[Note: for the website only. NOT to be included in the printed version of the Prospectus:]

The Prospectus and the Offer Supplement are being displayed in the website to make the Prospectus and the Offer Supplement accessible to more investors. The Philippine Stock Exchange, Inc. ("PSE") assumes no responsibility for the correctness of any statements made or opinions or reports expressed in the Prospectus and the Offer Supplement. Furthermore, the PSE makes no representation as to the completeness of the Prospectus and the Offer Supplement and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the Prospectus and the Offer Supplement.

FINAL PROSPECTUS

ARTHALAND CORPORATION

8th Floor Picadilly Star Building
4th Avenue Corner 27th Street
Bonifacio Global City, Taguig City
Telephone Number (632) 403-6910

Shelf Registration in the Philippines of
30,000,000 Non-Voting Preferred Shares
to be offered within a period of three (3) years

to be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

This Prospectus is dated November 21, 2016

ARTHALAND CORPORATION
8th Floor Picadilly Star Building
4th Avenue corner 27th Street
Bonifacio Global City, Taguig City
Telephone: (+632) 403-6910
http://www.arthaland.com.ph/

This Prospectus relates to the shelf registration and continuous offer by way of sale in the Philippines of 30,000,000 cumulative, non-voting, non-participating, non-convertible, redeemable Peso-denominated Preferred Shares (the "Offer", and such shares the "Preferred Shares") of ArthaLand Corporation ("ALCO", the "Company", or the "Issuer"), a corporation duly organized and existing under Philippine law, subject to the registration requirements of the Securities and Exchange Commission of the Philippines (the "SEC").

The Preferred Shares shall be sold and issued in tranches within a period of three (3) years (the "Shelf Period"). Each Preferred Share has a par value of ₱1.00. The specific terms of the Preferred Shares with respect to each issue tranche thereof shall be determined by ALCO taking into account prevailing market conditions and shall be provided at the time of the relevant offering.

For each offer of the Preferred Shares, an Offer Supplement will be issued by ALCO along with this Prospectus. The relevant Offer Supplement will contain the final terms for a particular offer of the Preferred Shares subject of the offer and must be read in conjunction with this Prospectus and the other related documents. Full information on ALCO and such offer of the Preferred Shares is only available on the basis of the combination of this Prospectus, the relevant Offer Supplement and the other related documents. All information contained in this Prospectus are deemed incorporated by reference in the relevant Offer Supplement.

On 30 August 2016 and 7 September 2016, the Board of Directors of ALCO (the "BOD") and stockholders representing at least 2/3 of the outstanding capital stock of the Company approved, respectively, the increase of its authorized capital by ₱50,000,000.00 or from ₱2,946,257,135.82 to ₱2,996,257,135.82 through the creation of 50,000,000 preferred shares with a par value of ₱1.00 per share as well as the corresponding amendments to ALCO's Articles of Incorporation.

Pursuant to its amended Articles of Incorporation approved by the SEC on 22 September 2016, ALCO has an authorized capital stock of ₱2,996,257,135.82 consisting of 16,368,095,199 common shares with a par value of ₱0.18 per Common Share and 50,000,000 preferred shares with a par value of ₱1.00 per preferred share. Out of such authorized capital stock, a total of 5,318,095,199 common shares have been subscribed and fully paid-up, and a total of 12,500,000 preferred shares have been subscribed (the "Series A Preferred Shares") and fully paid up. The Preferred Shares will be issued from the unissued preferred shares of ALCO.

On 13 September 2016, ALCO filed an application with the SEC to register the Preferred Shares under the provisions of the SRC of the Philippines (Republic Act No. 8799). The SEC is expected to issue an order rendering the Registration Statement effective, and is expected to issue a corresponding permit to offer securities for sale covering the initial offer of the Preferred Shares, and any subsequent offering under the relevant rules requires the submission by ALCO of the relevant updates and amendments to the Registration Statement and the issuance of the corresponding permit to sell by the SEC. As a listed company, ALCO regularly disseminates such updates and information in its disclosures to the SEC and the Philippine Stock Exchange ("PSE").

An application to list the Preferred Shares has been filed with the PSE on 14 September 2016. An approval for listing is permissive only and does not constitute a recommendation or endorsement of the Preferred Shares by the PSE. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of the Prospectus.

ALCO reserves the right to withdraw any offer and sale of the Preferred Shares at any time, and the underwriters (the "Underwriter/s") for any particular offer of the Preferred Shares reserve the right to reject any application to purchase the Preferred Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Preferred Shares sought by such purchaser. If an offer of the Preferred Shares is withdrawn or discontinued, ALCO shall subsequently notify the SEC and, as applicable, the PSE. The Underwriters, any participating underwriter, co-manager and selling agent for any particular offer of the Preferred Shares may acquire for their own account a portion of the Preferred Shares.

The Company owns land as identified in the section on "Description of Property" on page 72. In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens. Accordingly, ownership of shares by foreign nationals in the Company shall be subject to the applicable foreign equity ownership limitation.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or any of the Underwriters that may be engaged by the Company for each tranche of the Offer.

The distribution of this Prospectus and the offer and sale of the Preferred Shares may, in certain jurisdictions, be restricted by law. The Company and the Underwriters require persons into whose possession this Prospectus comes, to inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person whom it is unlawful to make such offer in such jurisdiction.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. The Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect.

The Company and the Underwriter/s have exercised due diligence in ascertaining that all material representations contained in this prospectus, their amendments and supplements are true and correct and that no material information was omitted which was necessary in order to make the statements contained in said documents not misleading.

Unless otherwise indicated, all information in the Prospectus is as of the date hereof. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, the Company does not make any representation, undertaking or other assurance as to the accuracy or completeness of such information or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in this Prospectus in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

This Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Underwriters or their respective affiliates or legal advisers that any recipient of this Prospectus should purchase the Preferred Shares. Each person contemplating an investment in the Preferred Shares should make his own investigation and analysis of the creditworthiness of ALCO and his own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Preferred Shares. A person contemplating an investment in the Preferred Shares should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Preferred Shares involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Preferred Shares, see the section on "Risks Factors" starting on page 28.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

[Signature page follows.]

ARTHALAND CORPORATION

By:

ANGELA DE VILLA-LACSON
President

LEONARDO T. PO
Treasurer

SUBSCRIBED AND SWORN to before me this November 21, 2016 in Taguig City, affiants personally appeared and exhibited to me the following identification as competent evidence of identity.

Name	Identification	Date and Place of Issuance/Expiry
ANGELA DE VILLA-LACSON	Passport No. EB7803963	Issued on April 4, 2013 at DFA NCR Central, Philippines
LEONARDO T. PO	Passport No. EB8621190	Issued on July 10, 2013 at the City of Manila, Philippines

Doc No. 48
Page No. 11
Book No. II
Series of 2016.

GIANNA MARIA C. COMSTI
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG, TAGUIG AND SAN JUAN AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2017
PTR NO. 1388350; 1/7/16; PASIG CITY
IBP NO. 1019723; 1/4/16; RSM
MCLE COMPLIANCE NO. V-0011908; 4/14/19
ROLL NO. 63071/ APPOINTMENT NO. 25 (2016-2017)
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.
1605 Ortigas Center, Pasig City

Table of Contents

Forward-looking Statements

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors which may cause actual results, performance or achievements of ALCO to be materially different from any future results;
- performance or achievements expressed or implied by forward looking statements;
- the Company's goals for or estimated of its future operational performance and results;
- the Company's dividend policy; and
- changes in the Company's regulatory environment including, but not limited to, policies, decisions and determinations of governmental or regulatory authorities.

Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which ALCO will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the ability of ALCO to successfully implement its strategies;
- the ability of ALCO to anticipate and respond to consumer trends;
- changes in the availability of targeted real estate;
- the Company's and its contractors' ability to complete projects on time and within budget;
- the ability of ALCO to successfully manage its growth;
- the condition and changes in the Philippines, Asian or global economies;
- any future political instability in the Philippines, Asia or other regions;
- changes in interest rates, inflation rates and the value of the Peso against the U.S. Dollar and other currencies;
- changes in government regulations, including tax laws, or licensing requirements in the Philippines, Asia or other regions; and
- changes in the Philippine real estate market and the demand for the Company's residential, commercial and office developments.

Additional factors that could cause actual results, performance or achievements of ALCO to differ materially include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus.

These forward-looking statements speak only as of the date of this Prospectus. ALCO and the Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of ALCO with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes forward-looking statements, including statements regarding the expectations and projections of the Issuer for future operating performance and business prospects. The words “believe”, “expect”, “anticipate”, “estimate”, “project”, “may”, “plan”, “intend”, “will”, “shall”, “should”, “would” and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs and intentions of the Issuer accurately reflect in all material respects the opinions, beliefs and intentions of the management of ALCO as to such matters at the date of this Prospectus, although the Issuer can give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section “Risk Factors” and elsewhere, important factors that could cause actual results to differ materially from the expectation of the Issuer. All subsequent written and oral forward-looking statements attributable to either the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by these cautionary statements.

Definition of Terms

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

AAA-Grade Buildings	:	Also referred to as Premium Buildings. Buildings that have the highest standard in terms of (i) design, (ii) location, (iii) property management, and (iv) amenities.
ALCO, the Company, or the Issuer	:	ArthaLand Corporation, a corporation duly incorporated under the laws of the Philippines
ACPT	:	ArthaLand Century Pacific Tower
AOCH1	:	AO Capital Holdings 1, Inc.
Arch Capital	:	Arch Capital Management Company, Ltd.
Arch SPV	:	Rock & Salt B.V.
Arya or Arya Residences	:	Arya Residences
BERDE	:	Building for Ecologically Responsive Design Excellence
BIR	:	Philippine Bureau of Internal Revenue
BOD	:	Board of Directors of ALCO
BGC	:	Bonifacio Global City
BPO	:	Business Process Outsourcing
Cazneau	:	Cazneau, Inc.
CBD	:	Central Business District
CLLC	:	Cebu Lavana Land Corp.
CPG	:	CPG Holdings, Inc.
Deed Poll	:	The Deed Poll, as applicable, to be executed by the Company in connection with each tranche of the Preferred Shares
ECC	:	Environmental Compliance Certificates
EDGE	:	Electronic Disclosure Generation Technology, the disclosure system of the PSE
EPMI	:	Emera Property Management, Inc.
GDP	:	Gross Domestic Product
GFA	:	Gross Floor Area

IFRS	:	International Financial Reporting Standards
KMC	:	KMC MAG Group, Inc. (Savilis)
LEED	:	US Green Building Council's Leadership in Energy and Environmental Design Program, a world standard for green buildings and sustainable developments
MPI	:	Manchesterland Properties, Inc.
NAPOCOR	:	National Power Corporation
NLA	:	Net Leasable Area
NSA	:	Net Saleable Area
Offer Price	:	₽100.0 per Preferred Share
PAS	:	Philippine Accounting Standards
PDTC	:	Philippine Depository and Trust Corporation
Pesos, ₽, and Philippine Currency	:	The legal currency of the Republic of the Philippines
PGBC	:	Philippine Green Building Council
Philippines	:	The Republic of the Philippines
PSE	:	Philippine Stock Exchange
Record Date	:	In relation to declaration of cash dividends, the record date shall be not less than 15 Business Days but not more than 20 Business Days from the date of the declaration of the BOD
Registry of Shareholders	:	Electronic register of shareholders of the outstanding Preferred Shares
SEC	:	Philippine Securities and Exchange Commission
SEC Permit	:	The Permit to Sell issued by the SEC in connection with the Offer
Preferred Shareholders	:	Shareholders of the outstanding Preferred Shares
sqm	:	Square meters
SOM	:	Skidmore, Owings & Merrill LLP
SRC	:	The SRC of the Philippines (Republic Act No. 8799)
Stock Transfer Agent	:	BDO Unibank, Inc. – Trust and Investments Group, a duly authorized stock and transfer agent organized and existing under the laws of the Philippines

Subscription, or Subscription Agreement	:	The agreement by which the Applicant agreed to purchase a certain number of the Preferred Shares which will be issued upon the SEC's approval of the Application for Amendment
Trading Day	:	A day when the PSE is open for business
UPHI	:	Urban Property Holdings, Inc.

Executive Summary

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited financial statements, including notes thereto, found in the appendices of this Prospectus.

Prospective investors should read this entire Prospectus fully and carefully, including the section on "Risk Factors". In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail.

BRIEF BACKGROUND OF THE COMPANY

ARTHALAND CORPORATION is a world-class boutique real estate developer of enduring, sustainable, and future-ready properties recognized internationally as the best residential and green developments in the Philippines. ALCO is building its mark in the Philippine real estate market by giving priority to sustainability and innovation, and by developing and managing properties that adhere to the global and national standards in green buildings.

ALCO was incorporated on 10 August 1994[1] for the primary purpose of engaging in the realty development business, including home building and development, and to deal, engage, invest and transact, directly or indirectly, in all forms of business and mercantile acts and transaction concerning all kinds of real property, including but not limited to the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer of residential, industrial or commercial property.

In 2007, a group of investors led by AOCH1, an investment company specializing in business opportunities in the Philippines, acquired 73.27% of ALCO's then outstanding capital stock, marking the beginning of its renewed focus in real estate development.

The year 2011 marked the entry of CPG Holdings, Inc. ("CPG"), an affiliate of leading food manufacturer Century Pacific Food, Inc., which is listed with the PSE under the stock symbol "CNPF", into ALCO through its acquisition of 1,800,000,000 ALCO common shares. In 2014 CPG further solidified its commitment by purchasing an additional 342,619,910 ALCO common shares.

As of 31 August 2016, CPG and AOCH1 are the largest shareholders of ALCO with 40.29% and 26.02%, respectively of ALCO's total issued and outstanding common shares. The Company's shares are traded in the PSE with the trading symbol ALCO.

ALCO's developments are registered or are set to be registered under U.S. Green Building Council's LEED program, a globally recognized green building rating system that warrants comprehensive, inclusive and calibrated measures in ensuring sustainability and environmentally sound practices.

Arya, a 507-unit high-end residential project located in BGC is ALCO's initial foray in real estate development and is the Philippines' first and only residential condominium to achieve a dual green building certification. Arya has received a gold certification from LEED. It is likewise the benchmark project of PGBC's BERDE, or the green building rating system used to measure, verify and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines.

Arya has garnered the following international recognitions for five years in a row: Best Residential Development in the Philippines in 2012 and 2013 in the South East Asian Property Awards, Best Residential High-rise Development in the Philippines in 2014 and 2015 in the Asia Pacific Property Awards, Best Residential Development in Manila and Best Residential Architectural Design in 2013 and 2014 and its first tower as the Best Residential Interior Design in 2014 in the Inaugural Philippines Property Awards.

[1] ALCO was originally registered as Urbancorp Realty Developers, Inc. but was renamed in 2003 as EIB Realty Developers, Inc. On 26 January 2009, the SEC approved anew the change of the corporate name to ALCO.

ArthaLand Century Pacific Tower ("ACPT"), a 30-storey AAA-Grade office building and ALCO's first office development, is set to be BGC's landmark of sustainability. Similar to Arya, it is on target to secure dual green building certifications and has been recognized by the Philippines Property Awards as the Best Green Development in the Philippines for 2016 and cited to have the Best Office Architectural Design.

ARTHALAND'S BUSINESS AND SUMMARY OF KEY PROJECTS

ALCO's main business activity is the development of premium, sustainable and future-ready properties by bringing together a brain trust of experts in property development and management. It is focused on pursuing its defined niche developments independently and with its joint venture partners, as embodied by its key projects and developments in the pipeline. Summarized below are ALCO's Key Projects as well as the expected year of completion of each.

