account follows:

	Note	2017	2016
Balance at beginning of year		₱358,805,538	₱544,125,006
Cost of real estate sales	16	(271,113,525)	(336,699,756)
Construction costs incurred		15,206,700	167,785,067
Capitalized borrowing costs	12	—	28,615,156
Transfer to investment properties	8	—	(45,019,935)
Balance at end of year		₱102,898,713	₱358,805,538

Condominium units with carrying amount of ₱102.9 million and ₱358.8 million as at December 31, 2017 and 2016, respectively, are under an unregistered real estate mortgage and were used as collateral for a loan with an outstanding balance of ₱100.0 million and ₱381.5 million as at December 31, 2017 and 2016, respectively (see Note 12).

General borrowings were used to partially finance the Company's ongoing real estate projects in 2016. The related borrowing costs were capitalized as part of real estate for sale. The capitalization rate used to determine the borrowing costs eligible for capitalization ranges from 3.0% to 3.5% in 2016 (see Note 12).

As at December 31, 2017 and 2016, 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, 2017 and 2016.

In 2016, the Company transferred raw land amounting to ₱45.0 million from "real estate for sale" to "investment properties" because the Company has yet to determine the strategic use of the property (see Note 8). The property was transferred at its fair value amounting to ₱84.0 million with the resulting gain of ₱10.5 million recognized under "Gain on change in fair value of investment properties" in the separate statements of comprehensive income.

8. Investment Properties

Investment properties consist of:

	2017	2016
ACPT	₱4,579,238,370	₱3,067,015,343
Arya Residences - parking slots	28,796,032	18,253,091
Raw land	96,082,021	83,976,500
	₱4,704,116,423	₱3,169,244,934

The movements of this account follows:

	Note	2017	2016
Balance at the beginning of year		₱1,960,725,661	₱843,982,932
Construction costs incurred		1,412,490,013	1,045,756,285
Capitalized borrowing costs	12	68,169,703	25,966,509
Transfers from real estate for sale	7	–	45,019,935
		3,441,385,377	1,960,725,661
Cumulative gain on change in fair value		1,249,701,912	1,208,519,273
		4,691,087,289	3,169,244,934
Unamortized initial direct leasing costs		13,029,134	–
Balance at end of year		₱4,704,116,423	₱3,169,244,934

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

	2017	2016
Balance at beginning of year	₱1,208,519,273	₱398,773,317
Gain on change in fair value	41,182,639	809,745,956
Balance at end of year	₱1,249,701,912	₱1,208,519,273

Movements of the unamortized initial direct leasing costs in 2017 are as follows:

Balance at beginning of year	₱–
Additions	13,279,086
Amortization	(249,952)
Balance at end of year	₱13,029,134

ACPT

ACPT is an office building under construction which is intended for lease (see Note 1).

Arya Residences - Parking Slots

Parking slots are parking units of the Company in Arya Residences which are intended for lease.

Raw Land

Raw land of the Company has a total area of 10.3 hectares located in Batangas and Tagaytay aggregating ₱96.1 million and ₱84.0 million as at December 31, 2017 and 2016, respectively.

Rent income, CUSA fees and direct cost of services from the investment properties in 2017 are as follows:

	Note	Amount
Rent income	15	₱11,243,171
CUSA fees	15	2,829,495
Cost of services	16	(2,263,680)
		₱11,808,986

Fair Value Measurement

Details of the valuation techniques used in measuring fair values of investment properties classified under Levels 2 and 3 of the fair value hierarchy are as follows:

Class of Property	Valuation Technique	Significant Inputs	Range	
			2017	2016
ACPT	Land development approach	Discount rate	8.7%	8.5%
		Proposed rental rates (per sq.m.)	₱1,250	₱1,200
		Calculated no. of net leasable area	27,809 sq.m	27,809 sq.m.
		Vacancy rate	5% - 75%	5% - 75%
Arya Residences - Parking slots	Discounted cash flow approach (DCF)	Rental rate per slot	₱5,500	₱5,500
		Rent escalation rate p.a.	5%	5%
		Discount rate	6.17%	8.5%
		Vacancy rate	2%	2%
Raw Land	Market data approach	Price per sq. m.	₱1,400	₱1,200
		Value adjustments	5% - 65%	15% - 20%

The description of the valuation techniques and inputs used in the fair value measurement are as follows:

Land Development Approach

Under this approach, the investment property is 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 are deducted 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 based on 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.

Discounted Cash Flow Approach

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 and vacancy rate in isolation would result in a significantly lower (higher) fair value measurement.

Market Data Approach

Market data approach involves the comparison of the Batangas and Tagaytay properties to those that are more or less located within the vicinity of the appraised properties 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.

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

	2017		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year	₱83,976,500	₱3,085,268,434	₱3,169,244,934
Construction costs incurred	—	1,412,490,013	1,412,490,013
Capitalized borrowing costs	—	68,169,703	68,169,703
Gain on change in fair value	12,105,521	29,077,118	41,182,639
Unamortized initial direct leasing costs	—	13,029,134	13,029,134
Balance at end of year	₱96,082,021	₱4,608,034,402	₱4,704,116,423

	2016		
	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Balance at beginning of year	P—	P1,242,756,249	P1,242,756,249
Construction costs incurred	—	1,045,756,285	1,045,756,285
Gain on change in fair value	38,956,565	770,789,391	809,745,956
Transfer from real estate for sale	45,019,935	—	45,019,935
Capitalized borrowing costs	—	25,966,509	25,966,509
Balance at end of year	P83,976,500	P3,085,268,434	P3,169,244,934

9. Property and Equipment

The balances and movements of this account consist of:

	Note	2017				Total
		Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	
Cost						
Balance at beginning of year		P37,270,753	P7,572,124	P48,363,334	P40,558,056	P133,764,267
Additions		4,694,089	27,723	26,786	10,521,323	15,269,921
Disposals		(105,935)	—	—	(12,994,691)	(13,100,626)
Balance at end of year		41,858,907	7,599,847	48,390,120	38,084,688	135,933,562
Accumulated Depreciation and Amortization						
Balance at beginning of year		36,421,732	7,530,553	48,205,758	22,409,694	114,567,737
Depreciation and amortization	17	777,666	23,255	146,943	7,868,902	8,816,766
Disposals		(101,453)	—	—	(11,350,085)	(11,451,538)
Balance at end of year		37,097,945	7,553,808	48,352,701	18,928,511	111,932,965
Carrying Amount		P4,760,962	P46,039	P37,419	P19,156,177	P24,000,597

	Note	2016				Total
		Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	
Cost						
Balance at beginning of year		P36,735,496	P7,534,354	P48,363,334	P33,992,553	P126,625,737
Additions		535,257	37,770	—	11,875,000	12,448,027
Disposals		—	—	—	(5,309,497)	(5,309,497)
Balance at end of year		37,270,753	7,572,124	48,363,334	40,558,056	133,764,267
Accumulated Depreciation and Amortization						
Balance at beginning of year		35,632,334	7,391,289	47,948,094	19,013,272	109,984,989
Depreciation and amortization	17	789,398	139,264	257,664	6,790,647	7,976,973
Disposals		—	—	—	(3,394,225)	(3,394,225)
Balance at end of year		36,421,732	7,530,553	48,205,758	22,409,694	114,567,737
Carrying Amount		P849,021	P41,571	P157,576	P18,148,362	P19,196,530

As at December 31, 2017 and 2016, fully depreciated property and equipment amounting to P10.5 million and P10.0 million, respectively, are still being used by the Company.

The Company sold property and equipment with carrying amount of P 1.6 million and P1.9 million as at December 31, 2017 and 2016, respectively, resulting to loss on disposal of P0.5 million in 2017 and gain on disposal of P0.2 million in 2016 (see Note 19).

10. Investments in and Advances to Subsidiaries

This account consists of:

	Note	2017	2016
Investment in subsidiaries - at cost:			
Manchesterland Properties Inc. (MPI)		₱900,459,683	₱900,459,683
Urban Property Holdings, Inc. (UPHI)		80,467,161	80,467,161
Cebu Lavana Land Corporation (CLLC)		50,000,000	50,000,000
Zileya Land Development Corporation (ZLDC)		50,000,000	50,000,000
Savya Land Development Corporation (SLDC)		50,000,000	—
Cazneau Inc. (Cazneau)		1,000,000	1,000,000
Emera Property Management, Inc (EPMI)		250,000	250,000
		1,132,176,844	1,082,176,844
Allowance for impairment		(5,232,027)	(5,232,027)
		1,126,944,817	1,076,944,817
Advances to subsidiaries:			
	20		
SLDC		1,042,812,933	—
Cazneau		354,362,919	318,305,242
CLLC		270,000,000	560,500,397
ZLDC		106,434,006	7,573,444
UPHI		62,518,983	60,054,190
EPMI		1,328,813	2,183,742
MPI		314	3,514
		1,837,457,968	948,620,529
Allowance for impairment		(3,261,249)	(3,261,249)
		1,834,196,719	945,359,280
		₱2,961,141,536	₱2,022,304,097

The Company's interest on the following subsidiaries follows:

Subsidiary	Place of Incorporation	Percentage of Ownership	
		2017	2016
Cazneau	Philippines	100%	100%
MPI	Philippines	100%	100%
EPMI	Philippines	100%	100%
UPHI	Philippines	100%	100%
ZLDC	Philippines	100%	100%
SLDC	Philippines	100%	—
CLLC	Philippines	60%	60%

All the subsidiaries are established to engage primarily in real estate development and presently all of them hold parcels of land or certain properties for future development, except for EPMI, a property management company that offers management and administration of residential, commercial and other kinds of property owned by another party or entity.

The Company subscribed to 100% of the outstanding common shares of SLDC. SLDC was registered with the SEC on February 10, 2017, with ALCO as one of the incorporators to engage primarily in real estate development.

In 2016, the Stockholders and the BOD of CLLC approved the subscription of a new investor for 214,351 common shares at ₱100 par value a 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%.

On September 7, 2016, the Company subscribed to Cazneau's 7,500 common shares at an issue price of ₱100 a share or a total of ₱750,000 and to 2,990,000 Series A preferred shares at a price of ₱100 a share. The deposit for future stocks subscription amounting to ₱299.0 million will be applied on the subscription of Series A preferred shares of Cazneau.

Details of the Company's unpaid subscription as at December 31 are as follows (see Note 13):

	2017	2016
ZLDC	₱37,500,000	₱37,500,000
SLDC	37,500,000	—
EPMI	40,300	40,300
CLLC	—	32,742,875
	₱75,040,300	₱70,283,175

11. Other Assets

This account consists of:

	2017	2016
Input VAT	₱177,696,809	₱66,385,080
Deposits	43,194,039	35,668,656
Prepayments	38,227,998	39,365,974
Amounts held in escrow	20,096,757	11,143,822
Investment in time deposits	19,972,000	17,402,000
Deferred input VAT	2,555,794	2,264,763
Materials and supplies	1,519,807	1,541,021
	₱303,263,204	₱173,771,316

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

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

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 ₱1,497.8 million and ₱550.7 million as at December 31, 2017 and 2016, respectively (see Note 12).

Investments in time deposits pertain 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 investments will earn interest based on regular deposit rates. Interest income earned from investment in time-deposits amounted to ₱0.3 million, ₱0.9 million and ₱0.9 million in 2017, 2016 and 2015, respectively (see Note 4).

Materials and supplies are for the construction of Arya Residences.

12. Loans Payable

This account consists of:

	2017	2016
Local bank loans	₱1,877,767,436	₱1,487,174,369
Private funders	1,741,124,980	1,623,864,334
	₱3,618,892,416	₱3,111,038,703

Movements of this account follow:

	2017	2016
Balance at beginning of year	₱3,256,599,287	₱3,208,775,804
Availments	1,400,662,463	2,386,606,892
Payments	(951,520,000)	(2,338,783,409)
Balance at end of year	3,705,741,750	3,256,599,287
Unamortized "Day 1" gain on loan discounting	(61,242,769)	(116,503,414)
Unamortized debt issue cost	(25,606,565)	(29,057,170)
	3,618,892,416	3,111,038,703
Less current portion of loans payable	1,841,124,980	726,243,970
Long-term portion of loans payable	₱1,777,767,436	₱2,384,794,733

The movement in "Day 1" gain on loan discounting follows:

	Note	2017	2016
Balance at beginning of year		₱116,503,414	₱84,499,117
Amortization		(58,168,428)	(48,879,359)
Additions	19	2,907,783	80,883,656
Balance at end of year		₱61,242,769	₱116,503,414

The movement in debt issue cost follows:

	2017	2016
Balance at beginning of year	₱29,057,170	₱32,507,775
Amortization	(3,450,605)	(3,450,605)
Balance at end of year	₱25,606,565	₱29,057,170

Future repayment of the principal follows:

	2017	2016
Within one year	₱1,841,124,980	₱726,243,970
After one year but not more than three years	280,000,000	1,650,643,779
More than three years	1,584,616,770	879,711,538
	₱3,705,741,750	₱3,256,599,287

Local Bank Loans

These are loans from local banks which are interest-bearing secured loans obtained to finance the Company's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 3.0% to 5.81% per annum (p.a.) in 2017 and 2.75% to 5.81% p.a. in 2016.