Project Name	GFA (in sqm)	NLA/NSA (in sqm)	Location	Development Type	Expected Year of Completion
Arya Residences	76,284	67,876	BGC, Taguig City	Residential	Tower 1- Completed Tower 2- 2016
ArthaLand Century Pacific Tower	34,388	30,195	BGC, Taguig City	Office Space	2017
Cebu Exchange	106,879	88,475	Salinas Drive, Cebu City	Office Space	2021
Biñan Laguna Project	126,000	104,048	Biñan, Laguna	Residential	2022
Makati Residential Project	32,288	25,830	Makati CBD	Residential	2020
South of Metro Manila Project	38,440	31,521	Southern Metro Manila	Office	2021

Arya Residences

Arya is a multi-awarded, two-tower, high-end residential project located at the corner of 8th Avenue and Mckinley Parkway, BGC, Taguig City. Tower 1 commenced construction in 2010, was completed in 2013, and was handed over to buyers in 2014. Tower 2's construction commenced in 2012, and has already been handed over to buyers earlier in 2016. Both Tower 1 and Tower 2 are substantially sold to date.

ArthaLand Century Pacific Tower

Designed by SOM, the same group behind One World Trade Center and Burj Khalifa in Dubai, ACPT is expected to be the first AAA-grade office in BGC. It is located along the prime 5th Avenue within BGC's E-Square, near The Shangri La at the Fort and the future building of the Philippine Stock Exchange. ACPT is targeted to address the strong demand for office space in BGC with its 34,388 sqm of GFA and 30,195 sqm of NLA. ALCO commenced the development of ACPT in 2014 and contract completion is expected by mid-2017. As of end-August 2016, ACPT's construction schedule is on track, with the substructure already approximately 97% complete while the superstructure is approximately 37% complete. Currently, pre-leasing efforts are led by KMC and are ongoing.

Cebu Exchange

ALCO is currently developing Cebu Exchange, a 39-storey office building with retail establishments, poised to be one of Cebu's largest and tallest office developments and will cater to Cebu's booming office space market. It will be built on an 8,440 sqm property located along Salinas Drive across the Cebu IT Park in Cebu

City, and will have a total NSA of almost 90,000 sqm. ALCO expects Cebu Exchange to receive green building certifications from both the LEED and PGBC BERDE programs.

Biñan Laguna Project

In September 2016, ALCO, through its 100% owned subsidiary, Cazneau, acquired eight hectares of land adjacent to De La Salle Science and Technology Complex. The Biñan Laguna Project is conceptualized to be a masterplanned campus-type residential community that will feature a mix of student and faculty housing, a mix of low rise residential buildings as well as retail and supplemental amenities which ALCO expects to fully develop in phases throughout 2022, in step with the growth of new and existing schools in the area namely: the De La Salle Science and Technology Complex in Canlubang, the University of Santo Tomas, Saint Scholastica's College, Miriam College Nuvali and Xavier School Nuvali.

The planned development of the Cavite Laguna Expressway, with its expected interconnection with the Manila-Cavite Expressway at Kawit, Cavite and the South Luzon Expressway at Mamplasan, Laguna interchange, is likewise seen to benefit the Biñan Laguna Project.

ALCO has already selected a masterplanner for the project, and expects to launch within 2017, with the first phase expected to be in place by the start of the school year 2018.

Makati CBD Residential Project

ALCO plans to develop a high-rise upper-middle class residential property composed of 200 units within Makati Central Business District. The acquisition of the property is expected to close in early 2017 with the project expected to be completed on 2020.

South of Metro Manila Project

ALCO plans to acquire an approximately 3,000-sqm property within southern Metro Manila where office space continues to be in high demand. ALCO plans to complete the acquisition of the property by Q4 2016.

Aside from the projects mentioned above, ALCO is constantly looking for acquisition targets within the business districts of Ortigas, Makati, BGC as well as other emerging cities. ALCO will continue to disclose material acquisitions, as they become definite, to its stakeholders through PSE and SEC.

COMPETITIVE STRENGTHS

ALCO believes that its competitive strengths include:

- Solid brand equity resulting from a clear differentiation in value and sustainability
- Strong, hands-on, and committed shareholders
- Entrepreneurial management team with extensive experience
- Purposeful development strategy that is supportive to the Company's deliberate plans
- Conducive macroeconomic environment

(For a more detailed discussion, see "Competitive Strengths" on page 46.)

BUSINESS STRATEGIES

The Company's business strategies include the following:

- Deliberate diversification and growth strategy
- Providing a superior value proposition by maintaining high quality of projects
- Introduction of recurring income to mitigate risks

(For a more detailed discussion, see "Business Strategies" starting on page 47.)

RISKS OF INVESTING

Prospective investors should consider the following risks of investing in the Preferred Shares:

- Risks relating to the business (including specific risks related to land and real estate development businesses)
- Risks relating to the Philippines
- Risks relating to the Preferred Shares
- Risks relating to the presentation of information in this Prospectus.

(For a more detailed discussion, see "Risk Factors" on page 28)

CORPORATE INFORMATION

ALCO currently holds office at the 8th Floor Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City. The Company's telephone number is (+632) 403-6910.

The Company's website is http://www.arthaland.com.ph.

USE OF PROCEEDS

Out of the gross proceeds, ALCO shall deduct fees, commissions, and expenses, for each tranche of the Offer. The use of proceeds for each tranche of the Offer shall be set out in the relevant Offer Supplement.

OFFER SUPPLEMENT

For each tranche of the Offer, the Company shall distribute an Offer Supplement which shall be disclosed to the public through the filing with the SEC and the PSE and made available for download from the website of ALCO specifically, in http://www.arthaland.com.ph.

The Offer Supplement shall contain the following information:

(a) timetable, offer size of the specific offering, specific terms applicable for each tranche, the applicable dividend rate and the mode of settlement of the offering;
(b) capital structure of the Company after the offering;
(c) any changes to the risk factors and tax consequences of the offering;
(d) description of the specific distribution and underwriting arrangements; and
(e) amount and use of proceeds.

PLAN OF DISTRIBUTION

ALCO plans to issue the Preferred Shares to institutional and retail investors through a public offering to be conducted through the Underwriters (for a more detailed discussion, including fees to be paid to the Underwriters, please refer to the relevant Offer Supplement).

Summary of Financial Information

Prospective purchasers of the Preferred Shares should read the summary financial data below together with the consolidated financial statements, including the notes thereto, included in this Prospectus and "Management's Discussion and Analysis of Results of Operations and Financial Condition". The summary financial data for the three years ended December 31, 2015, 2014 and 2013 are derived from the audited consolidated financial statements of ALCO, including the notes thereto, which are found as Appendix "B" of this Prospectus. The detailed financial information for the three years ended 31 December 2015, 2014 and 2013 are found on Appendix "B" of this Prospectus and the six months ended 30 June 2016 and 2015 are found on Appendix "A" of this Prospectus.

The summary financial and operating information of ALCO presented below as of and for the years ended 31 December 2015, 2014 and 2013 were derived from the consolidated financial statements of ALCO, audited by Reyes Tacandong & Co. and prepared in compliance with the Philippine Financial Reporting Standards ("PFRS"). The financial and operating information of ALCO presented below as of and for the six months ended 30 June 2016 and 2015 were derived from the unaudited consolidated financial statements of ALCO prepared in compliance with Philippine Accounting Standards ("PAS") 34. The information below should be read in conjunction with the consolidated financial statements of ALCO and the related notes thereto, which are included in Appendices "A" and "B" of this Prospectus. The historical financial condition, results of operations and cash flows of ALCO are not a guarantee of its future operating and financial performance.

	For the years ended December 31,			For the six months ended June 30,	
	2013	**2014**	**2015**	**2015**	**2016**
		Audited		**Unaudited**	
	(in ₱ millions except per share figures)				
Consolidated Statements of Income					
Revenue from Real Estate Sales	2,332	2,053	1,584	898	365
Cost of Real Estate Sold	1,541	1,216	1,044	(596)	(278)
Gross Income	791	837	540	302	87
Operating Expenses	368	366	314	150	148
Income from Operations	423	471	226	152	(61)
Finance Costs	(78)	(76)	(40)	(19)	(29)
Other Income	18	24	126	21	116
Income before Income Tax	363	419	312	154	26
Income Tax Expense	80	215	88	51	2
Net income	**283**	**204**	**224**	**103**	**24**
Other Comprehensive Income (Loss)					
Not to be reclassified to profit or loss					
Remeasurement gain (loss) on retirement liability	(2)	(3)	1	-	-
Income tax benefit (expense) relating to item that will not be reclassified	1	1	(0)	-	-
	(1)	(2)	1	-	-
Total Comprehensive Income	282	202	225	103	24
Net income attributable to:					
Equity holders of ArthaLand Corporation	283	204	224	103	32
Non-controlling interests	-	-	-	-	(8)
	283	204	224	103	24
Total comprehensive income attributable to:					
Equity holders of ArthaLand Corporation	282	202	225	103	32
Non-controlling interests	-	-	-	-	(8)
	282	202	225	103	24
Earnings Per Share	0.05	0.04	0.04	0.019	0.006

	2013	2014	2015	2016
	As of the years ended December 31,			As of the six months ended June 30
		Audited		Unaudited
	(in ₽ millions except per share figures or where otherwise indicated)			
Consolidated Statements of Financial Position				
Assets				
Cash and cash equivalents	575	835	605	572
Financial assets at fair value through profit or loss	-	272	733	904
Trade and other receivables	1,416	1,946	1,831	626
Real estate for sale	1,388	713	1,551	1,359
Investment properties	681	1,367	1,391	1,853
Property and equipment	46	29	17	13
Net deferred tax assets	44	12	12	13
Other assets	204	372	403	431
Total assets	**4,354**	**5,546**	**6,543**	**5,771**
Liabilities and Equity				
Liabilities				
Loans payable	1,770	2,766	3,091	2,301
Accounts payable and other liabilities	997	881	1,368	1,444
Retirement liability	24	33	41	41
Net deferred tax liabilities	-	167	181	82
Total Liabilities	2,791	3,847	4,681	3,868
Equity				
Capital stock	851	955	957	957
Additional paid-in capital	54	75	75	75
Retained earnings	656	669	829	861
Cumulative remeasurement gains (losses) on retirement liability- net of tax	2	(0)	1	1
	1,563	1,699	1,862	1,894
Non-controlling interests	-	-	-	9
Total Equity	1,563	1,699	1,862	1,903
Total Liabilities and Equity	**4,354**	**5,546**	**6,543**	**5,771**

	For the years ended December 31,			For the six months ended June 30,	
	2013	**2014**	**2015**	**2015**	**2016**
		Audited		**Unaudited**	
	(in ₽ millions except per share figures)				
Cash Flow Data					
Net cash provided by (used in)					
Operating activities	51	(30)	(1)	(231)	1,314
Investing activities	(37)	(642)	(579)	242	(631)
Financing activities	223	932	347	(23)	(715)
Effect of exchange rates changes in cash and cash equivalents	2	(0)	3	0	(1)
Net increase/(decrease) in cash and cash equivalents	239	260	(230)	(12)	(33)
Cash and cash equivalents at beginning of year	336	575	835	835	605
Cash and cash equivalents at end of period	**575**	**835**	**605**	**823**	**572**

Capitalization

The unaudited consolidated short-term and long-term debt and capitalization of ALCO as of the relevant period shall be set out in the Offer Supplement for each tranche of the Offer.

As of the date of this Prospectus, the Company has an authorized capital stock of ₱2,996,257,135.82 consisting of 16,368,095,199 Common Shares with a par value of ₱0.18 per Common Share and 50,000,000 preferred shares with a par value of ₱1.00 per preferred share. The subscribed capital stock of the Company is ₱957,257,135.82 consisting of 5,318,095,199 Common Shares, and ₱12,500,000 consisting of 12,500,000 preferred shares, with total paid-up capital of ₱969,757,135.82.

Terms of the Offer

A discussion containing the "*Terms of the Offer*" shall be set out in the relevant Offer Supplement. However, any such discussion should be read together with, and is qualified in its entirety by reference to, the additional information appearing elsewhere in this Prospectus, the Offer Supplement, including, but not limited to, the discussion on the "Description of the Securities", the Articles of Incorporation and By-Laws of the Company (each as amended to date), the Deed Poll, the Application to Purchase and applicable laws and regulations. This discussion may not contain all of the information that prospective investors should consider before deciding to invest in the Preferred Shares. Accordingly, any decision by a prospective investor to invest in the Preferred Shares should be based on a consideration of this Prospectus, the Offer Supplement, the Application to Purchase, the Articles of Incorporation and By-Laws of the Company (each as amended to date), the Deed Poll, and applicable laws and regulations as a whole.

Description of the Securities

Set forth below is information relating to the Preferred Shares. This description does not purport to be a complete listing of all the features, rights, obligations, or privileges of the Preferred Shares and is qualified in its entirety by reference to the Deed Poll and the Stock Transfer, Receiving and Paying Agency Agreement. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of the Company, the information contained in this Prospectus, the Deed Poll, and the Stock Transfer, Receiving and Paying Agency Agreement.

SHARE CAPITAL

On 30 August 2016 and 7 September 2016, the BOD and stockholders representing at least 2/3 of the outstanding capital stock of the Company approved, respectively, the increase of its authorized capital stock by 50,000,000 or from ₱2,946,257,135.82 to ₱2,996,257,135.82 with the creation of 50,000,000.00 preferred shares with a par value of ₱1.00 per share.

On 13 September 2016, the Company filed an application with the SEC for the approval of the foregoing amendment, which was approved by the SEC on 22 September 2016.

Pursuant to the Company's amended Articles of Incorporation and By-Laws, the Company has an authorized capital stock of ₱2,996,257,135.82 consisting of 16,368,095,199 Common Shares with a par value of ₱0.18 per Common Share and 50,000,000 preferred shares with a par value of ₱1.00 per preferred share.

Following the above amendments, the subscribed capital stock of the Company is ₱957,257,135.82 consisting of 5,318,095,199 Common Shares, and ₱12,500,000 consisting of 12,500,000 preferred shares, with total paid-up capital of ₱ 969,757,135.82.

A. COMMON SHARES

Voting Rights

Each Common Share is entitled to one vote at all stockholders' meetings for each Common Share standing in his name on the books of the Company at the time or closing thereof for the purpose of the meeting.

At every election of directors, each stockholder entitled to vote during the meeting may vote each Common Share for as many persons as there are directors to be elected, or to cumulate said shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or distribute such votes on the same principle among as many candidates as he thinks fit.

Fundamental Matters Requiring Stockholder Approval

Corporate power and competence is lodged primarily with the BOD. However, the Corporation Code considers certain matters as significant corporate acts that may be implemented only with the approval of stockholders, including those holding shares denominated as non-voting in the articles of incorporation. These acts, which require BOD approval and the approval of stockholders representing at least two-thirds (2/3) of the issued and outstanding capital stock of the company in a meeting duly called for the purpose (except for the amendment of the By-Laws and the approval of management contracts in general, which require approval of stockholders representing a majority of the Company's outstanding capital stock), include:

- Amendment of the Articles of Incorporation[2] and the delegation to the BOD of the power to amend the By-Laws;

- Extension or shortening of corporate term;

- Increase or decrease of capital stock[3] and incurring, creating or increasing bonded indebtedness;

- Delegation to the BOD the power to amend or repeal or to adopt new By-Laws;

- Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets;

- Merger or consolidation of the Company with another corporation or corporations;

- Investment of corporate funds in any other corporation or for a purpose other than the primary purpose for which the Company was organized;

- Dissolving the Company;

- Declaration or issuance of stock dividends;

- Ratifying a contract between the Company and a director or officer where the vote of such director or officer was necessary for approval;

- Entering into a management contract where (a) a majority of directors of the managing corporation constitutes the majority of the board of the managed company or (b) stockholders of both the managing and managed corporations represent the same interest and own or control more than one third of the outstanding capital stock entitled to vote;

- Removal of directors;

- Ratification of an act of disloyalty by a director; and

- Ratification of contracts with corporations in which a director is also a member of the board, where the interest of the directors is substantial in one corporation and nominal in the other.

No Preemptive Rights

The Articles of Incorporation of the Company currently deny pre-emptive rights to holders of shares of stock of the Company over all issuances of the Company's shares. However, stockholders representing at least two-thirds of the Company's issued and outstanding capital stock voting at a stockholders' meeting duly called for the purpose may amend the Articles of Incorporation to grant pre-emptive rights to subscribe to a particular issue or other disposition of shares from the Company's capital. Pre-emptive rights may not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares to be issued in good faith with the approval of the stockholders representing two-thirds of the outstanding capital stock in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

---

[2] The Omnibus Loan and Security Agreement dated April 15, 2015 entered into by the Company and BDO prohibits the Company from changing its ownership structure and amending its Articles of Incorporation. The Company has secured the necessary approval from BDO on its recent increase in authorized capital stock and the corresponding amendment to its Articles of Incorporation.
[3] Id.

Derivative Suits

Philippine law recognizes the right of a stockholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

Appraisal Rights

The Corporation Code grants a stockholder a right of appraisal in certain circumstances where such stockholder has dissented and voted against a proposed corporate action, including:

- An amendment of the Articles of Incorporation which has the effect of adversely affecting the rights attached to such stockholder's shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or of extending or shortening the term of corporate existence of the corporation;

- The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;

- The investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the corporation was organized; and

- A merger or consolidation.

In these circumstances, the dissenting stockholder may require the Company to purchase his shares at a fair value which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the stockholder, one by the corporation, and the third by the two thus chosen. In the event of a dispute, the SEC will resolve any question relating to a dissenting stockholder's entitlement to exercise the appraisal rights. The dissenting stockholder will be paid if the corporate action in question is implemented and the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting stockholders.

Right to Dividends of Common Shares

Dividends shall be declared from the unrestricted retained earnings of the Company, including stock dividends from paid-in surplus, at such time and in such amounts as the BOD may determine. Declarations of stock dividends shall be submitted to a stockholders' meeting for approval within 40 business days from such approval by the BOD. The record date for stock dividends shall not be earlier than the date of approval by the stockholders. Meanwhile, declaration of cash dividends shall have a record date, which shall not be less than fifteen business days but not more than twenty business days from the date of the declaration of the BOD.

Right of Inspection and Disclosure Requirements

Philippine stock corporations are required to file an annual General Information Sheet, which sets forth data on their management and capital structure, and copies of their annual financial statements with the SEC. Corporations must also submit their annual financial statements to the BIR. Corporations whose shares are listed on the PSE are also required to file current, quarterly and annual reports with the SEC and the PSE. Stockholders are entitled to require copies of the most recent financial statements of the corporation, which include a statement of financial position as of the end of the most recent tax year and a statement of income for that year. Stockholders are also entitled to inspect and examine the books and records which the corporation is required by law to maintain.

Change in Control

The Company's Articles of Incorporation provides that no transfer of stock or interest, which will reduce the ownership of Filipino citizens to less than the required percentage of the outstanding capital stock, shall be allowed or permitted to be recorded in the stock and transfer book.

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. Foreign equity participation in entities such as the Company, which owns land in the Philippines, is limited to a maximum of 40%. For more information relating to restrictions on the ownership of the Preferred Shares, see the discussion under "Regulatory Framework" covering restrictions on foreign ownership on page 127 of this Prospectus.

Mandatory Tender Offers

Under the implementing rules and regulations of the SRC, subject to certain exceptions:

- Any person or group of persons acting in concert, who intends to acquire fifteen percent (15%) of equity securities in a public company in one or more transactions within a period of 12 months, shall file a declaration to that effect with the SEC.

- Any person or group of persons acting in concert, who intends to acquire thirty-five percent (35%) of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months, shall disclose such intention and contemporaneously make a tender offer for the percentage sought to all holders of such securities within the said period.

- Any person or group of persons acting in concert, who intends to acquire thirty-five percent (35%) of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders shall be required to make a tender offer for all the outstanding voting shares. The sale of shares pursuant to the private transaction or block sale shall not be completed prior to the closing and completion of the tender offer.

- If any acquisition that would result in ownership of over fifty percent (50%) of the total outstanding equity securities of a public company, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of said company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer in such a tender offer shall be required to accept all securities tendered.

MEETINGS OF THE SHAREHOLDERS

Annual Meeting of Stockholders

Annual Meeting of the stockholders of the Company is held every last Friday of June each year. In this meeting, the stockholders elect, by a plurality of vote through ballot, a board composed of nine directors, including two independent directors, to serve for one year or until their successors are elected and qualified. Before the date of the Annual Meeting, written notice shall be sent to each registered stockholder at least 15 business days prior to the date of the meeting.

Special Meetings of Stockholders

Special meetings of the stockholders may be called by the BOD, the Chairman, the President or upon written demand to the Corporate Secretary by stockholders owning a majority of the outstanding voting stock. In case of the latter, the BOD shall set the date, time and place for the meetings, which date shall be within 40 business days from receipt by the Corporate Secretary of such written demand by the stockholders. In all other cases, written notice stating the date, time, place and purpose of the meeting shall be sent to each registered stockholder at least 15 business days prior to the date of the special meeting.

Place of Meetings

All meetings of the stockholders shall be held at the principal office of the Company or at such places within Metro Manila as the BOD may determine.

Proxy

Stockholders entitled to vote may vote in all meetings either in person or by proxy given in writing and signed by the stockholders concerned and presented to the Corporate Secretary at least five business days prior to the date of the meeting for verification and record purposes. Such proxies may be revoked either in an instrument in writing duly presented and recorded with the Corporate Secretary prior to the scheduled meeting, or by their personal presence at the meeting.

Quorum and Voting

Stockholders present or represented in the meeting and owning a majority of the outstanding voting stock shall constitute a quorum for the transaction of business at the meeting. When there is a quorum, the vote of the stockholders owning a majority of the outstanding stock present or represented at such meeting shall decide on any matter brought before such meeting, unless the affirmative vote of stockholders owning a greater capital stock is required by law.

B. PREFERRED SHARES

Pursuant to the amended Articles of Incorporation of the Company which was approved by the SEC on September 22, 2016, the preferred shares shall be redeemable and have such features as the BOD may prescribe, but in no case shall such preferred shares be voting or participating.

Series A Preferred Shares Outstanding as of the Date of this Prospectus

Pursuant to the board resolution approved on 7 September 2016, 2016, the Series A Preferred Shares shall have features, rights and privileges as set out below:

Instrument..........................	Cumulative, non-voting, non-participating, non-convertible Peso-denominated Series A Preferred Shares (the "**Series A Preferred Shares**").
Subscriber.........................	MPI
Size and Offer Price	12,500,000 Series A Preferred Shares, at an offer price of ₱1.00 per share (the "**Series A Offer Price**").
Par Value...........................	The Series A Preferred Shares have a par value of ₱1.00 per share.

Dividend Rate …………………	The Series A Preferred Shares will, subject to certain dividend payment conditions, bear cumulative, non-participating cash dividends based on the Series A Offer Price, commencing on the issue date of the Series B Preferred Shares and payable annually on every anniversary of such issue date. The dividend rate shall be 6.0458%, 100 basis points below the dividend rate of the Series B Preferred Shares as of the issue date of such Series B Preferred Shares.
Optional Redemption ………….	Applicable only if the Series B Preferred Shares and all other preferred shares ranking pari passu with Series B Preferred Shares (the "Public Preferred Shares") have been fully redeemed.
No Sinking Fund…………………	ALCO has not established, and currently has no plans to establish, a sinking fund for the redemption of the Series A Preferred Shares.
Liquidation Rights ………………	Rank junior to the Public Preferred Shares
Status of the Series A Preferred Shares in relation to the declaration and payment of dividends, redemption and liquidation …	The Series A Preferred Shares will be subordinated to the Public Preferred Shares. Accordingly, the obligations of the Company under the Series A Preferred Shares will not be satisfied unless the Company can satisfy in full all of its other obligations ranking senior to the Series A Preferred Shares, including the Public Preferred Shares.
Governing Law……………………	The Series A Preferred Shares will be issued pursuant to the laws of the Republic of the Philippines.

The Series B Preferred Shares

Please refer to the discussion under "*Description of the Series B Preferred Shares*" in the Offer Supplement for the terms and conditions covering the Preferred Shares.

Risk Factors

General Risk Warning

An investment in the Preferred Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of the Preferred Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, results of operations and cause the market price of the Preferred Shares to decline. All or part of an investment in the Preferred Shares could be lost. Investors deal in a range of investments each of which may carry a different level of risk.

Prudence Required

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the Preferred Shares and ALCO from the SEC and PSE.

Professional Advice

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high risk securities.

Risk Factors

This Prospectus contains forward-looking statements that involve risks and uncertainties. ALCO adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of ALCO, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Preferred Shares. The business, financial condition and results of operations of the Company could be materially and adversely affected by any of these risk factors.

RISKS RELATING TO ARTHALAND AND ITS SUBSIDIARIES

No assurance of successful implementation of business plans and strategies

ALCO is susceptible to the failure of the implementation of the business plans and strategies, especially with respect to new projects and undertakings. While ALCO has successfully completed Arya on time, and within budget, it has several ongoing projects such as ACPT and Cebu Exchange which, along with its other projects in the pipeline such as, the Biñan Laguna Project and several target acquisitions and developments in Metro Manila, still face uncertainty in terms of completion and revenue results.

Real estate developments are subject to risks such as delays in obtaining financing, finalizing project plans, obtaining approvals, increases in construction costs, natural calamities and market downturns. ALCO's future financial performance may be significantly affected by factors that limit its ability to finance and complete its current and future projects in a timely and cost-effective manner and to market them successfully. There is no guarantee that ALCO's future projects, will, similar to Arya, be successfully completed and sold as planned. There is likewise no guarantee that the take up for its new developments will remain robust.

However, the Company continues to capitalize on the extensive experience of its management team composed of highly experienced industry veterans from various high-end real estate developers with more than 200 years of cumulative management experience in the Philippines and abroad to transform its plans into reality through a deep understanding of its market as well as the careful formation of its strategies. ALCO also banks on the success of its flagship project, Arya, as proof of its track record and capability to deliver quality projects on schedule and within budget.

Moreover, ALCO's ongoing office developments such as ACPT and Cebu Exchange are grounded on sound business strategies based on legitimate market needs and trends, as they are expected to ride on the booming demand for office space in prime locations such as BGC and Cebu City brought about by the growing BPO industry.

The Company continually looks for growth opportunities in different market segments and geographic areas in order that any negative impact on a particular market segment or geographic area by reason of political, economic or other factors will allow it to pursue its projects or other developments not affected thereby, thus, providing it with a steady revenue base.

Company's business is inherently volatile

The Company's focus is the development and sale of real estate. While the Company expects to have recurring income resulting from leasing operations once ACPT is completed, recurring income will continue to account for only a small portion of the Company's overall expected revenues. Further, the Company's revenues, and consequently, its profits, vary year on year, depending on several factors, including the completion and demand for its projects, as well as its available real estate inventory for sale. Prior year's financial performance does not guarantee future financial performance of the Company.

With the planned completion of ACPT, however, ALCO expects its recurring leasing revenues from ACPT to cover its fixed overhead costs, and mitigate the volatility ALCO's business is exposed to on a continuous basis.

Ability to obtain financing at favorable terms and interest rates

The Company and its subsidiaries obtain or plan to obtain long-term financing at favorable terms to cover a significant portion of the capital expenditures needed to develop their projects. There is no assurance that the Company or its subsidiaries can continue to raise the additional financing needed to execute their future plans at favorable terms. Aside from this, higher inflation and interest rates could have a material adverse effect on the Company's, its subsidiaries' and its customers' ability to obtain financing.

Higher interest rates, factors that affect interest rates, such as the Government's fiscal policy, inflation, foreign exchange rates, as well as government policy on limiting the exposure of financial institutions to real estate, could have a material adverse effect on the Company and on demand for its products.

The occurrence of any of the foregoing events, or any combination of them, or of any similar events could have a material adverse effect on the Company's business, financial condition and results of operations.

While these risks are inherently uncontrollable, the Company practices what it considers prudent financial management, such as matching financing tenors and interest fixing to the use of proceeds to minimize any risks from the factors mention above. Likewise, collections from pre-selling activities reduce the Company's need for additional financing and its exposure to interest rate movements.

Possibility of a rapid increase of interest rates

The current low level of interest rates has allowed property acquisition to be more affordable across a wide economic stratum, and has contributed to an environment that is supportive of real estate sales. There is no guarantee that interest rates, in general, will remain at current levels. Interest rates may increase as a result of developments both in the global and the domestic stage.

A significant number of ALCO's customers rely on bank financing. An increase of interest rates may adversely affect the take up of ALCO's future projects resulting from the availability of affordable financing.

ALCO's market segment, which is screened and concentrated on the high-end market, however, has shown greater holding power, and has generally demonstrated flexibility to fund their real estate purchases from readily available cash. As a result, ALCO's customers are less likely to default on their financial commitments notwithstanding an increase in interest rates.

Availability of land for use in the Company's future projects

There is scarcity and intense competition for certain prime properties in the Philippines which real estate companies continuously bid for. It is uncertain whether ALCO can secure real estate properties to ensure that its development activities continue.

Currently, however, the Company has already secured a significant portion of its required land bank for its medium term projects, and remains constantly on the lookout for opportunities to acquire properties that will match its developmental plans.

Further, the Company also benefits from being regarded highly by existing customers and partners. ALCO is approached by landowners to be the preferred developer for their properties.

Significant competition in the real estate industry

The Company's ability to sell or lease its projects may be adversely affected by the competition from other high-end real estate developers like Ayala Land, Inc. and Rockwell Land Corporation which already have established market bases and have been in the market for a longer amount of time potentially allowing it to have greater flexibility in pricing and payment terms which may adversely affect the Company's sales velocity.

To mitigate this risk, the Company continues to focus on its identified market niches and highlight its strengths in sustainable and green development to continue building a reputation of quality projects recognized internationally for superb architecture and interior design, such as Arya and ACPT. ALCO also relies on the strategic placement of its land bank and competitive pricing to continue serving its niche market.

Titles over land owned by the Company may be contested by third parties

While the Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land which has already been registered and over which a title has been issued. The Company's subsidiary, UPHI, is a party to cases involving expropriation and quieting of title involving its property in Tagaytay City. Litigation may result in delays or suspension of project developments. (For a more detailed discussion, see "Legal Proceedings" on page 75.)

The Company mitigates this risk by requiring comprehensive due diligence on potential properties for acquisition before consummating an offer to purchase for the same.

Environmental laws could adversely affect the Company's business

Real estate developers are required to follow strictly the guidelines of the DENR and to secure various permits and licenses for each project. Any changes in the current environmental laws and regulations applicable to the Company may increase the Company's operating expenses and may require significant compliance efforts from, and additional compliance costs for, the Company. To mitigate this risk, ALCO currently and will continue to comply with environmental laws and will keep abreast of any changes in such laws which may have an impact on its business.

(For a more detailed discussion, see “Regulatory Framework” on page 127.)

Delays in the completion of projects and failure to meet customers’ expectation and standards could adversely affect the Company’s reputation and its business and financial performance

The Company’s reputation will be negatively affected if any of its projects experiences construction or infrastructure failures, design flaws, significant project delays, and quality control issues. Any of these may consequently make it more difficult for the Company to attract new customers for its future projects. Any negative effect that would stain the Company’s reputation may pose difficulties in selling or leasing its projects and may have a domino effect on both its other current and future projects.