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

Purpose	Security	Effective interest rate (p.a.)	2017	2016
To finance construction of ACPT	Payable in full on July 31, 2025; secured by an escrow account and real estate mortgage. (see Note 11).	5.81%	₱1,497,767,436	₱550,654,369
To finance acquisition of land	Payable on a quarterly basis until July 5, 2019; secured by the commercial units of MPI and parking slots of ALCO and MPI in Arya Residences with carrying amount of ₱1,317.5 million and ₱985.0 million as at December 31, 2017 and 2016, respectively.	5.12%	280,000,000	300,000,000
Working fund	Payable monthly until June 11, 2018; secured by Arya Residences condominium units with carrying amount of ₱102.9 million and ₱358.8 million as at December 31, 2017 and 2016, respectively (see Note 7).	3.00%	100,000,000	381,520,000
Working fund	Payable in full on November 13, 2017; unsecured.	2.75%	–	255,000,000
			₱1,877,767,436	₱1,487,174,369

The Company entered into an OLSA for a 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 15 promissory notes that are maturing on July 31, 2025. The Company incurred debt issue cost amounting to ₱34.5 million in 2015. 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.
- The 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 ₱1,497.8 million and ₱550.7 million as at December 31, 2017 and 2016, respectively.

Debt to equity ratio is calculated as total outstanding interest-bearing loans over total equity.

The Company's debt to equity ratio as at December 31 is as follows:

	2017	2016
Total debt	₱1,967,491,406	₱1,576,898,339
Total equity	4,535,384,733	4,705,965,817
	0.43:1.00	0.34:1.00

The Company is compliant with the required debt to equity ratio as at December 31, 2017 and 2016.

Private Funders

Details of outstanding balances of loans from private funders at December 31 follow:

Purpose	Terms	Effective interest rate (p.a.)	2017	2016
To finance construction of ACPT	Payable in cash or in kind at the option of the lender on December 31, 2018, unsecured	3.75%	₱1,591,325,936	₱1,534,140,364
To finance construction of ACPT	Payable in cash or in kind at the option of the lender on December 31, 2018, unsecured	3.16%	60,075,074	—
Working fund	Payable in full on May 7, 2018, unsecured	3.50%	40,000,000	40,000,000
Working fund	Payable in full on July 23, 2018, unsecured	3.50%	17,145,000	17,145,000
Working fund	Payable in full on July 23, 2018, unsecured	3.50%	16,302,970	16,302,970
Working fund	Payable in full on April 2, 2018, unsecured	3.50%	16,276,000	16,276,000
			₱1,741,124,980	₱1,623,864,334

In 2015, the Company entered into a non-interest bearing loan agreement with Centrobless Corporation (Centrobless), an entity under common control, with principal amount of ₱1,650.6 million to partially finance the construction of ACPT.

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 Company shall pay the loan by dacion en pago with total space encompassing seven floors of ACPT and 150 parking slots therein for ₱1,650.6 million. "Day 1" gain amounting to ₱80.9 million in 2016 was recognized on this loan and is presented under "Other income - net" account in the separate statements of comprehensive income (see Note 19).

Outstanding balance of this loan amounted to ₱1,591.3 million and ₱1,534.1 million as at December 31, 2017 and 2016, respectively (see Note 20).

In 2017, the Company entered into a non-interest bearing loan agreement with Signature Office and Property Inc. (SOPi), an entity under common control, with principal amount of ₱207.1 million to finance the remaining construction works of ACPT. Drawdowns aggregating ₱62.0 million were made in 2017 (see Note 20). The loan will mature on December 31, 2018.

This loan is payable in cash or in kind at the option of SOPI. In the event that SOPI elects to be paid in kind on maturity date, the Company shall pay the loan by dacion en pago with the total saleable space estimated at 994 s.qm. and 10 parking slots in ACPT for ₱207.1 million. "Day 1" gain of ₱2.9 million in 2017 was recognized on these loans and is presented under "Other income - net" account in the separate statements of comprehensive income (see Note 19).

Outstanding balance of this loan amounted to ₱60.1 million as at December 31, 2017 (see Note 20).

Capitalized Borrowing Costs

Borrowing costs capitalized are as follows:

	Note	2017	2016
Investment properties	8	₱68,169,703	₱25,966,509
Real estate for sale	7	—	28,615,156
		₱68,169,703	₱54,581,665

The range of capitalization rates used to determine the amount of capitalized borrowing costs is 3.0% to 3.5% in 2017 and 2016 (see Note 7).

Interest Expense

Total interest expense charged under "Finance costs" consists of the following (see Note 18):

	2017	2016	2015
Interest expense on interest-bearing loans	₱40,615,216	₱19,636,378	₱34,259,929
Amortization of "Day 1" gain on loan discounting	58,168,428	48,879,359	5,453,302
	₱98,783,644	₱68,515,737	₱39,713,231

13. Accounts Payable and Other Liabilities

This account consists of:

	Note	2017	2016
Accounts payable:			
Third parties		₱115,456,465	₱23,379,529
Related party	20	8,424,024	5,678,057
Retention payable		320,992,546	292,557,574
Accrued expenses		91,667,706	92,846,163
Subscription payable	10	75,040,300	70,283,175
Deferred output VAT		14,615,399	1,679,417
Security deposits	22	13,314,914	—
Payable to buyers		12,304,292	105,769,317
Withholding taxes payable		9,608,264	9,189,608
Advance rent	22	8,931,298	—
Construction bonds		5,005,393	—
Dividends payable		4,597,364	4,748,691
Others		4,466,194	12,002,461
		₱684,424,159	₱618,133,992

Accounts payable, which are noninterest-bearing and are normally settled within 30 days to one year, consist mainly of liabilities to contractors and 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 Company from the contractors' progress billings for Arya Residences and ACPT.