The Company engages the services of the most reputable and experienced architects, designers, project managers, both here and abroad. The Company likewise engages the top general contractors in the Philippines to ensure that its projects are constructed in accordance with plans and specifications and in accordance with the agreed schedules. The selection of all third party professionals, contractors, and suppliers passes through a prequalification process and competitive bidding. Contracts will include provisions for warranties, penalties, performance bonds and liquidated damages for delay and unsatisfactory workmanship. The Company likewise maintains its own technical team that monitors the progress and construction quality to ensure that the project is executed in accordance with set standards. Questions and/or requests from customers are addressed by the Company in a timely fashion.

Risks of a domestic asset price bubble could adversely affect the Company’s business

One of the risks inherent in any real estate property market, including the Philippines, is the possibility of a domestic asset price bubble, which occurs when there is a gross imbalance between the supply and demand in the domestic property market, causing asset prices to be unsustainably and artificially high. The growth of the Philippine real estate sector is mainly driven by low interest rates, robust OFW remittances, and the fast growing BPO sector which are vulnerable to shocks in the global economy.

To mitigate this risk, the Company is diversifying its portfolio of projects to achieve a balanced mix of target customers, as well as a diverse set of locations, providing the Company a certain measure of diversification in the event of a down cycle in the property industry.

Possible change in accounting principle for real estate will change the Company’s revenue recognition for sale of its real estate developments, which in turn may adversely affect recognition of unrestricted retained earnings

Future changes in the IFRS accounting standards, mainly those related to revenue recognition, could adversely affect the Company’s net income and therefore impact recognition of unrestricted retained earnings.

IFRS 15, Revenue from Contracts with Customers was issued in September 2015 by International Accounting Standards Board and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Retrospective application is required for annual periods beginning on or after 1 January 2018, however, IFRS 15 is currently not yet adopted by the Financial Reporting Standards Council and the SEC as of prospectus date.

The Company continues to assess the impact of this change to its financial results, and will conduct a thorough review and assessment of its contracts with customers to determine proper application of the new standards and reasonably plan to safeguard the interests of both the prospective holders of the Preferred Shares as well as it common stockholders.

The Company's and its subsidiaries' loan agreements are subject to certain debt covenants

The Company's loan agreements for certain debts contain covenants that limit its ability to, among other things:

- incur additional long-term debt to the extent that such additional indebtedness results in a breach of financial covenants;
- declare dividends, including dividends on the Preferred Shares without the consent of the lending institutions;
- materially change the nature of its business;
- merge, consolidate, or dispose of substantially all its assets; and
- encumber, mortgage or pledge some of its assets.

Complying with these covenants may cause the Company to take actions that it otherwise would not take or not take actions that it otherwise would take. Such covenants may likewise prevent the Company from declaring dividends on the Preferred Shares. ALCO's failure to comply with these covenants would cause a default, which, if not waived, could result in the debts becoming immediately due and payable.

ALCO has historically taken a prudent stance in managing its debt obligations by ensuring that any corporate act, whether or not performed in the ordinary course of business, does not violate any existing debt covenant. In the event that any significant corporate act or business transaction is seen to potentially affect its debt covenants that would lead to accelerating the payment of existing debt, ALCO shall endeavor to obtain the necessary waivers in accordance with relevant debt agreements.

No assurance that all the insurance policies will be renewed

The Company maintains comprehensive property and liability insurance policies with coverage features and insured limits that it believes are consistent with market practices in the real estate development industry in the Philippines from various insurance companies. Nonetheless, the scope of insurance coverage that the Company can obtain or the Company's ability to obtain such coverage at reasonable rates may be limited.

Insurance policies and terms of coverage will be subject to renewals and negotiations on a periodic basis and there is no assurance that adequate insurance coverage will be available on commercially reasonable terms in the future. Any material increase in insurance rates, decrease in available coverage or any failure to maintain adequate insurance in the future could adversely affect the business, financial condition and results of operations.

The Company or its contractors may be subject to labor unrest, slowdowns and increased costs

The Company has not experienced labor unrest in the past that resulted in the disruption of its operations. However, there can be no assurance that it will not be required to defend against labor claims or that it or its contractors will not experience future disruptions in its operations due to labor disputes in the future. In addition, any changes in labor laws and regulations could result in the Company having to incur substantial additional costs.

To mitigate the risk, the Company complies with labor laws, adopts policies to ensure a healthy working environment for its employees and engages contractors that practice the same. Further, substantially all of its construction contracts are fixed, thereby allowing the Company to mitigate this risk.

The Company is dependent on key suppliers and service providers to successfully implement its plans

The Company is dependent on certain key suppliers and service providers for substantial components of the Company's real estate developments. The Company relies on certain architecture and design firms as well as contractors for the execution of its plans.

The Company mitigates this risk primarily through its stringent screening process in relation to counterparty selection. When necessary, the Company also requires its suppliers and service providers to provide performance security to allow ALCO to manage this risk.

The Company is dependent on its management team and key employees to successfully implement its strategies

The loss of key and management personnel may have a material adverse impact to the Company and its business plans. There is no guarantee that existing personnel will continue to serve in their current capacity.

The Company, however, is confident in its ability to attract and retain key personnel by continuing to provide competitive compensation, as well as promoting a sustainable culture for its team. The Company likewise, has a strong top and middle management bench which provides it access to a continuous stream of talent.

Risks Relating to the Philippines

Company is exposed to risks related to the slowdown in the Philippine economy

The Philippine economy remains exposed to significant economic and political risks. The performance of the Philippine economy may influence, in general, the results of the Company's operations. Any deterioration in the economic conditions in the Philippines may adversely affect consumer sentiment.

There can be no assurance that current or future governments will adopt economic policies conducive to sustaining economic growth. The Company's results of operations depend on the performance of the Philippine economy. Movement in interest rates will affect the Company's cost of capital as well as the financial viability of its projects. Any deterioration in the Philippine economy could materially and adversely affect the Company's financial condition and results of operations.

The Company derives all of its sales and operating profits from its development activities in the Philippines and its business is highly dependent on the state of the Philippine economy and the Philippine property market.

Demand for, and prevailing prices of, developed land, are directly related to the economic, political and security conditions in the Philippines. The relatively low interest rate environment in recent years, as well as the favorable demographics (i.e. demographic sweet spot or majority of the population or at least 50 million Filipinos reaching working age) has partly sustained the growth in the local property market.

There is no guarantee that the Philippine real estate sector will continue to be robust. Over different periods, the Philippines has faced declining economic growth rates with high inflation rates, especially during economic downturns brought about by external and local risk factors. For instance, the Philippine property market suffered a sharp downturn as a result of the Asian financial crisis in 1997 and the political crisis in 2000 brought about by the impeachment proceedings against, and eventual resignation, of former President Joseph Estrada. These crises led to a steep drop in real estate demand and consequently to an oversupply in the property market, depressed property prices and reduced demand for new residential projects. Another example of an external risk factor is the global economic recession and financial market turmoil in 2008, which led to some slowdown in the local economy and property market. However, growth in the local property market continued to be resilient and sustained by the country's improved economic and credit fundamentals, as attested by the country's first-ever investment grade ratings in 2013, the continued growth in OFW remittances and BPO revenues that supported consumer spending and demand for property, as well as the relatively low interest rate environment since the latter part of 2010 that reduced the cost of financing property purchases.

While the risks related to the Philippine economy in general and to the Philippine real estate industry in particular are uncontrollable, the Company practices prudent financial management to minimize their possible effects.

Political and social instability or acts of terrorism could adversely affect the financial results of the Company

Any political and terrorist threats could adversely affect the general conditions and business environment in the Philippines, which could have a material effect on the operations and financial performance of the Company.

The Philippines has, from time to time, experienced political and military instability. In the past 15 years, there has been political instability in the Philippines, including impeachment proceedings against two former presidents, the chief justice of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government have likewise been under investigation on corruption charges stemming from allegations of misuse of public funds.

The Philippines has also been subject to a number of terrorist attacks since 2000, and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines mainly in cities in the southern part of the country. In September 2016, for example, a bombing occurred in Davao City, which has been attributed to Abu Sayyaf, an Islamist militant group. This prompted President Rodrigo Duterte to declare the country under a state of emergency due to lawlessness violence. Moreover, in an operation to capture wanted international terrorist Zulkifli Bin Hir alias Marwan on 25 January 2015, 44 police commanders were killed in a 12-hour fight with two Muslim rebel groups: Moro Islamic Liberation Front and Bangsamoro Islamic Freedom Fighters in the Southern Philippines. An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of the Philippine economy.

There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting or election-related violence, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Company.

Occurrence of natural catastrophes could adversely affect the business of the Company

The Philippines has experienced a significant number of major natural catastrophes over the years, including typhoons, volcanic eruptions, earthquakes, storm surges, mudslides, fires, droughts, and floods related to El Niño and La Niña, respectively. In the latter part of 2015, two typhoons, Nona and Onyok, brought floods and displaced thousands in the areas affected, while death tolls reached hundreds. Natural catastrophes will continue to affect the Philippines and the Company may incur losses for such catastrophic events which could materially and adversely affect its business, financial condition and results of operations.

There is no assurance that the insurance coverage of the Company maintains for these risks will adequately compensate it for all damages and economic losses resulting from natural calamities. However, the Company mitigates this risk through the geographic diversity of its projects, thereby minimizing the impact of a potential natural catastrophe.

Occurrence of a Philippine credit rating downgrade could adversely affect the business of the Company

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. At present, the sovereign credit ratings of the Philippines are all investment grade. Moody's rates the Philippines as Baa2 with a stable outlook while S&P rates the Philippines as BBB, also with a stable outlook.

The Philippine sovereign credit ratings directly affect companies that are resident in the Philippines, such as ALCO. There is no assurance that Moody's, S&P, or other international credit rating agencies will not downgrade the credit rating of the Philippines in the future. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including ALCO, to raise additional financing, and will increase borrowing and other costs.

Risks relating to the Preferred Shares

Preferred Shares may not be suitable investment for all investors

Each potential investor in the Preferred Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- Have sufficient knowledge and experience to make a meaningful evaluation of the Preferred Shares, the merits and risks of investing in the Offer and the information contained in this Prospectus;

- Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preferred Shares and the impact such investment will have on its overall investment portfolio;

- Have sufficient financial resources and liquidity to bear all of the risks of an investment in the Preferred Shares, including where the currency for principal or dividend payments is different from the currency of the potential investor;

- Understand thoroughly the terms of the Preferred Shares and be familiar with the behavior of any relevant financial markets; and

- Be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

Payment of dividends is subject to funds being available for distribution

Dividends on the Preferred Shares may not be paid or may pay less than full dividends, under the terms and conditions governing the Preferred Shares. Holders of the Preferred Shares will not receive dividends on a Dividend Payment Date or for any period during which the Company does not have unrestricted retained earnings out of which to pay dividends. The declaration and payment of cash dividends will be subject to the sole and absolute discretion of the BOD of the Company, to the extent permitted by applicable laws and regulations, the covenants (financial or otherwise) in the agreements to which the Company is a party, and in accordance with the terms of the Preferred Shares. The BOD will not declare and pay dividends for any Dividend Period where payment of the Dividend would cause the Company to breach any of its financial covenants.

The Company mitigates this risk through the prudent management of resources as well as the timely execution of its well laid out business plans.

Subordination to other indebtedness

The rights and claims of holders of the Preferred Shares will (subject to the extent permitted by law) rank senior to the holders of the Common Shares of the Company, however the obligations of the Company under the Preferred Shares are unsecured and are subordinated obligations to all other indebtedness of the Company. In the event of the winding-up of the Company, the Preferred Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. There is substantial risk that an investor in the Preferred Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless the Company can satisfy in full all of its other obligations ranking senior to the Preferred Shares.

Insufficient Distributions upon Liquidation

In the event of liquidation, the Preferred Shares rank ahead of the Common Shares, but subordinated against the Company's other indebtedness. Upon any voluntary or involuntary dissolution, liquidation or winding up of ALCO, holders of the Preferred Shares will be entitled only to the available assets of the Company remaining after the Company's other indebtedness is satisfied. If any such assets are insufficient to pay the full amount due to the holders of the Preferred Shares, then holders of Preferred Shares shall share ratably, together with holders of other shares which rank equally in any such distribution of assets in proportion to the full distributions to which they would otherwise be respectively entitled.

Inability to reinvest at a similar return on investment upon redemption

On the Optional Redemption Date or at any time redemption occurs, the Company may redeem the Preferred Shares at the Redemption Price, as described in ''Terms of the Offer" of the relevant Offer Supplement. At the time of redemption, interest rates may be lower than at the time of the issuance of the Preferred Shares and, consequently, the holders of the Preferred Shares may not be able to reinvest the proceeds at a comparable interest rate or purchase securities otherwise comparable to the Preferred Shares.

Limited voting rights

Holders of Preferred Shares will not be entitled to elect the BOD of the Company. Except as specifically set forth in the Amended Articles of Incorporation and as provided by Philippine law, holders of Preferred Shares will have no voting rights (see ''Description of the Securities'').

Redemption at the option of the Issuer

The Preferred Shares have no fixed final maturity date. Holders have no right to require the Company to redeem the Preferred Shares at any time and they can only be disposed of by sale in the secondary market. Holders who wish to sell their Preferred Shares may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Preferred Shares. Therefore, holders of the Preferred Shares should be aware that they may be required to bear the financial risks of an investment in the Preferred Shares for an indefinite period of time.

Since the Redemption Price is equal to the relevant Offer Price of the Preferred Shares plus any accrued and unpaid cash dividends due them on such Dividend Payment Date as well as all arrears of dividends outstanding, there is a risk that holders of the Preferred Shares who may have purchased the same at a price higher than the Redemption Price would recognize a loss. Revenue Regulations No. 6-2008 discusses treatment of capital gain or loss treatment applied to the redemption of shares. Under said regulation, the tax consequences of the redemption will depend on the purpose of the issuer, to wit: (a) If the redemption of shares is for cancellation or retirement, the difference between the redemption price and the original cost of the preferred shares shall be treated as capital gain or capital loss, and shall be subject to the regular income tax rates imposed under the Tax Code or (b) If the redemption of shares is to be held in treasury, the stock transaction tax shall apply (if the shares are listed and transferred through the trading system and/or facilities of the PSE; otherwise, the transaction shall be subject to the 5% (applicable to the first ₱100,000 of capital gains) and 10% (applicable to any capital gains in excess of ₱100,000) net capital gains tax). Redemption will be coursed through the facilities of the PSE, if, for any reason, the redemption is not done through the PSE, then the holder of the Preferred Shares will, in addition to the exposure to capital gains tax, be exposed to documentary stamp tax like any sale of shares done outside the PSE. Redemption of the preferred shares, if below listed price, may expose the holders of the Preferred Shares to the donor's tax. See "Taxation".

There is no guarantee that the Preferred Shares will be listed

The Company has filed an application for the listing of the Preferred Shares as they are issued on the PSE but cannot guarantee that the Preferred Shares will be listed on its target listing date as indicated in the relevant Offer Supplement.

The Preferred Shares will be listed on the Main Board subject to the PSE's approval of the Company's listing applications.

Absence of a liquid secondary market

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions, and are not as highly regulated or supervised as some of these other markets. The Company cannot guarantee that the market for the Preferred Shares will always be active or liquid upon their listing on the PSE.

In addition, the Company and the Underwriters are not obligated to create a trading market for the Preferred Shares and any such market making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Preferred Shares will develop or if such a market develops, if it can be sustained. Consequently, a stockholder may be required to hold his Preferred Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

Volatility of the Preferred Shares

The market price of the Preferred Shares could be affected by various factors, including:

- general market, political and economic conditions, including prevailing interest rates;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed stocks, in general, and stocks of other conglomerates;
- changes to government policy, legislation or regulations, and general operational and business risk.

In addition, many of the risks described within this section could materially and adversely affect the market price of the Preferred Shares.

Use of Proceeds

The use of proceeds for each tranche of the Offer shall be set out in the relevant Offer Supplement. For details on the use of proceeds for the first tranche of the Offer, please refer to page 33 of the Offer Supplement dated November 21, 2016.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or stockholder, for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

Except for the underwriting fees, issue management fees and expenses related to the Offer, no amount of the proceeds will be utilized to pay any outstanding financial obligations to the Underwriters.

In the event of any material deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC, PSE and the holders of the Preferred Shares in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments in the use of proceeds, as indicated above, should be approved by the BOD and disclosed to the PSE. In addition, the Company shall submit via EDGE, the following disclosures to ensure transparency in the use of proceeds:

(i) Any disbursements made in connection with the planned use of proceeds from the Offer;

(ii) Quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter. The quarterly progress report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;

(iii) Annual summary of the application of the proceeds on or before 31 January of the following year. The annual summary report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor; and

(iv) Approval by the BOD of any reallocation on the planned use of proceeds or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports of the Company as required in items (ii) and (iii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Work Program of Offer Prospectus, if any. Such detailed explanation will state the approval of the Board as required in item (iv) above.

Dilution

The Preferred Shares will not have any dilutive effect on the rights of the holders of the common shares of the Company as the Preferred Shares are non-voting, non-convertible and non-participating.

Plan of Distribution

ALCO plans to issue the Preferred Shares to institutional and retail investors in the Philippines through a public offering to be conducted through the Underwriters. The Offer does not include an international offering.

The detailed plan of distribution and underwriting arrangements for each tranche of the Offer shall be as set out in the relevant Offer Supplement.

The Company

OVERVIEW

ARTHALAND CORPORATION is a world-class boutique real estate developer of enduring, sustainable, and future-ready properties recognized internationally as the best residential and green developments in the Philippines. ALCO is building its mark in the Philippine real estate market by giving priority to sustainability and innovation, and by developing and managing properties that adhere to the global and national standards in green buildings.

ALCO was incorporated on 10 August 1994[4] for the primary purpose of engaging in the realty development business, including home building and development, and to deal, engage, invest and transact, directly or indirectly, in all forms of business and mercantile acts and transaction concerning all kinds of real property, including but not limited to the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer of residential, industrial or commercial property.

In 2007, a group of investors led by AOCH1, an investment company specializing in business opportunities in the Philippines, acquired 73.27% of ALCO's then outstanding capital stock, marking the beginning of its renewed focus in real estate development.

The year 2011 marked the entry of CPG Holdings, Inc. ("CPG"), an affiliate of leading food manufacturer Century Pacific Food, Inc., which is listed with the PSE under the stock symbol "CNPF", into ALCO through its acquisition of 1,800,000,000 ALCO common shares. In 2014 CPG further solidified its commitment by purchasing an additional 342,619,910 ALCO common shares.

As of 31 August 2016, CPG and AOCH1 are the largest stockholders of ALCO with 40.29% and 26.02%, respectively of ALCO's total issued and outstanding common shares. The Company's shares are traded in the PSE with the trading symbol ALCO.

ALCO's developments are registered or are set to be registered under U.S. Green Building Council's LEED program, a globally recognized green building rating system that warrants comprehensive, inclusive and calibrated measures in ensuring sustainability and environmentally sound practices.

Arya, a 507-unit high-end residential project located in BGC is ALCO's initial foray in real estate development, and is the Philippines' first and only residential condominium to achieve a dual green building certification. Arya has received a gold certification from LEED. It is likewise the benchmark project of PGBC's BERDE, or the green building rating system used to measure, verify and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines.

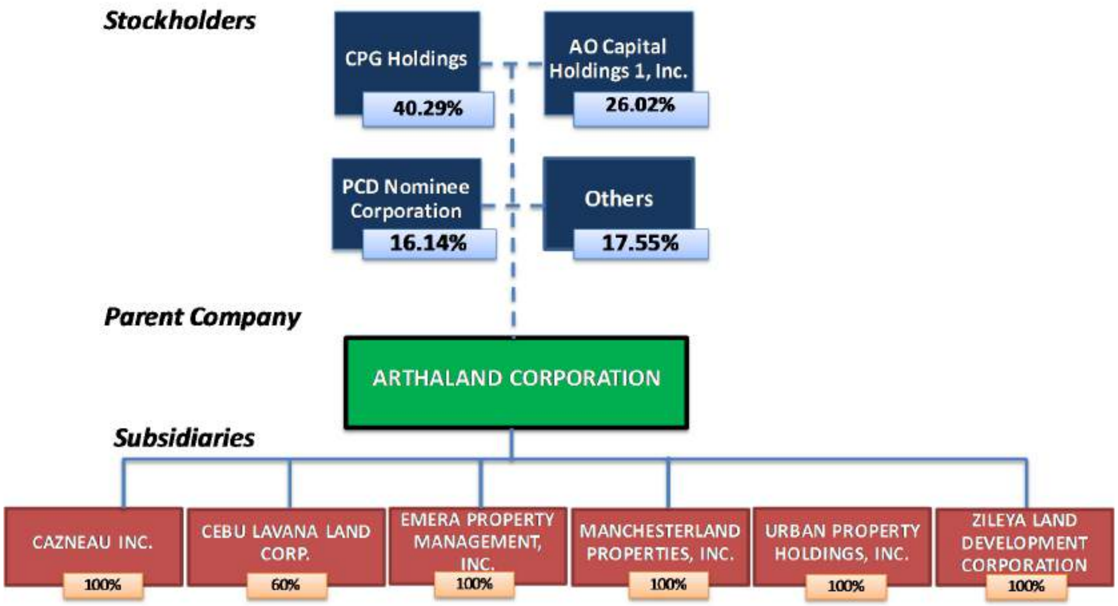
Arya has garnered the following international recognitions for five years in a row: Best Residential Development in the Philippines in 2012 and 2013 in the South East Asian Property Awards, Best Residential High-rise Development in the Philippines in 2014 and 2015 in the Asia Pacific Property Awards, Best Residential Development in Manila and Best Residential Architectural Design in 2013 and 2014 and its first tower as the Best Residential Interior Design in 2014 in the Inaugural Philippines Property Awards.

ArthaLand Century Pacific Tower ("ACPT"), a 30-storey AAA-Grade office building and ALCO's first office development, is set to be BGC's landmark of sustainability. Similar to Arya, it is on target to secure dual green building certifications and has been recognized by the Philippines Property Awards as the Best Green Development in the Philippines for 2016 and cited to have the Best Office Architectural Design.

4 ALCO was originally registered as Urbancorp Realty Developers, Inc. but was renamed in 2003 as EIB Realty Developers, Inc. On 26 January 2009, the SEC approved anew the change of the corporate name to ALCO.

All of the revenues and net income of ALCO for the years 2013, 2014, 2015 and for the six months ended June 30, 2016 were contributed by the revenues and net income from the sale of units in Arya Residences. ALCO expects to generate lease revenues from retail units of Arya Residences in 2017 and from office units of ACPT when the project is completed.

CORPORATE STRUCTURE



Subsidiaries and Joint Ventures

i. Cazneau Inc. was incorporated on 31 July 2008 principally to engage in the realty development business, including, but not limited to, the acquisition, construction, utilization and disposition, sale, lease, exchange or any mode of transfer of residential, industrial or commercial property. ALCO has 100% ownership interest in this company. On 8 September 2016, Cazneau executed a deed of absolute sale for the acquisition of an 8.1- hectare property in Biñan, Laguna for ALCO's *Biñan Laguna Project* as discussed in more detail under the section *Projects.* Currently, Cazneau has an authorized capital stock of Php1,000,000.00. Its total subscribed capital and paid up capital are Php250,000.00 and Php210,400.00 respectively.

ii. Cebu Lavana Land Corp. was incorporated on 11 September 2015 to principally engage in the realty development business. It is the vehicle ALCO used to acquire two parcels of adjacent land in Cebu City, Philippines with a total area of 8,440 sqm.

Rock & Salt B.V., a foreign private limited liability company existing and duly constituted under the laws of The Netherlands with principal office address at Naritaweg 165, 1043 BW Amsterdam, The Netherlands, and managed by Arch Capital Management Company Limited, subscribed to its shares of stock which entitled it to two seats in the five-man Board of the company.

CLLC is intended to be used for ALCO's *Cebu Exchange Project* as discussed in more detail under the section *Projects.*

Currently, CLLC has an authorized capital stock of Php200,000,000.00. Its total subscribed capital and paid up capital are Php83,333,300.0 and Php34,651,842.73 respectively.

iii. Zileya Land Development Corporation was incorporated on 28 December 2015 with the primary purpose of engaging in the realty development business. Zileya is the investment vehicle intended to be used for ALCO's *Makati CBD Residential Project* as discussed in more detail under the section *Projects.* ALCO has 100% ownership interest in this company. Currently, Zileya has an authorized capital stock of Php200,000,000.00. Its total subscribed capital and paid up capital are Php50,000,000.0 and Php12,500,000.00 respectively.

iv. Emera Property Management, Inc. was incorporated on 31 July 2008. It was originally established to engage in the realty development business but now serves as the property management arm of ALCO for its flagship project, Arya Residences, and for all its development projects to ensure the maintenance of high quality standards therein. Presently, it has seven employees on board. ALCO has 100% ownership interest in this company.

Currently, Emera has an authorized capital stock of Php1,000,000.00. Its total subscribed capital and paid up capital are Php250,000.0 and Php209,700.00 respectively.

v. Manchesterland Properties, Inc. ("MPI") was incorporated on 27 March 2008 and is presently the registered owner of the 6,357-sqm property located along McKinley Parkway on which Arya Residences stands. It also owns the Plaza which contains the commercial units in said development. ALCO has 100% ownership interest in this company.

Currently, MPI has an authorized capital stock of Php640,000,000.00. Its total subscribed capital and paid up capital are Php635,704,000.00 and Php635,704,000.00 respectively.

vi. Urban Property Holdings, Inc. was incorporated on 23 January 1995 and is presently the registered owner of the 33-hectare property located in Calamba, Laguna, which may be developed in the future subject to market conditions. ALCO has 100% ownership interest in this company.

Currently, UPHI has an authorized capital stock of Php80,000,000.00. Its total subscribed capital and paid up capital are Php20,000,000.0 and Php20,000,000.00 respectively.

Subject to matters disclosed under the section "Legal Proceedings" of this Prospectus, none of these subsidiaries are engaged in any bankruptcy, receivership or similar proceedings. During the period covered by this Prospectus, the above-named subsidiaries are neither parties to any transaction which involves material reclassification, merger, consolidation or purchase or sale of a significant amount of assets, with the exception of CLLC and Cazneau as explained above.

The revenue and net income contribution of ALCO and its subsidiaries are summarized below:

ARTHALAND CORPORATION AND SUBSIDIARIES
SUMMARY OF REVENUE AND NET INCOME
For the Years Ended December 31, 2013-2015 (Audited) and Six Months Ended June 30, 2015-2016 (Unaudited)

(in Php Millions)	REVENUE									
	AUDITED						UNAUDITED			
	2013		2014		2015		2015 JUN		2016 JUN	
Company	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Arthaland Corporation	2,143	100%	2,187	96%	1,469	87%	808	83%	330	89%
Manchesterland Properties, Inc.		0%	100	4%	224	13%	158	16%	40	11%
Emera Property Management Inc.		0%		0%		0%	2	0%		0%
Cazneau Inc.		0%		0%		0%		0%		0%
Urban Property Holdings, Inc.		0%		0%		0%		0%		0%
Cebu Lavana Land Corp.		0%		0%		0%		0%		0%
Zileya Land Corporation		0%		0%		0%		0%		0%
Total before consolidation	2,143	100%	2,287	100%	1,693	100%	968	100%	370	100%
Consolidation entries*	189		-233		-109		-71		-5	
Consolidated Revenues	**2,332**	**100%**	**2,053**	**100%**	**1,584**	**100%**	**898**	**100%**	**365**	**100%**

(in Php Millions)	NET INCOME									
	AUDITED						UNAUDITED			
	2013		2014		2015		2015 JUN		2016 JUN	
Company	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Arthaland Corporation	378	101%	506	100%	174	84%	118	91%	6	-67%
Manchesterland Properties, Inc.	-3	-1%	3	1%	36	17%	12	9%	2	-20%
Emera Property Management Inc.		0%		0%		0%		0%		2%
Cazneau Inc.		0%		0%		0%		0%		1%
Urban Property Holdings, Inc.	-1	0%	-1	0%		0%		0%		3%
Cebu Lavana Land Corp.		0%		0%	-1	-1%		0%	-17	180%
Zileya Land Corporation		0%		0%		0%		0%		3%
Total before consolidation	374	100%	509	100%	208	100%	129	100%	-9	100%
Consolidation entries*	-91		-305		16		-26		33	
Consolidated Net Income	**283**	**100%**	**204**	**100%**	**224**	**100%**	**103**	**100%**	**24**	**100%**

**Consolidation entries refer to adjustments required to reflect the proportionate effect on reported revenues, of the fair-value difference on the cost of the subsidiary's land recognized at the consolidated financial statements, following PFRS 3, Business Combinations.*

CORPORATE HISTORY

ArthaLand Corporation was incorporated in the Philippines on 10 August 1994 originally as *Urbancorp Realty Developers, Inc. (URDI)*. It was the real estate arm of then Urban Bank, Inc. (UBI) which was a universal bank at the time with full authority to engage in non-allied undertakings.

URDI conducted its initial public offering in 1996 with the listing of 701 million common shares. The proceeds thereof amounting to ₽835.0 million were used to fund the company's transactions and to settle its 1995 Notes Payable Account.

URDI developed Exportbank Plaza (previously Urban Bank Plaza) and the One McKinley Place Condominium, which is a 50:50 joint venture undertaking of URDI and the Philippine Townships, Inc. (formerly RFM Properties and Holdings, Inc.) through One McKinley Place, Inc. as the corporate vehicle.

On 31 January 2002, the SEC approved the merger among UBI, then Export and Industry Bank, Inc. (a development bank) and Urbancorp Investments, Inc. UBI was the surviving entity but was renamed Export and Industry Bank, Inc. (EIB). Bangko Sentral ng Pilipinas also downgraded EIB's authority to a commercial bank with a directive to divest from its non-allied undertakings, which included URDI.

Around this time, URDI was renamed *EIB Realty Developers, Inc., (EIBR)* and the par value of its shares of stock was reduced from ₽100.00 to ₽1.00. EIB held 70%, more or less, of the outstanding shares of EIBR. EIBR has had minimal operations since 2004.

In January 2006, new investors came into EIB. Mr. Jaime C. Gonzalez became the Chairman of the Board of EIB in May 2006.

On 21 May 2007, EIBR held its annual stockholders' meeting primarily for the purpose of electing the new members of its Board of Directors which were expected to develop a proactive medium and long-term business plan for EIBR. The new EIBR Board was composed of the same members of the Board of EIB and was chaired by Mr. Gonzalez as well.

On 24 May 2007, the EIBR Board approved the quasi-reorganization of the Company by (i) decreasing the par value of EIBR's common shares from ₽1.00 to ₽0.18 per share, with the corresponding decrease in the authorized capital stock from ₽2.0 Billion to the paid-in capital stock of ₽246,257,136.00 only, and (ii) amending EIBR's Articles of Incorporation to reflect the proposed reorganization.

The foregoing corporate actions were approved at EIBR's Special Stockholders' Meeting held on 02 July 2007. Around the same time, EIBR's 50% equity investment in One McKinley Place, Inc. was sold, transferred and assigned to its joint venture partner in the said project, Philippine Townships, Inc.