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 ₱20.4 million and ₱8.6 million as at December 31, 2017 and 2016, respectively.

Subscription payable pertains to the unpaid portion of the Company's subscription to its subsidiaries.

Deferred output VAT pertains to the VAT on the development fees charged to CLLC that is not yet collected. This account also includes the 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.

Security deposits pertain to the deposits made by the lessees of the ACPT which are refundable upon termination of the lease.

Payable to buyers include reservation fees and collections received from prospective buyers and lessees, which are to be applied against the receivable upon execution of sales documents and applied as security deposits upon execution of lease contracts, respectively.

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of its construction in the ACPT and refundable upon fulfillment of contract provisions.

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

14. Equity

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

	2017		2016	
	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	32,500,000	5,318,095,199	32,500,000	5,318,095,199

Preferred Shares

The rollforward analysis of the issued and outstanding preferred shares follows:

	2017		2016	
	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of year	32,500,000	₱32,500,000	—	₱—
Issuances during the year	—	—	32,500,000	32,500,000
Balance at end of year	32,500,000	₱32,500,000	32,500,000	₱32,500,000

On August 30, 2016, the Parent Company's BOD approved the increase in authorized capital stock of ₱50.0 million consisting of 50 million preferred shares at ₱1.00 par value 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, and nonconvertible Peso-denominated, among other conditions, to the public at the issuance price of ₱100 a share at ₱1.00 par value a share. MPI acquired the 12.5 million Series A preferred shares at ₱1.00 par value a share.

The Company recognized additional paid-in capital related to the issuance of 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 follow-on offering 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

As at December 31, 2017 and 2016, the Company has issued and outstanding common shares of 5,318,095,199 amounting to ₱957.3 million.

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 Company has 1,979 and 2,013 shareholders as at December 31, 2017 and 2016, respectively.

Dividend Declaration

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

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 26, 2017	November 24, 2017	December 6, 2017	₱35,229,000	Series B preferred shares	₱1.76
August 9, 2017	August 23, 2017	September 6, 2017	35,229,000	Series B preferred shares	1.76
May 10, 2017	May 25, 2017	June 6, 2017	35,229,000	Series B preferred shares	1.76
February 28, 2017	March 14, 2017	April 7, 2017	63,817,142	Common	0.012
February 8, 2017	February 24, 2017	March 6, 2017	35,229,000	Series B preferred shares	1.76
			₱204,733,142		
March 9, 2015	March 23, 2015	April 8, 2015	₱63,817,141	Common	0.012

15. Revenues

This account consists of:

	Note	2017	2016	2015
Real estate sales		₱428,809,376	₱409,965,808	₱1,468,850,441
Rent income	22	11,243,171	—	—
CUSA fees	22	2,829,495	—	—
		₱442,882,042	₱409,965,808	₱1,468,850,441

16. Cost of Sales and Services

This account consists of:

	Note	2017	2016	2015
Cost of real estate sales	7	₱271,113,525	₱336,699,756	₱1,010,531,721
Cost of services	8	2,263,680	—	—
		₱273,377,205	₱336,699,756	₱1,010,531,721

Cost of services consists of real property taxes and commission expenses incurred on ACPT.

17. Operating Expenses

Operating expenses are classified as follows:

	2017	2016	2015
Administrative	₱240,615,876	₱277,851,434	₱232,170,946
Selling and marketing	20,956,878	40,286,608	61,068,180
	₱261,572,754	₱318,138,042	₱293,239,126

Details of operating expenses by nature are as follows:

	Note	2017	2016	2015
Personnel costs		₱129,061,897	₱131,995,277	₱132,319,593
Taxes and licenses		27,511,396	50,269,607	27,531,827
Management and professional fees		27,270,497	30,595,365	12,150,298
Commissions		11,626,790	22,260,169	44,033,727
Rent	22	11,292,109	10,093,439	10,478,643
Communication and office expenses		10,987,585	14,523,069	9,542,513
Insurance		9,762,903	11,038,244	9,965,014
Advertising		9,330,088	18,026,439	17,034,453
Depreciation and amortization	9	8,816,766	7,976,973	19,136,068
Transportation and travel		3,309,556	4,489,067	4,262,679
Repairs and maintenance		2,197,525	2,009,296	2,278,718
Utilities		1,256,860	8,061,461	1,465,325
Representation		469,149	2,969,526	847,433
Others		8,679,633	3,830,110	2,192,835
		₱261,572,754	₱318,138,042	₱293,239,126

Personnel costs consist of:

	Note	2017	2016	2015
Salaries and other employee benefits		₱119,314,336	₱122,650,267	₱123,692,702
Retirement expense	21	9,747,561	9,345,010	8,626,891
		₱129,061,897	₱131,995,277	₱132,319,593

18. Finance Costs

This account consists of:

	Note	2017	2016	2015
Interest expense	12	₱98,783,644	₱68,515,737	₱39,713,231
Bank charges		2,687,739	767,541	735,759
		₱101,471,383	₱69,283,278	₱40,448,990

19. Other Income - Net

This account consists of:

	Note	2017	2016	2015
Management fee	20	₱119,238,696	₱—	₱—
Realized gain on disposals of financial assets at FVPL	5	37,402,424	15,924,321	3,817,010
Interest income	4	25,190,536	17,546,847	11,117,152
Forfeited collections		10,657,784	31,090,888	8,390,607
"Day 1" gain on loan discounting	12	2,907,783	80,883,656	89,952,419
Unrealized holding gains on financial assets at FVPL	5	1,752,251	5,656,674	448,603
Manpower fee	20	1,029,940	1,456,388	2,538,992
Gain (loss) on disposal of property and equipment	9	(475,131)	185,888	9,722
Foreign exchange gains		83,999	600,156	2,407,067
Others		702,330	418,502	3,687,778
		₱198,490,612	₱153,763,320	₱122,369,350

20. Related Party Transactions

The Company engages, in the normal course of business, in various transactions with its related parties which include its subsidiaries, entities under common control and management, stockholder and key management personnel, as summarized below.

Related Party	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2017	2016	2017	2016
Advances to Subsidiaries:		10					
SLDC	Subsidiary		Advances for working capital	₱1,042,812,933	₱—	₱1,042,812,933	₱—
Cazneau	Subsidiary		Advances for working capital	36,244,548	317,966,297	354,362,919	318,305,242
CLLC	Subsidiary		Advances for working capital	5,417,003	173,716,461	270,000,000	560,500,397
ZLDC	Subsidiary		Advances for working capital	98,860,562	7,573,444	106,434,006	7,573,444
UPHI	Subsidiary		Advances for working capital	2,464,793	245,572	62,518,983	60,054,190
EPMI	Subsidiary		Advances for working capital	2,257,111	793,590	1,328,813	2,183,742
MPI	Subsidiary		Advances for working capital	—	—	314	3,514
						₱1,837,457,968	₱948,620,529
Nontrade Receivables -							
CLLC	Subsidiary	6	Management fee	₱119,238,696	₱—	₱133,547,340	₱—
Interest Receivable -							
CLLC	Subsidiary	4,6	Interest on advances for working capital	₱13,265,911	₱7,874,656	₱21,140,567	₱7,874,655

Related Party	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2017	2016	2017	2016
Due from a Stockholder -							
CPG	Stockholder	6	Share purchase agreement	P-	P-	P36,052,873	P36,052,873
Advances from Subsidiaries:							
MPI				P-	P289,481,804	P279,935,235	P289,481,804
CLLC	Subsidiaries		Advances for working capital	180,084	87,038	267,122	87,038
						P280,202,357	P289,568,842
Loans Payable:							
		12					
Centrobless	Entity under common ownership		Loan	P-	P825,321,890	P1,591,325,936	P1,534,140,364
	Entity under common management						
SOPI			Loan	62,000,000	-	60,075,074	-
						P1,651,401,010	P1,534,140,364
Accounts Payable -							
CPG	Stockholder	13	Management fee	P8,424,024	P5,678,057	P8,424,024	P5,678,057
Other Income -							
EPMI	Subsidiary	19	Manpower fee	P1,029,940	P1,456,388	P-	P19,800

Share Purchase Agreement

The Company has an outstanding receivable from CPG amounting to P36.1 million as at December 31, 2017 and 2016 arising from the share purchase agreement between the Company, CPG and AOC1. Under the claw-back provision of the share purchase agreement, the 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 Company to CPG, the latter shall pay to the Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Advances for Working Capital

Outstanding balances of advances for working capital at year end are unsecured and normally collectible or payable on demand. These are non-interest bearing, except for advances to CLLC which bears a 3.5% interest rate.

The Company's allowance for impairment losses on advances to related parties amounted to P3.3 million as at December 31, 2017 and 2016.

Management Fee

The Company charges management fee to CLLC to reimburse the administrative expenses it incurred on behalf of CLLC. Outstanding balances are non-interest bearing, unsecured and collectible on demand.

CPG provides management consultancy, development and administrative services to the Company. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

Loans Payable

Outstanding loans payable are unsecured, non-interest bearing and payable in cash or in kind at the option of the lenders. These loans will mature on December 31, 2018 (see Note 12).

Manpower Fee

The Company entered into an agreement with EPMI for the Company to provide manpower services for EPMI's operations. The Company agreed to pay the salaries of the employees whereas EPMI agreed to refund such expense by the Company. The contract's term is seven years effective on December 1, 2014. Outstanding balance is unsecured, noninterest-bearing, payable within 30 days and to be settled in cash.

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2017	2016	2015
Salaries and other employee benefits	₱72,981,021	₱63,395,457	₱50,606,184
Retirement expense	4,782,219	4,830,248	3,134,101
	₱77,763,240	₱68,225,705	₱53,740,285

21. Retirement Liability

The Company has an unfunded and non-contributory defined benefit retirement plan covering all qualified employees.

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

The following tables summarize the components of retirement benefit costs recognized in the separate statements of comprehensive income (based on the report of an independent actuary dated January 31, 2018):

Breakdown of retirement expense is as follow:

	2017	2016
Current service cost	₱7,205,814	₱7,272,293
Interest cost	2,541,747	2,072,717
	₱9,747,561	₱9,345,010

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

	2017	2016
Balance at beginning of year	₱47,244,365	₱40,801,518
Current service cost	7,205,814	7,272,293
Interest cost	2,541,747	2,072,717
Remeasurement gains on:		
Experience adjustments	(4,963,330)	(1,782,412)
Change in financial assumptions	(1,360,050)	(1,119,751)
Balance at end of year	₱50,668,546	₱47,244,365

The cumulative remeasurement gains on retirement liability recognized in OCI as at December 31 are as follows:

2017			
	Cumulative Remeasurement Gains	Deferred Tax (see Note 23)	Net
Balance at beginning of year	₱4,317,179	₱1,295,154	₱3,022,025
Remeasurement gains	6,323,380	1,897,014	4,426,366
Balance at end of year	₱10,640,559	₱3,192,168	₱7,448,391

2016			
	Cumulative Remeasurement Gains	Deferred Tax (see Note 23)	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 (see Note 23)	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	₱424,505	₱990,511

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

	2017	2016
Discount rate	5.70%	5.38%
Salary projection rate	5.00%	5.00%
Average remaining service years	24.3	22.5

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2017 and 2016 are presented below.

		Effect on Present Value of Retirement Liability	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2017	+1%	(₱3,758,936)	₱4,149,890
	-1%	4,543,249	(3,508,485)
December 31, 2016	+1%	(3,288,817)	3,698,262
	-1%	4,011,251	(3,106,027)

The expected future benefit payments are as follows:

Financial Year	Amount
2018	₱12,288,901
2019	—
2020-2025	20,460,198

22. Lease Commitment

Operating Lease Commitment - Company as Lessor

As a lessor, the Company leases the ACPT for periods ranging from five years to 10 years. All lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

In 2017, the Company recognized rent income and CUSA fees amounting to ₱11.2 million and ₱2.8 million, respectively (see Note 15). Accrued rent receivable amounted to ₱11.2 million as at December 31, 2017 (see Note 6). Advance rent from tenants amounted to ₱8.9 million as at December 31, 2017. Security deposits, which may be applied to unsettled balance or refunded at the end of the lease term, amounted to ₱13.3 million and nil as at December 31, 2017 and 2016, respectively (see Note 13).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31, 2017 are as follows:

Within one year	₱51,106,339
After one year but not more than five years	297,618,072
More than five years	95,598,057
	₱444,322,468

Operating Lease Commitment - Company as Lessee

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

The future minimum rental payables under these non-cancellable operating leases as at December 31 are as follows:

	2017	2016
Within one year	₱10,333,726	₱16,140,214
After one year but not more than five years	46,766,678	18,600,665
	₱57,100,404	₱34,740,879

Rent expense recognized from this operating lease amounted to ₱11.3 million, ₱10.1 million and ₱10.5 million in 2017, 2016 and 2015, respectively (see Note 17).