On 04 December 2007, the SEC approved the amendment to the Articles of Incorporation of EIBR decreasing the par value of its common shares from ₽1.00 to ₽0.18 per share with the corresponding decrease in the authorized capital stock from ₽2.0 Billion to the paid-in capital stock of ₽246,257,135.82 only. EIB's shareholdings in EIBR were reduced to approximately 19%.

On 28 January 2008, EIBR stockholders amended anew its Articles of Incorporation and approved the increase of the authorized capital stock by ₽2.70 Billion or 15.0 Billion common shares, *i.e.* from ₽246,257,135.82 divided 1,368,095,199 common shares at a par value of ₽0.18 per share to ₽2,946,257,135.82 divided into 16,368,095,199 common shares also at a par value of ₽0.18 per share.

On 14 March 2008, Ms. Angela De Villa-Lacson was elected to the Board of Directors of EIBR and appointed as President and CEO effective on 01 April 2008.

Following the reduction in the par value of its shares and decrease in authorized capital stock, EIBR undertook a recapitalization program as approved by the SEC in December 2008 which led to the entry of new investors with the ₽750.0 Million subscription of AO Capital Holdings I, Inc., Vista Holdings Corporation, The First Resources Management and Securities Corporation and Elite Holdings, Inc.

With the SEC's approval on 26 January 2009, EIBR became **ArthaLand Corporation** and started using the symbol **ALCO** on the board of the Philippine Stock Exchange.

On 26 April 2011, CPG acquired a total of 1,800,000,000 ALCO common shares, or an equivalent of 33.847% of ALCO's total issued and outstanding common shares.

On 13 March 2012, EIB sold its remaining shareholdings in ALCO equivalent to 981,699,819 common shares of stock to the following entities:

Edimax Investment Limited	296,460,000 shares
Kinstar Investment Limited	94,720,035 shares
Viplus Investment Limited	247,899,874 shares
Nanlong Investment Limited	342,619,910 shares

On 23 September 2014, CPG acquired the ALCO shares of Nanlong Investment Limited. As a consequence, CPG now holds a total of 2,142,619,910 ALCO common shares, or 40.29% of the outstanding 5,318,095,199 common shares.

ARTHALAND'S COMPETITIVE STRENGTHS

Strong Brand Equity Resulting from a Clear Differentiation in Value and Sustainability

ALCO sets itself apart from its competition by offering additional value to its customers in the form of sustainability features at price points that are attractive. Arya Residences, ALCO's multi-awarded initial foray in real estate development utilized building features and design elements such as double-glazed glass facades, and efficient air conditioning and water collection systems to achieve operational efficiencies resulting to significant savings in electricity and water costs that benefit the unit owner compared to conventionally-designed buildings.

To date, Arya is the Philippines' first and only residential condominium to achieve a dual green building certification. It is registered under the U.S. Green Building Council's LEED program with a gold certification, as well as being the benchmark vertical residential development for the Philippine Green Building Council's Building for Ecologically Responsive Design Excellence.

In addition, the Company's developments are forward-looking and ready to adapt new technologies. The ACPT will have a fiber optic backbone and is poised to adapt high-speed internet as and when the technology becomes more readily available.

Strong, Hands-On and Committed Shareholders

ALCO's largest shareholders, CPG and AOCH1 represent groups that have substantial financial resources and track record. Aside from the approximately ₽1.0 billion in equity investment provided by ALCO's shareholders, CPG also provided a non-interest bearing loan to ALCO for ₽1.6 billion for the development of ACPT. Both CPG and AOCH1 are well represented in ALCO's management team that deliberates on day to day decisions and executes its plans. *Please refer to Projects- ACPT and Related Party Transactions for further discussion on the interest-free loan facility provided by CPG.*

Entrepreneurial Management Team with Extensive Experience

ALCO draws its strength from its management team consisting of highly experienced industry veterans from various high-end real estate developers with more than 200 years of cumulative management experience in the Philippines and abroad. From its management team specializing in sales, development, design and engineering, ALCO draws a deep understanding of its customers and adapts best practices of established high-end real estate developers to execute its plans.

Owing to this, ALCO's *Arya was* constructed comfortably within budget. Market reception was likewise very strong with Arya Tower 1 and Tower 2 already substantially sold.

ALCO also engages best-in-class partners such as construction companies, architecture and design firms, and quanity surveyors. As such, ALCO's projects are excellently executed and are at the forefront of modernity and technology.

ACPT was designed by the world-renowned SOM. The same group designed some of the world's most iconic buildings such as the Burj Khalifa, the tallest man-made structure ever built, and One World Trade Center in New York City.

Purposeful Development Strategy that is Supportive to the Company's deliberate Plans

ALCO's projects are well-thought out and deliberate. Its approach to the development of its projects is inherently tied to the unique characteristics of its land bank as well as the specific needs of its target market for each of the locations of its projects.

ALCO's land bank is uniquely positioned in both prime and upcoming locations around the Philippines thereby allowing it to both realize values from buoyant prices in the central business districts of Bonifacio Global City (*Arya Residences* and *ACPT)*, and Cebu (*Cebu Exchange),* while allowing it to develop its land bank in emerging communities such as Biñan, Tagaytay, and Calamba.

Conducive Macroeconomic Environment

The Philippine economy continues to remain supportive of the real estate market. GDP Growth remains robust at 7% as of the first half of 2016, as driven by sustained overseas remittances as well as the growing BPO sector which is expected to reach US$ 20.0 Billion in 2016.

ARTHALAND'S BUSINESS STRATEGY

Over-all Growth Strategy

Following its reorganization in 2007, ALCO focused on establishing its brand and track record by developing its flagship projects, Arya and ACPT, which are meant to represent ALCO's solid presence in both the residential and office segments of the real estate sector. After the huge success of Arya and as ACPT is about to be completed, ALCO has established itself as a premium and sustainable property developer and is now focused on growing its real estate portfolio.

By 2022, ALCO expects to have in its portfolio a total of more than 520,000 sqm of developed GFA. Compared against the combined GFA of Arya and ACPT of approximately 110,000 sqm, this represents a growth multiple of almost five times its current portfolio or an estimated compounded annual growth rate of 30%.

ALCO's two most immediate projects, the Cebu Exchange and the Biñan Laguna projects, already account for 56% of the incremental GFA that ALCO expects to support its growth target. For these two projects, ALCO has secured the land on which the projects will rise and for the Cebu Exchange, ALCO expects construction to begin within the first half of 2017. Thus, ALCO has already secured the location and is mobilizing its resources for a substantial portion of its growth target. ALCO is in the process of securing the land for the balance 44% of the target incremental GFA and will disclose when the acquisitions are completed.

Diversification

ALCO believes that while the outlook for the entire real estate sector is positive, the real estate sub-sectors will be in varying stages of growth from 2016 to 2022. Given recent trends in the industry, ALCO has identified opportunities in the office sub-sector following the continuous strong demand for office space in key locations. In the residential sub-sector, ALCO has identified pockets of the market segments that are promising.

Given these, ALCO uses a deliberate strategy of achieving an optimal mix of residential and office development in its portfolio. Of the expected 520,000 sqm portfolio by 2022, ALCO expects approximately 50% (about 260,000 sqm) to be in the office segment and the balance 50% in the upper middle to high end residential segment.

Within each of the office and residential sub-sectors, ALCO further plans to diversify its developments geographically. Of the approximately 260,000 sqm of planned developed GFA for the office segment, ALCO has deliberately allocated 40% outside Metro Manila through the Cebu Exchange project. Of the 60% that it plans to develop within Metro Manila, ALCO has further allocated its planned office projects among the key business districts in Fort Bonifacio, Makati, Ortigas and southern Metro Manila.

In the residential segment, ALCO plans for almost 50% of developed GFA by 2022 to be located outside Metro Manila through its Biñan Laguna project. The other 50% is also allocated among key locations in Fort Bonifacio and Makati.

Maintaining High Quality in its Projects

ALCO is very particular about maintaining the high quality for which its flagship projects are known. As a central focus of its strategy, ALCO will continue to position itself as a premium developer of sustainable projects and will continue to target to achieve green building certification for all of its future projects. All of ALCO’s projects will adhere to the key principles as listed below:

Thoughtful Planning & Space Management

Every inch of an ALCO real estate development is well-planned and well thought-out so users can make the most, not only of the space they occupy, but also the rest of the development. The Company anticipates what matters most to the buyers and translates these into the plans. The Company ensures that it provides what its customers expect including amenities superior to comparable developments. The Company seeks to exceed these expectations with well thought-out extras, making the projects unique and differentiated. Where applicable, ALCO creates multi-use spaces, i.e., flexible features that may be adapted to possible changes in the future.

Quality Assurance

ALCO ensures that their customers get the best value for what they pay. It is a preference for the exceptional that allows the Company to gain and keep customers. The Company’s every choice—from site selection, to design specifications and reputable consultants and suppliers, to superior workmanship and construction process, down to the efficient after-sales services and warranties—centers around quality and value. To ensure that the developments continue to adhere to high standards, the Company, through its property management company, continues to manage its projects.

Safety & Security

From design to implementation, the Company considers all features to keep their customers worry free. At the design stage, ALCO considers the appropriate configuration and the necessary systems installations to make the project secure. During operations, the Company places a well-trained property management team to ensure that sound practices are implemented. ALCO maintains and employs its own team of property managers to keep quality at a high level, instead of outsourcing property management services to third parties.

Operating Efficiency

The Company chooses the appropriate products to future proof its developments against costly maintenance and replacement in the long term.

The Company gives special attention to energy efficiency by including features designed to minimize the user's dependence on electricity.

ALCO also focuses on water conservation in its overall operating efficiency strategy. The Company makes sure to build in features in its developments to enable the residents and tenants to reduce water wastage, and thereby save on utility costs.

Enabling Technology

The Company uses the latest applicable technology and anticipates future developments in its space to provide its customers maximum flexibility. The Company keeps itself updated with features that the market and the industry may require. It incorporates technologies that are most valuable to the customers, while maintaining the flexibility by making provisions to allow it to adapt to future upgrades.

Healthy Living and Working Experience

ALCO seeks a balanced, more meaningful, and healthier lifestyle for the customers. The Company incorporates sustainable designs that foster better health and improved comfort such as natural daylight, shading from direct sunlight, fresh air intake, greens and landscapes. These not only help promote more comfortable environments, they also decrease human dependence on energy and operations costs. They also provide practical luxuries—features and amenities for recreation to deliver a well-rounded and a more complete development.

Matching of Fixed Costs with Recurring Income

To mitigate risk, ALCO likewise intends to maintain a leasing portfolio which, at minimum, is planned to match its fixed overhead costs. ALCO's leasing portfolio is currently composed of its retail units in Arya Residences as well as the office units in ACPT, which is currently under construction. Depending on market conditions, ALCO may also choose to retain retail or office units in its future projects to grow its leasing portfolio.

RECENT DEVELOPMENTS

- On 8 September 2016, Cazneau executed a deed of absolute sale for the acquisition of an 8.1 hectare property in Biñan, Laguna for ALCO's *Biñan Laguna Project.*

- In July 2016, ALCO drew on a ₱300.0 million 3-year term loan granted by Philippine National Bank to finance its capital investment in one of its subsidiaries. The loan is secured by a mortgage over 9 commercial units and 121 parking slots in Arya residences.

- In August 2016, ALCO drew ₱255 million from its short-term facility with BDO Unibank, Inc. to partially finance its capital investment in one of its subsidiaries, CLLC.

- In September 2016 and October 2016, ALCO drew ₱92.37 million and ₱ 79 million from its ₱ 2 billion Omnibus Loan and Security Agreement term loan facility with BDO Unibank, Inc. to partially finance the construction of ACPT.

- In September 2016, ALCO drew approximately ₱32.6 million from its CTS facility with BDO Unibank, Inc. The loan is secured by a deed of assignment over selected contracts to sell and will mature in April 2017.

- In October 2016, ALCO drew ₱90 million from its short-term facility with Bank of the Philippine Islands for working capital purposes. The loan will mature on October 5, 2017 and is secured by a mortgage over selected residential units in Arya.

- In November 2016, ALCO drew ₱40 million from its short-term facility with a private funder. The loan is unsecured and will mature in May 2017.

- In Q3 of 2016, the Group measured its unsubdivided land and properties for lease at fair value. These investment properties are revalued periodically at fair values as determined by an independent firm of appraisers. The latest appraisal report was prepared in September 2016. The Group recognized fair value gain of ₱795.5 million in 2016, presented as "Gain on fair value changes of investment properties" in the consolidated statements of comprehensive income. The fair value measurement for investment properties has been categorized as level 3 (significant unobservable inputs).

  The composition of investment properties as at September 30, 2016 is as follows:

	September 2016
Cost	2,107,453,534
Cumulative gain on fair value changes (Note 18)	795,475,940
	2,902,929,474

  Description of valuation techniques used and key inputs to valuation on investment properties follows:

	Valuation Technique	Significant unobservable Inputs	Range (weighted average)
Land	Market Approach for Land	Selling price per square meter	1,200 – 1,600/ sq. m.
Building	Market Approach	Asking price per square meter	191K – 563K/ sq. m.

PROJECTS

Arya Residences

Arya is a 507-unit high end residential project located at the corner of 8^{th} Avenue and Mckinley Parkway, BGC, Taguig City. Arya currently has two towers. Tower 1 commenced construction in 2010, was completed in 2013, and was handed over to buyers in 2014. Tower 2’s construction commenced in 2012, and its hand-over is expected in 2016. Both Tower 1 and Tower 2 are substantially sold to date.

Arya is the leading high rise residential development that has received a Gold certification from LEED. Arya is likewise the benchmark project in the Philippine Green Building Council’s BERDE, or the green building rating system used to measure, verify and monitor the environmental performance of buildings that exceed existing mandatory regulations and standards in the Philippines. It has garnered international recognition for five years in a row now. The South East Asian Property Awards has chosen Arya Residences as the Best Residential Development in the Philippines in 2012 and 2013 while the Asia Pacific Property Awards recognized Arya as the Best Residential High-rise Development in the Philippines for 2014-2015. Also, the Inaugural Philippines Property Awards acknowledged Arya to be the Best Residential Development in Manila with the Best Residential Architectural Design twice, in 2013 and 2014, and the project’s first tower was awarded the Best Residential Interior Design by the same body in 2014.

ACPT

Seeing the strong demand for office space particularly in BGC, ALCO commenced the development of ACPT in 2014. As of August 2016, ACPT's substructure is approximately 97% complete while the superstructure is approximately 37% complete. Contract completion is expected by mid-2017, while pre-leasing efforts are currently ongoing.

The construction of ACPT is partially funded by a non-interest bearing loan from Centrobless, Inc., (an investment vehicle of CPG). Under the terms of the loan agreement, Centrobless may choose to be repaid through the dacion of office units in ACPT representing approximately 31% of ACPT's net leasable area. If Centrobless chooses to be repaid as described above, ALCO will have 20,976 sqm of net leasable space in ACPT which it will keep to generate recurring lease revenues. ALCO has engaged KMC as sole leasing agent for all the units in ACPT.

ACPT, which is set to be BGC's landmark of sustainability, is expected to be the first AAA-grade office in BGC. The 30-storey AAA-grade office building will be located along the prime 5th Avenue within BGC's E-Square, particularly along the street where The Shangri La at the Fort and the future building of the Philippine Stock Exchange are located.

ACPT was designed by SOM New York, the same group that penned One World Trade Center and Burj Khalifa in Dubai. Similar to Arya, it is on target to achieve dual green building certification from the USGBC LEED and PhilGBC BERDE programs. ACPT is recognized by the Philippines Property Awards as the Best Green Development in the Philippines for 2016 and is cited to have the Best Office Architectural Design.