23. Income Taxes

The components of income tax expense are as follows:

	Note	2017	2016	2015
Reported in Profit or Loss				
Current income tax:				
RCIT		₱13,636,822	₱72,574,497	₱62,043,777
Final taxes		11,137,242	5,555,936	2,061,292
		24,774,064	78,130,433	64,105,069
Deferred income tax (benefit)		(8,365,805)	108,654,903	19,333,998
		₱16,408,259	₱186,785,336	₱83,439,067
Reported in OCI				
Deferred tax expense related to remeasurement gain on retirement liability	21	₱1,897,014	₱870,649	₱449,251

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

	2017	2016	2015
Income tax computed at statutory tax rate	₱13,840,185	₱194,806,202	₱84,148,486
Add (deduct) tax effect of:			
Nondeductible expenses	6,754,622	2,866,692	564,434
Realized gain on disposals of financial assets at FVPL	(2,572,936)	(1,035,081)	—
Interest income already subjected to final tax	(1,087,937)	(1,087,937)	(1,273,853)
Unrealized holding gains on financial assets at FVPL	(525,675)	(1,697,002)	—
Stock issuance costs	—	(7,067,538)	—
	₱16,408,259	₱186,785,336	₱83,439,067

The components of the Company's net deferred tax liabilities are as follows:

	2017	2016
Deferred tax assets on:		
Retirement liability	₱15,200,564	₱14,173,310
Advance rent	2,679,389	—
Allowance for doubtful accounts	110,488	110,488
	17,990,441	14,283,798
Deferred tax liabilities on:		
Gain on change in fair value of investment property	374,910,574	362,555,782
"Day 1" gain on loan discounting	18,372,831	34,951,024
Debt issue cost	10,351,816	10,351,816
Accrued rent	3,372,951	—
Depreciation and amortization	194,830	86,397
Unrealized foreign exchange gains	25,200	180,047
Excess of financial over taxable gross profit on sale of real estate	—	1,865,284
	407,228,202	409,990,350
Net deferred tax liabilities	₱389,237,761	₱395,706,552

The Company did not recognize the deferred tax assets on the allowance for impairment on investment in and advances to subsidiaries amounting to ₱2.5 million as at December 31, 2017 and 2016 because management has assessed that these items will not be realized in the future.

PEZA Registration

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

Under the PEZA Registration Agreement, ACPT is entitled to:

- 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 or activities.

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

As at December 31, 2017, ACPT Project is still under construction.

24. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes:

	Financing Cash Flows				Non-cash Changes		2017
	2016	Availments	Payments	Day 1 Gain	Amortization of Day 1 gain	Amortization of Debt Issue Cost	
Loans payable	₱3,111,038,703	₱1,400,662,463	(₱951,520,000)	(₱2,907,783)	₱58,168,428	₱3,450,605	₱3,618,892,416
Advances from subsidiaries	289,568,842	180,084	(9,546,569)	—	—	—	280,202,357
Dividends payable	4,748,691	204,733,142	(204,884,469)	—	—	—	4,597,364
	₱3,405,356,236	₱1,605,575,689	(₱1,165,951,038)	(₱2,907,783)	₱58,168,428	₱3,450,605	₱3,903,692,137

25. Financial Risk Management Objectives and Policies

The Company's financial instruments comprise cash and cash equivalents, financial assets at FVPL, trade and other receivables (excluding advances for project development and accrued rent under straight-line basis of accounting), advances to subsidiaries, investment in time deposits, deposits, amounts held in escrow, accounts payable and other liabilities (excluding payable to buyers, advance rent and statutory payables), advances from subsidiaries and loans payable. The main purpose of these financial instruments is to finance the Company's operations.

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

The Company'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 Company will incur a loss because its counterparties fail to discharge their contractual obligations. The Company trades only with recognized, creditworthy third parties. It is the Company'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 Company'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 Company. Also, customers are required to deposit postdated checks to the Company covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Accrued rent receivables are closely monitored on aging of account. As at December 31, 2017 and 2016, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Company, which are composed of cash and cash equivalents, financial assets at FVPL, advances to subsidiaries, investment in time deposits, deposits and amounts held in escrow, the Company'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 Company's separate statements of financial position, before taking into consideration any collateral and credit enhancements:

	2017	2016
Cash and cash equivalents*	₱519,358,835	₱855,648,030
Financial asset at FVPL	376,557,528	2,032,375,277
Trade and other receivables**	212,495,512	78,997,107
Advances to subsidiaries	1,834,196,719	945,359,280
Deposits	43,194,039	35,668,656
Amounts held in escrow	20,096,757	11,143,822
Investment in time deposits	19,972,000	17,402,000
	₱3,025,871,390	₱3,976,594,172

*Excludes cash on hand amounting to ₱30,000 as at December 31, 2017 and 2016.

**Excludes advances for project development and accrued rent under straight-line basis of accounting aggregating ₱111.5 million and ₱221.3 million as at December 31, 2017 and 2016, respectively.

The Company's credit risk is primarily attributable to its receivables from the sale of real estate and other financial assets. The credit quality of the Company's financial assets is managed using internal credit ratings. The tables below show the credit quality by class of financial assets based on the Company's credit rating system and aging of past due but not impaired financial assets.

	2017						Total
	Neither Past Due nor Impaired		Past Due but not Impaired			Impaired	
	High Grade	Standard Grade	Less than 1 Year	1-3 Years	Over 3 Years		
Cash and cash Equivalents*	₱519,358,835	₱—	₱—	₱—	₱—	₱—	₱519,358,835
Financial Assets at FVPL	376,557,528	—	—	—	—	—	376,557,528
Trade and Other Receivables**	212,495,512	—	—	—	—	368,292	212,863,804
Advances to Subsidiaries	1,834,196,719	—	—	—	—	3,261,249	1,837,457,968
Deposits	43,194,039	—	—	—	—	—	43,194,039
Investment in Time Deposits	19,972,000	—	—	—	—	—	19,972,000
Amounts Held in Escrow	20,096,757	—	—	—	—	—	20,096,757
	₱3,025,871,390	₱—	₱—	₱—	₱—	₱3,629,541	₱3,029,500,931

*Excludes cash on hand amounting to ₱30,000 as at December 31, 2017.

**Excludes advances for project development and accrued rent under straight-line basis of accounting aggregating to ₱111.5 million as at December 31, 2017.

	2016						
	Neither Past Due nor Impaired		Past Due but not Impaired			Impaired	Total
	High Grade	Standard Grade	Less than 1 Year	1-3 Years	Over 3 Years		
Cash and cash Equivalents*	₱855,648,030	₱—	₱—	₱—	₱—	₱—	₱855,648,030
Financial Assets at FVPL	2,032,375,277	—	—	—	—	—	2,032,375,277
Trade and Other Receivables**	78,997,107	—	—	—	—	368,292	79,365,399
Advances to Subsidiaries	945,359,280	—	—	—	—	3,261,249	948,620,529
Deposits	35,668,656	—	—	—	—	—	35,668,656
Investment in Time Deposits	17,402,000	—	—	—	—	—	17,402,000
Amounts Held in Escrow	11,143,822	—	—	—	—	—	11,143,822
	₱3,976,594,172	₱—	₱—	₱—	₱—	₱3,629,541	₱3,980,223,713

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

**Excludes advances for project development amounting to ₱221.3 million as at December 31, 2016.

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.
- Impaired - financial assets with history of default and most likely uncollectible.

Liquidity Risk

Liquidity risk is the risk that the Company 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 Company based on remaining contractual undiscounted cash flows as at December 31, 2017 and 2016:

2017						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P1,920,904,423	P375,676,029	P88,508,029	P2,015,885,135	P4,400,973,616
Accounts payable and other liabilities*	136,993,792	317,972,360	183,998,754	—	—	638,964,906
Advances from subsidiaries	280,202,357	—	—	—	—	280,202,357
	P417,196,149	P2,238,876,783	P559,674,783	P88,508,029	P2,015,885,135	P5,320,140,879

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to P45.5 million as at December 31, 2017.

2016						
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	P=	P795,714,899	P1,713,425,997	P33,681,240	P1,067,765,130	P3,610,587,266
Accounts payable and other liabilities*	194,496,082	196,930,565	110,069,003	—	—	501,495,650
Advances from subsidiaries	289,568,842	—	—	—	—	289,568,842
	P484,064,924	P992,645,464	P1,823,495,000	P33,681,240	P1,067,765,130	P4,401,651,758

*Excludes payable to buyer and statutory liabilities aggregating to P116.6 million as at December 31, 2016.

The Company 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 Company 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 Company's objective is to maintain a balance between continuity of funding and flexibility. The Company 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 Company's loans payable are 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 Company 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 Company's net income.

Capital Management

The Company's capital management objectives are to ensure the Company'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 Company monitors capital on the basis of the carrying amount of equity as presented in the separate statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2017	2016
Total liabilities	₱5,023,425,239	₱4,461,692,454
Total equity	4,535,384,733	4,705,965,817
Debt-to-equity ratio	1.11:1	0.95:1

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

26. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Company's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2017			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Financial assets at FVPL	5	₱376,557,528	₱376,557,528	₱—	₱—
Investment properties	8	4,704,116,423	—	96,082,021	4,608,034,402
Asset for which fair value is disclosed –					
Loans and receivables –					
Deposits		43,194,039	—	—	38,071,468
		₱5,123,867,990	₱376,557,528	₱96,082,021	₱4,646,105,870
Liability for which fair value is disclosed –					
Loans payable		₱3,618,892,416	₱—	₱—	₱3,668,118,823

		2016			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Financial assets at FVPL	5	₱2,032,375,277	₱2,032,375,277	₱-	₱-
Investment properties	8	3,169,244,934	-	83,976,500	3,085,268,434
Asset for which fair value is disclosed –					
Loans and receivables –					
Deposits		35,668,656	-	-	33,556,405
		₱5,237,288,867	₱2,032,375,277	₱83,976,500	₱3,118,824,839
Liability for which fair value is disclosed –					
Loans payable					
		₱3,111,038,703	₱-	₱-	₱3,167,701,702

The following methods and assumptions were used in estimating the fair value of the Company's financial assets and liabilities:

Financial Assets and FVPL. The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

Investment Properties. The fair value of of ACPT, Arya Residences and raw land were determined using land development approach, discounted cash flow approach and market data approach, respectively.

Deposits and Loans Payable. The fair value of the Company's deposits and 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. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

The table below presents the financial assets and liabilities of the Company whose carrying amounts approximate fair values as at December 31, 2017 and 2016:

	2017	2016
Financial Assets:		
Cash and cash equivalents	₱519,388,835	₱855,678,030
Trade and other receivables*	212,495,512	78,997,107
Advances to subsidiaries	1,834,196,719	945,359,280
Amounts held in escrow	20,096,757	11,143,822
Investment on time deposits	19,972,000	17,402,000
	₱2,606,149,823	₱1,908,580,239
Financial Liabilities:		
Accounts payable and other liabilities**	₱638,964,906	₱501,495,650
Advances from subsidiaries	280,202,357	289,568,842
	₱919,167,263	₱791,064,492

*Excludes advances for project development and accrued rent receivables under straight-line basis of accounting aggregating to ₱111.5 million and ₱221.3 million as at December 31, 2017 and 2016, respectively.

**Excludes payable to buyers, advance rent and statutory liabilities aggregating ₱45.5 million and ₱116.6 million as at December 31, 2017 and 2016, respectively.

Cash and Cash Equivalents, Trade and Other Receivables, Amounts Held in Escrow, Accounts Payable and Other Liabilities and Due to Related Parties. The carrying amounts of these financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

Investment on Time Deposits. The estimated fair value of investment on time deposits represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted using current market rates to discount cash flows.

27. Classification of Separate Statements of Financial Position Accounts

The Company's current portions of its assets and liabilities as at December 31, 2017 and 2016 are as follows:

	Note	2017	2016
Current Assets			
Cash and cash equivalents	4	₱519,388,835	₱855,678,030
Financial asset at FVPL	5	376,557,528	2,032,375,277
Trade and other receivables	6	323,986,061	300,313,695
Real estate for sale	7	102,898,713	358,805,538
Advances to subsidiaries	10	1,834,196,719	945,359,280
Other assets*	11	237,541,371	118,435,897
		₱3,394,569,227	₱4,610,967,717

*Excludes investments in time deposits, deposits and non-current portion of deferred input VAT aggregating to ₱65.7 million and ₱55.3 million as at December 31, 2017 and 2016, respectively.