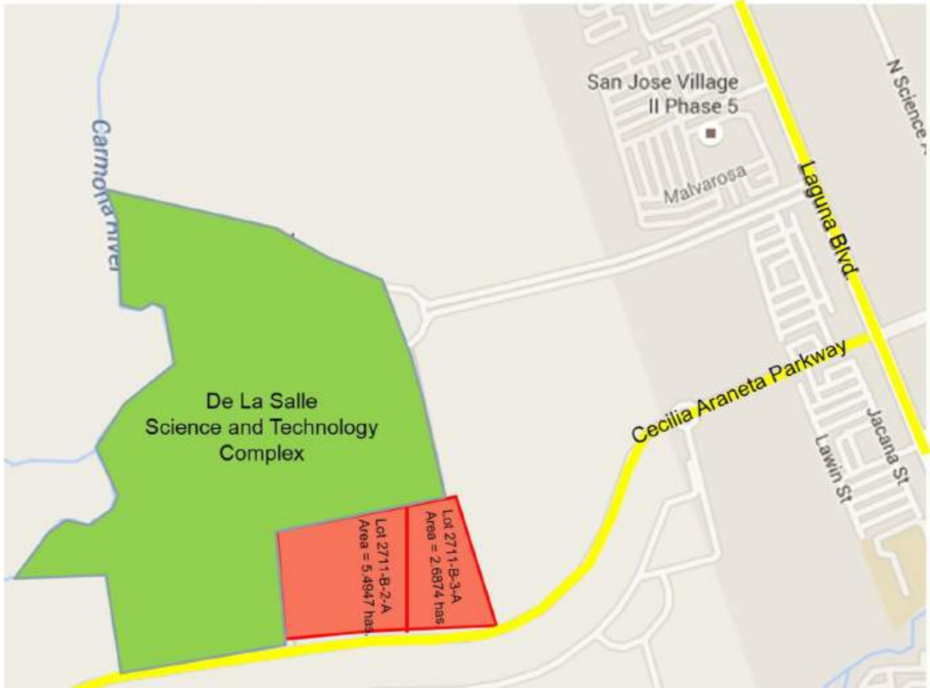
Cebu Exchange

Cebu Exchange will be built on an 8,440 sqm property located along Salinas Drive across the Cebu IT Park in Cebu City. It will be a 39-storey office building with retail establishments at the ground level and lower floors, one of the largest and tallest office developments in Cebu with total NLA or NSA of almost 90,000 sqm. ALCO's design for Cebu Exchange gives it the flexibility to serve the wide office space market in Cebu: (i) The Cebu Exchange will have a lower office zone of three levels which will have floorplates of around 5,400 sqm, which is targeted to cater to larger BPOs that may benefit from consolidating their operations; (ii) The project will have a middle zone of nineteen levels with floorplates of approximately 3,000 sqm, which will cater to conventional offices and BPOs; and (iii) a high zone of eight levels with floorplates of approximately 100 to 300 sqm, which is intended to cater to start up businesses. As of 31 August 2016, ALCO has already secured a temporary permit to sell, in relation to the Cebu Exchange Project, thereby allowing them to conduct pre-selling activities.

In January 2016, Rock & Salt B.V. subscribed to 40% of the outstanding shares of CLLC, ALCO's investment vehicle for the Cebu Exchange Project. Rock & Salt B.V. is the investment vehicle of Arch Capital, which is a Hong Kong based private equity fund set up to pursue investments in Asian property markets, which are in strong growth phases such as China, India, and Thailand. Arch Capital was co-founded by Ayala Land and Ayala Corporation. Arch Capital's major shareholders are Richard Yue (50%), the Rohatyn Group, (40%), and Ayala Land (8%).

As with Arya and ACPT, ALCO expects the Cebu Exchange to receive green building certification from both the USGBC LEED and PhilGBC BERDE programs.

Biñan Laguna Project



On 8 September 2016, ALCO, through its 100% owned subsidiary, Cazneau, acquired eight hectares of land adjacent to *De La Salle Science and Technology Complex* in Canlubang from South Industrial Facilities, Inc. and YCLA Sugar Development Corp. The Biñan Laguna Project is conceptualized to be a masterplanned campus-type residential community that will feature a mix of student and faculty housing, a mix of low rise residential buildings as well as retail and supplemental amenities which ALCO expects to fully develop in phases throughout seven years, in step with the growth of new and existing schools in the area namely: *the De La Salle Science and Technology Complex in Canlubang, the University of Santo Tomas, Saint Scholastica's College, Miriam College Nuvali and Xavier School Nuvali*. The project is expected to benefit from the development of the Cavite Laguna Expressway, which is expected to spur the demand for residential housing, together with the development of industrial parks.

With its strategic location and proximity to business and commercial hubs and educational institutions, the Biñan Laguna Project is envisioned to be the quintessential suburban respite for starter and growing families. It will have everything within arm's reach including access to retail amenities, such as banks and groceries, proximity to excellent schools, business centers and technology parks, in a safe, green and laid-back neighborhood that fosters balance and authentic sense of community. A fresh and inspired dormitory development that will serve the immediate needs of the different schools in the area will complement the modern homes that will be offered in the Project.

ALCO has already selected a masterplanner for the project, and expects to launch within 2017, with the first phase expected to be in place by the start of the school year 2018.

Makati CBD Residential Project

ALCO is currently in the late stages of negotiations to acquire an approximately 2,000 sqm property in the Makati Central Business district, through its subsidiary, Zileya, which it plans to develop into a high rise upper-mid residential property of 200 units. ALCO expects financial close for the acquisition to take place in the last quarter of 2016, or in early 2017. ALCO is likewise considering developing the project with a partner.

South of Metro Manila Project

ALCO plans to acquire a property which is approximately 3,000 sqm in size within southern Metro Manila where office space continues to be in high demand. ALCO plans to complete the acquision of the property by Q4 2016.

Aside from the projects mentioned above, ALCO is constantly looking for acquisition targets with the business districts of Ortigas, Makati, BGC as well as other emerging cities. ALCO will continue to disclose material acquisitions, as they become definite, to its stakeholders through PSE and SEC.

MATERIAL AGREEMENTS

The following agreements, not being agreements in the ordinary course of business, have been entered into by the Company or its subsidiaries and are (or may be) material:

1. **Shareholders' Agreement**

On 7 January 2016, the Company, Arch SPV and CLLC, then a wholly-owned subsidiary of the Company, entered into a Shareholders' Agreement wherein Arch SPV agreed to invest in CLLC to the extent of 40% of its issued and outstanding capital stock, consisting of both common shares and preferred shares, among others. CLLC's purpose and business is to develop two parcels of land located at Salinas Drive, Lahug, Cebu City consisting of 8,440 sqms and to construct a condominium project for commercial and/or residential purposes which will be offered for sale or lease. Further, under the agreement, CLLC will enter into and execute a project management agreement with the Company.

2. **Construction Contracts**

Construction Contracts with Datem Incorporated

The Company entered into a construction contract dated 28 June 2011 with Datem Incorporated for general construction works on Tower 1 of Arya located at Lot 4-1, Bonifacio Global City, Taguig City. The contract commenced last 3 January 2011 and is now completed.

The Company also entered into a construction contract dated 8 July 2013 with Datem Incorporated for general construction works on Tower 2 of Arya located at Lot 4-1, Bonifacio Global City, Taguig City. The contract commenced last 1 August 2012 and is now substantially completed.

Construction Contract with Megawide Construction Corporation

The Company likewise entered into a construction contract dated 6 July 2016 with Megawide Consruction Corporation for general construction works for ACPT on a site located at Lot 5-5, 4^{th} Avenue corner 30^{th} Street, Bonifacio Global City, Taguig City. The contract commenced last 31 August 2015.

3. **Loan Agreements**

Omnibus Loan and Security Agreement with BDO Unibank, Inc.

On 15 April 2015, the Company and BDO entered into an Omnibus Loan and Security Agreement where BDO has made available to the Company a loan facility of up to ₱2,000,000,000, subject to the terms and conditions of the said agreement. The loan facility was obtained to partially finance the cost of the construction and development of the ArthaLand Century Pacific Tower on a parcel of land with an area of 2,233 sqm located at Block 5, Lot 5, 30^{th} Street corner 4^{th} Avenue, 5^{th} Street Bonifacio Global City, Taguig City. As of the date of this Prospectus, the Company has drawn P579.7 million from the loan facility.

The OLSA contains restrictions on: (1) change in ALCO's ownership structure as of the date of the OLSA; (2) reacquisition by ALCO of its shares by purchase, redemption or donation; (3) declare or pay any dividend, distribution or other return of capital in respect of any ownership interest in the Company, and (4) amend its Articles of Incorporation.

Under the Omnibus Loan and Security Agreement of the Company with BDO Unibank, Inc. ("OLSA"), the Company is required to observe maximum Debt-to-Equity Ratios of 2:1 for 2015, 1.75:1 for the period 2016 to 2018, and 1.50:1 for the period 2019 to 2025, and to maintain a Debt Service Coverage Ratio of at least 1.2x at the end of the first year immediately following Project Completion and at the end of each year thereafter. As of the date of this Prospectus, the Company is compliant with all of its financial covenants under the OLSA.

The OLSA defines Debt-to-Equity Ratio as the ratio of the Borrower's total interest bearing liabilities to its total stockholders' equity, as reflected in the latest audited financial statements of the Borrower. For purposes of compliance with the terms of the OLSA, the Debt-to-Equity Ratio of the Company for December 31, 2015 and June 30, 2016 are 1.28:1 and 0.43:1 respectively, which are well within the limits indicated in the OLSA for the same period.

On the other hand, the computation of Debt-to-Equity Ratio in the Management Discussion and Analysis of the financial statements of the Company which were shown as 2.5:1 and 2.03:1 as of December 31, 2015 and June 30, 2016 respectively, included all of the outstanding debt of the Company, including non-interest bearing liabilities such as the loan from Centrobless Corporation, accounts payable, retirement liability and net deferred tax liabilities.

Please refer to the table below for a summary of the above discussion:

	TOTAL LIABILITIES & EQUITY PER FS		**INTEREST BEARING LIABILITIES & EQUITY PER OLSA**	
LIABILITIES AND EQUITY	JUNE 30 2016 (Unaudited)	DECEMBER 31 2015 (Audited)	JUNE 30 2016 (Unaudited)	DECEMBER 31 2015 (Audited)
Liabilities				
Loans payable	2,300,865,779	3,091,768,912	825,551,349	2,383,453,915
Accounts payable and other liabilities	1,444,703,087	1,368,361,438		
Retirement liability	40,801,518	40,801,518		
Net deferred tax liabilities	81,832,157	180,664,234		
Total Liabilities	**3,868,202,541**	**4,681,596,102**	**825,551,349**	**2,383,453,915**
Total Equity	**1,903,086,188**	**1,861,820,478**	**1,903,086,188**	**1,861,820,478**
<u>DE RATIO COMPUTATION</u>				
Total Liabilities	**3,868,202,541**	**4,681,596,102**	**825,551,349**	**2,383,453,915**
Total Equity	**1,903,086,188**	**1,861,820,478**	**1,903,086,188**	**1,861,820,478**
DE Ratio	**2.03:1**	**2.51:1**	**0.43:1**	**1.28:1**
Maximum DE Ratio			**1.75:1**	**2.00:1**

Note: The difference in the interest-bearing liabilities presented in the above table and the consolidated financial statements pertains to the unamortized debt issue cost which is recorded in the Company's accounting records

Further, the loan 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 Arthaland Century Pacific Tower and a security trust agreement covering revenue and operating accounts, project receivables and project agreements (including EPC contracts, lease contracts, operations and management contracts and insurance agreements). ALCO has obtained the necessary consent from BDO for: (1) the declaration of dividends on the Preferred Shares, as and if declared by the Board based on the conditions for the declaration of such dividends as set forth in the relevant Offer Supplement; and (2) the amendment of the Company's Articles of Incorporation increasing its authorized capital stock. As and when necessary, ALCO will also obtain BDO's consent for the redemption of the Series B Preferred Shares should conditions arise that may warrant the Company to exercise its sole option to redeem the said shares.

Non-Interest Bearing Loan from Centrobless Corporation

On 13 October 2015, the Company obtained a loan from Centrobless Corporation, the majority shareholder of which is Century Pacific Group, Inc. (the same majority shareholder of CPG Holdings, Inc., the Company's major stockholder at present) in the amount of ₱ 1,650,643,779 with a maturity date on 31 December 2018. As of 30 June 2016, the Company has fully drawn the loan. Under the terms of the loan agreement, Centrobless may choose to be repaid through the dacion of office units in ACPT representing approximately 31% of ACPT's net leasable area. If Centrobless chooses to be repaid as described above, ALCO will have 20,976 sqm of net leasable space in ACPT.

Short-term Loan from BPI

On June 23, 2016, the Company drew on a loan from the Bank of the Philippine Islands in the amount of ₱420,000,000. The loan will mature on June 16, 2017 and carries an interest of 2.75% pa. The loan is secured by a mortgage over certain residential units in Arya. The proceeds of the loan were used to replace the working capital funds which the Company initially used to acquire the Cebu Exchange property.

4. **Significant Asset Acquisition Agreements**

Acquisition in Laguna

On 8 September 2016, the Company, through its wholly owned subsidiary, Cazneau Inc., acquired an 8.1821 hectare property in Biñan, Laguna from YCLA Sugar Development Corporation and South Industrial Facilities, Inc. for a total purchase price of ₱ 306,828,750.

INDUSTRY OVERVIEW

The Philippine real estate sector is expected to sustain its robust growth. This positive outlook is supported by strong economic growth which in turn was sustained due to growth in investments, household spending and infrastructure spending. The benign inflation environment, stable growth in OFW remittances, higher foreign direct investments and favorable macroeconomic fundamentals continue to push demand for both residential and office space.

The Philippines' attractiveness as a business location remains strong especially as rental rates in Manila remain cheaper than most of the developed countries in the region. In addition, the Philippines continues to offer a supply of young educated talent at a cost that is still lower than comparative talent in the region.

Between 2016 to 2019, analysts expect the level of construction activity to remain high, particularly for the office segment. This is supported by continued access to affordable financing for both real estate developers, investors and end-buyers. The banking industry's real estate loan portfolio grew by almost 22% to ₱1.331 trillion as of Q1 2016. Of this, approximately 65% was for office/commercial real estate while the balance 35% was for residential purposes.

Office Segment – Metro Manila

Office Stock. As of Q2 2016, the total supply of office space in Metro Manila is estimated at 7.7 million sqm and is expected to increase to 8.1 million sqm by the end of 2016. While the older business districts of Makati and Ortigas Center accounted for almost 56% of total office space in 2015, their share is expected to decline to 43% by 2020 given the high level of construction activity in the newer business districts of Fort Bonifacio and other emerging areas in Metro Manila as well as the limited level of construction in Makati and Ortigas especially in the next three years.

Forecast New Office Supply in Metro Manila (in '000 sqm of net useable area)

Location	Stock as of 2015	New Office Supply					Stock as of 2020F
		2016F	2017F	2018F	2019F	2020F	
Makati CBD	2,853	13	38	30	40	183	3,158
Ortigas Center	1,380	15	61	46	236	0	1,737
Fort Bonifacio	1,171	271	346	224	177	30	2,218
Other locations	2,107	255	455	584	390	355	4,146
TOTAL	**7,511**	**554**	**899**	**884**	**843**	**568**	**11,260**
Cumulative office stock	**7,511**	**8,066**	**8,964**	**9,849**	**10,692**	**11,260**	

Source: Colliers International Philippines Research

Fort Bonifacio has positioned itself as the preferred location for companies offering higher value Knowledge Process Outsourcing (KPO) services. Given that this sector, as well as the BPO sector as a whole, is driving the demand for office space, construction activity in Fort Bonifacio is markedly higher than any of the other business districts in Metro Manila. Almost half of the expected new office stock in 2016 will come from Fort Bonifacio area.