	Note	2017	2016
Current Liabilities			
Current portion of loans payable	12	₱1,841,124,980	₱726,243,970
Accounts payable and other liabilities**	13	684,424,159	508,064,989
Advances from subsidiaries	20	280,202,357	289,568,842
		₱2,805,751,496	₱1,523,877,801

**Excludes non-current portion of retention payable aggregating ₱110.1 million as at December 31, 2016.

28. Events After Reporting Period

The 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
Series B preferred shares	January 10, 2018	February 9, 2018	March 6, 2018	₱35,229,000	₱1.76
Common shares	March 21, 2018	April 6, 2018	May 2, 2018	63,817,142	₱0.012

The dividends shall be taken out of the unrestricted earnings of the Company as at December 31, 2017.

29. Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Revenue Regulations No. 15-2010

The information required by the above regulation is presented below:

Output VAT

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

	Gross Amount of Revenues	Output VAT
VATable sales	₱422,113,353	₱50,653,602
Exempt sales	5,187,162	—
		₱50,653,602

The gross revenue shown above are based on gross receipts of the Company for VAT purposes while gross revenues and other income in the separate statements of comprehensive income are measured in accordance with PFRS.

Input VAT

The movements in the input VAT paid for by the Company for the year ended December 31, 2017 are shown below:

Balance at beginning of year	
Input VAT	₱66,385,080
Deferred input VAT	2,264,763
Add:	
Domestic purchase of services	151,343,016
Purchase of goods other than for resale	9,035,784
Purchase of capital goods subject to amortization	1,415,237
Importation of Goods other than Capital Goods	462,325
	230,906,205
Less:	
Input tax deferred for the succeeding period	2,555,794
Applied input VAT	50,653,602
Balance at end of year	₱177,696,809

The Company's input VAT amounting to ₱177,696,809 is recognized under "Other assets" account in the separate statements of financial position.

Documentary Stamp Tax (DST)

In 2017, the Company paid DST of ₱11,771,330 for the execution of contract to sell and loan instruments.

All Other Local and National Taxes

All other local and national taxes paid by the Company for year ended December 31, 2017 consist of:

Municipal license and permits	₱10,039,606
Transfer tax	3,832,860
Real property tax	2,282,319
Registration fee	42,788
Others	48,407
	<u>₱16,245,980</u>

The difference between DST and all other local and national taxes shown above and taxes and licenses under "Operating expenses" account in the separate statements of comprehensive income amounting to ₱505,914 pertains to the real property tax of ACPT presented under "Cost of sales and Services".

Withholding Taxes

Withholding taxes paid and accrued and/or withheld by the Company for the year ended December 31, 2017 consist of:

	Paid	Accrued
Expanded withholding tax	₱27,162,035	₱4,890,053
Withholding tax on compensation	27,079,532	2,225,536
Final withholding tax	9,704,117	2,492,675
	<u>₱63,945,684</u>	<u>₱9,608,264</u>

Tax Assessments and Cases

The Company has no outstanding tax assessment from BIR and has no pending tax cases in courts or bodies outside the BIR as at December 31, 2017.

Revenue Regulations No. 19-2011

The information required by the above regulation is presented below:

Taxable Sales

Taxable sales amounted to ₱454,565,311 for the taxable year ended December 31, 2017.

The difference between the revenues shown above and the revenues in the separate statements of comprehensive income amounting to ₱11,683,269 pertains to the following:

Excess of taxable income over financial real estate sales in 2016, realized in 2017	₱13,995,142
Accrued rent receivable	(11,243,171)
Advance rent	8,931,298
	<u>₱11,683,269</u>

Deductible Cost of Sales and Services

Deductible cost of sales and services for the taxable year ended December 31, 2017 amounted to ₱281,154,742.

The difference between the deductible cost of sales and services shown above and the cost of sales and services in the separate statements of comprehensive income amounting to ₱7,777,537 pertains to deferred costs, which is the difference between cost of real estate for sale under taxation and POC method in 2016 and realized in 2017.

Other Deductible Expenses

Personnel costs	₱119,314,336
Taxes and licenses	27,414,018
Management and professional fees	27,270,497
Interest expense	24,337,290
Commissions	11,626,790
Rental	11,292,109
Communication and office	10,987,585
Insurance	9,762,903
Advertising	9,330,088
Depreciation and amortization	9,178,206
Transportation and travel	3,309,556
Bank charges	2,687,739
Repairs and maintenance	2,197,525
Utilities	1,256,860
Loss on disposal of assets	475,131
Representation	469,149
Others	2,539,530
	<u>₱273,449,312</u>

The difference between the other deductible expenses shown above and the operating expenses and finance costs in the separate statements of comprehensive income amounting to ₱89,594,825 pertains to the following:

Amortization of "day 1" gain on loan discounting	₱58,168,428
Nondeductible expenses:	
Nondeductible portion of interest expense	16,277,926
Retirement expense	9,747,561
Nondeductible expenses	6,140,103
Penalties	97,378
Presented under "Other income" in the separate statements of comprehensive income:	
Loss on disposal of property and equipment	(475,131)
Deductible expenses:	
Depreciation and amortization	(361,440)
	<u>₱89,594,825</u>

Non - Operating Taxable Income

Management fee	₱119,238,696
Interest income	13,265,911
Forfeited collections	10,657,784
Manpower fee	1,029,940
Realized foreign exchange gains in 2017, unrealized in 2016	600,156
Others	702,330
	<u>₱145,494,817</u>

The difference between nonoperating taxable income and gain on change in fair value of investment properties and other income - net in the separate statements of comprehensive income amounting to ₱94,178,434 pertains to the following:

Nontaxable other income:	
Gain on change in fair value of investment properties	₱41,182,639
Realized gains on disposal of financial assets at FVPL	37,402,424
Interest income already subjected to final tax	11,924,625
"Day 1" gain on loan discounting	2,907,783
Unrealized holding gains on financial assets at FVPL	1,752,251
Foreign exchange gains	83,999
Taxable other income -	
Realized foreign exchange gains in 2017, unrealized in 2016	(600,156)
Presented as "Other deductible expenses" -	
Loss on disposal of property and equipment	(475,131)
	<u>₱94,178,434</u>