Occupancy Rates. The high level of construction activity in the office segment is matched by heightened demand for office space, particularly form the BPO sector. As a result, vacancy rates remain low especially in Makati CBD where there is almost no new supply of office space and in Fort Bonifacio where demand for office space continues to remain high. The average vacancy for office space in Fort Bonifacio is expected to remain low at 1.7% over the next year even as more than 600,000 of additional net usable area is expected between 2016 and 2017. In particular, the Grade A buildings in Fort Bonifacio registered stronger take up of office space compared to Grade B buildings in the area.

Analysts expect a further tightening of supply relative to demand for office space as skilled labor becomes scarce due to the high level of construction activity in Fort Bonifacio. Following this, premium and Grade A buildings that will get completed in the next 12 months will be able to benefit by way of quicker take up of office units at strong lease rates. In Q2 of 2016, strong pre-leasing activity in Grade A buildings that are about to be finished within the next 12 months has been observed by most industry analysts.

Lease rates. Premium and Grade A office space in Makati CBD continued to command the highest average lease rate per sqm among the business districts in Metro Manila at ₱ 540 – 1,250 per sqm. In recent years, lease rates for Grade A office space in Fort Bonifacio have steadily increased and were estimated at ₱ 650 – 1,000 per sqm in Q1 2016.

Comparative Office Lease Rates in Premium and Grade A Buildings in Php/sqm/month

	Range of Lease Rates	
	1Q2016	**2H 2015**
Makati CBD	540 - 1,250	800 - 1,250
Fort Bonifacio	650 - 1,000	750 - 900
Ortigas CBD	425 - 900	550 - 750

Source: Jones Lang La Salle Property Digest Q1 2016

Office Segment – Cebu

The Cebu office market grew by almost 6% in 2015. As of year-end 2015, Cebu had total office stock of almost 700,000 sqm of leasable space of which approximately 253,000 sqm is in the vicinity of the Cebu IT Park where the Cebu Exchange property is located. Within the Cebu IT Park area, the vacancy as of year-end 2015 was 0.1% and this increased slightly to 3.5% in the second quarter of 2016 as some office developments cam online. Analysts expect the take up of new office space to overtake new office supply in the next two years. From 2016 to 2017, almost 270,000 sqm of leasable space will be added to the office stock of Cebu as development projects in the pipeline are finished.

Cebu is considered as a viable alternative to locating in Metro Manila as it allows companies to tap into the talent outside Metro Manila, to achieve diversification benefits and average down on their rental costs. The average rental rate in Cebu is still currently half the rate in Grade A office space in Makati and Fort Bonifacio.

Key Indicators for Cebu Office Market

Average rental rate/sqm/month	Php350 - Php1,000
Cebu IT Park Vacancy rate (Q2 2016)	3.52%
Year-end 2015 stock (sqm)	689,146
Expected 2017 stock (sqm)	961,622

Source: Colliers International Research

Residential Segment

Residential Stock. By year-end 2016, Metro Manila is estimated to have a total of 81,245 residential condominium units in the areas of Makati CBD, Rockwell, Fort Bonifacio, Ortigas and Eastwood. This will translate to an expected year on year growth for 2016 of 17% which is still notable even as the completion of certain projects has been pushed back to 2017. As with the office sector, a substantial portion of the additional units expected to be completed from 2016 to 2019 will rise in the Fort Bonifacio area so that by year-end 2019, Fort Bonifacio will account for almost 37,447 units of the total 99,144 units in the key residential areas.

Forecast New Residential Supply in Selected Areas (in number of residential units)

Location	Stock as of 2015	New Residential Supply 2016F	2017F	2018F	2019F	Stock as of 2019F
Makati CBD	19,337	3,660	3,100	1,072	598	27,767
Rockwell	4,159	-	346	492	269	5,266
Fort Bonifacio	22,206	6,730	4,125	2,311	2,075	37,447
Ortigas	16,250	1,355	899	422	570	19,496
Eastwood	7,548	-	988	-	632	9,168
TOTAL	**69,500**	**11,745**	**9,458**	**4,297**	**4,144**	**99,144**
Cumulative residential stock	**69,500**	**81,245**	**90,703**	**95,000**	**99,144**	

Source: Colliers International Philippines Research

While analysts have tempered their growth assumptions in the residential sector as the market adjusts to the increase in supply from recent completed developments, the general outlook remains positive. This is especially true for the middle to high income market segment for projects in prime locations and with high quality.

Capital Values. JLL Research & Consulting estimates that capital values in the residential sector remains stable. Among the key areas, Makati CBD and Fort Bonifacio command the highest capital value per sqm for both the mid-range and the high-end sectors of the market.

Estimated Capital Values in Key CBDs

Mid-range	
Makati CBD	100,000 - 155,000
Fort Bonifacio	105,000 - 170,000
Ortigas/Mandaluyong	70,000 - 140,000
Quezon City	71,000 - 122,000
Alabang	85,000 - 120,000
High-end	
Makati CBD	155,000 - 245,000
Fort Bonifacio	150,000 - 188.000

Source: JLL Research & Consulting

DISTRIBUTION METHODS

ALCO employs four sales directors in charge of overseeing the sales efforts of the Company's sales infrastructure. The Company engages the services of six sales managers and twenty-one sales associates on a contractual basis. These sales managers and sales ssssociatates coordinate and deal with commission-based sales professionals who sell to ALCO's customers. The structure applies to both individual and corporate sales.

KMC MAG Group - Savills is the exclusive leasing agent for the ACPT. KMC MAG Group, Inc. is an award-winning Philippine real estate services firm headquartered in Bonifacio Global City, a prime business district in Metro Manila. It is an international associate of Savills, one of the leading real estate firms in the world. With over 100 employees involved directly in transactions for office, investments, retail, industrial & hotel locaters, as well as residential properties, KMC has become a full service real estate firm and is widely recognized as the Best in Class Real Estate Agency in the Philippines. The firm provides clients with a consistent high quality of service backed with strong market expertise in fields ranging from tenant representation, investments, to property management.

COMPETITION

Significant barriers to entry into the market are the considerable capital needed for the acquisition and development of land, the development expertise and reputation required from an experienced management team, and the technological know-how from a technical team, to name a few.

ALCO faces competition from other domestic property developers and the level of competition depends on product types, target market segments, location of developments and pricing, among others. ALCO views the major property players which are into the middle and high market categories for high-rise residential developments in the vicinity of ALCO's investment properties as direct competition.

Competition can also be present in the procurement of raw materials particularly in a tight supply market. Further, ALCO competes with other property developers for high-caliber sales/leasing agents and brokers.

ALCO believes that given the desirability of the project locations, its strict adherence to quality, innovation and sustainability, its competitive pricing schemes and commitment to its projects even after sales, it will be able to compete effectively.

ALCO considers two direct competitors in the high-end residential market segment in terms of relative quality of development and pricing of products – Ayala Land, Inc. and Rockwell Land Corporation. These companies have been in the business many years earlier than ALCO and therefore, have longer track record and financial mileage. In the office development front, ALCO competes with both large and medium-scale developers such as Ayala Land, Inc., The Net Group, Daiichi Properties, and other local developers, particularly in Cebu City. These companies are considered to have the greater share of the market at the moment. While ALCO currently accounts for less than 1% of the total real estate development market, it intends to continue focusing on its niche market of true sustainable developments and capitalizing on its strengths of doing projects which are unique and special in terms of design, sustainable features and distinct locations. ALCO believes that it has started the ground well in sustainable and luxurious projects being the first company to have a LEED-registered residential project in the country, and intends to continue to provide distinguishing products with better quality at more competitive pricing. ALCO knows it can achieve this given its far less overhead costs, being a relatively leaner organization.

SUPPLIERS

Construction of ALCO's project/s is awarded to qualified reputable construction firms subject to a bidding process and management's evaluation of contractors' qualifications and satisfactory working relationships. Construction materials, primarily cement and rebars, are normally provided by the contractors as part of their engagement. However, ALCO has the right and may opt to procure owner-supplied construction materials should management find the same to be more cost-effective for its projects.

ALCO's material suppliers as well as the products and services supplied to ALCO as of the date of this Prospectus are summarized below:

Supplier	Products and Services Provided
Datem Construction, Inc.	General contractor for Arya
Megawide Construction Corporation	General contractor for ACPT
SOM	Architecture Services
GF and Partners	Architecture Services
Arcadis NV	Quantity Surveyor for Arya and ACPT
Danilo C. Mancita, Inc.	Construction Manager

DEPENDENCE ON CERTAIN CUSTOMERS

The Company has a broad customer base and is not materially dependent on a single or a few customers.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

In the normal course of the business, the Company provides management and financial support to its subsidiaries. The financial support is given in the form of cash advances to fund certain financial obligations. The advances to MPI, UPHI, Cazneau, Emera and Zileya are non-interest bearing, unsecured and settled in cash whenever possible. The advances to CLLC are interest-bearing and unsecured.

Please refer to the Section Certain Relationships and Related Transactions for a more comprehensive discussion of transactions with related parties.

PATENTS, TRADEMARKS AND COPYRIGHTS

ALCO's operations are not dependent on patents, trademarks, copyrights and the like although ALCO sought from the Intellectual Property Office of the Philippines, and was granted in 2010, the exclusive use of the tradename logos and taglines "ArthaLand" and "Arya Residences".

NEED FOR GOVERNMENT APPROVAL FOR PRINCIPAL PRODUCTS OR SERVICES

ALCO secures various government approvals such as Environmental Compliance Certificates (ECCs), development permits and licenses to sell as part of its normal course of business.

While not required by any environmental law, ALCO incurs additional costs for its LEED and BERDE certifications. For Arya, ALCO estimates its costs to secure LEED and BERDE certifications to be around ₱25.0 million. This cost covers the relevant application, membership and processing fees as well as professional fees for ALCO's Environmental Sustainability Consultant.

ALCO does not foresee any material or adverse effect of existing and probable government regulations on its business.

As of the date of this Prospectus, ALCO and its subsidiaries have secured all governmental approvals, permits and licenses issued by the relevant government bodies or agencies, which are necessary to conduct their business and operations.

In accordance with the PSE requirements, Atty. Berberabe has issued an opinion dated September 7, 2016 indicating that all permits by the Company and its Subsidiaries', the details of which are summarized below, are valid and subsisting.

ArthaLand Corporation

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration - BIR Form 2303	Bureau of Internal Revenue ("BIR")	OCN 8RC0000050946 TIN 004-450-721-000	01-Jan-96	N/A
2. Business Permit	City of Taguig	LCN-11-004292	21-Jan-16	31-Dec-16
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 000152, s. 2016	04-Jan-16	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A3-M-004578	21-Jan-16	31-Dec-16
5. Fire Safety Inspection Certificate (Arthaland Corporation Office)	Taguig City Fire Station IV, FDIV-NCR, Bureau of Fire Protection	R16-359072	23-Mar-16	N/A
6. Employer Data Form (EDF)	Home Development Mutual Fund ("Pag-IBIG")	Registration Tracking No. 800170013567	N/A	N/A
7. Certificate of Registration	Social Security System ("SSS")	SSS Employer No. 03-9211531-5-000	23-Aug-16	N/A
8. Employer Details	SSS	ID Number: 03-9211531-5	N/A	N/A
9. Certificate of Registration - BIR Form 2303	BIR	OCN 8RC0000019539 TIN 004-450-721-000	01-Jan-96	N/A
10. Employer Data Form (EDF)	Pag-IBIG	Registration Tracking No. 800170013567	N/A	N/A
11. Unified Registration Record	SEC, BIR, Pag-IBIG, SSS, Philippine Health Insurance Corporation ("PhilHealth")	SEC Registration No. CS201518355 TIN 009-129-450-000	N/A	N/A

		Pag-IBIG Employer Number (Eyer ID) 205669160009 Philhealth Employer Number (PEN) 001000041180 SSS Employer Number (ER No.) 0395044218		
12. Certificate of Registration	PhilHealth	PhilHealth Employer No. 001000014010	23-Aug-16	N/A

Zileya Land Development Corporation

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1. Certificate of Registration - BIR Form 2303	BIR	OCN 9RC0000447436 TIN 009-195-830-000	28-Dec-15	N/A
2. Business Permit	City of Taguig	LCN-11-020068	14-Jan-16	31-Dec-16
3. Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 001884, s. 2016	11-Jan-16	N/A
4. Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4-M-001965	14-Jan-16	31-Dec-16
5. Locational Clearance	City Planning and Development Office, City of Taguig	N/A (Decision No. 1-0084-16)	14-Jan-16	N/A

Urban Property Holdings, Inc.

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Certificate of Registration - BIR Form 2303	BIR	OCN 9RC0000374352 TIN 004-477-699-000	01-Jan-96	N/A
2.	Business Permit	City of Taguig	LCN-11-004561	21-Jan-16	31-Dec-16
3.	Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 000146, s. 2016	04-Jan-16	N/A
4.	Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4-M-00467	21-Jan-16	31-Dec-16
5.	Certification (Certifies that a parcel of land in Tagaytay, covered by TCT No. 19142, registered in the name of EIBA Realty Development, Inc. is zoned as Ecological Tourism Area as per City's Land Use Plan and Zoning Ordinance)	City Planning and Development Office, City of Tagaytay	N/A	07-Mar-12	N/A

Cazneau, Inc.

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Certificate of Registration - BIR Form 2303	BIR	OCN 9RC0000373071 TIN 007-089-627-000	31-Jul-08	N/A
2.	Business Permit	City of Taguig	LCN-11-004560	21-Jan-16	31-Dec-16
3.	Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 000153, s. 2016	04-Jan-16	N/A
4.	Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4-M-004618	21-Jan-16	31-Dec-16

Emera Property Management, Inc.

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Business Permit	City of Taguig	LCN-11-004559	21-Jan-16	31-Dec-16
2.	Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 000150, s. 2016	04-Jan-16	N/A
3.	Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4-M-004645	21-Jan-16	31-Dec-16
4.	Certificate of Registration	PhilHealth	PhilHealth Employer No. 001000041093	23-Aug-16	N/A
5.	Employer Data Form (EDF)	Pag-IBIG	Registration Tracking No. 8001716008991	Received by HDMF on 07-Sept-15	N/A
6.	Certificate of Registration	SSS	Employer No. 03-9522108-6-000	02-Mar-16	N/A
7.	Employer's Data Record	PhilHealth	PhilHealth Employer No. 001000041093	09-Sep-15	N/A

Manchesterland Properties, Inc.

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Certificate of Registration - BIR Form 2303	BIR	OCN 9RC0000392698 TIN 006-939-384-000	27-Mar-08	N/A
2.	Business Permit	City of Taguig	LCN-11-011924	21-Jan-16	31-Dec-16
3.	Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 000080, s. 2016	04-Jan-16	N/A
4.	Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4-M-004583	21-Jan-16	31-Dec-16

Cebu Lavana Land Corp.

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Certificate of Registration - BIR Form 2303	BIR	OCN 9RC0000263458 TIN 009-129-450-00000	02-Oct-15	N/A
2.	Business Permit	City of Taguig	LCN-11-019642	21-Jan-16	31-Dec-16
3.	Barangay Business Clearance	Barangay Fort Bonifacio, City of Taguig	Serial No. 000151, s. 2016	04-Jan-16	N/A
4.	Sanitary Permit to Operate	Office of the City Health Officer, Taguig City	A4-M-004575	21-Jan-16	31-Dec-16
5.	Locational Clearance	City Planning and Development Office	N/A (Decision No. 4-0614-15)	13-Oct-15	N/A

Arya Residences

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Locational Clearance (For Arya Residences: Tower I and Tower II, Phase I & II)	City Planning and Development Office, Taguig City	N/A	N/A	N/A
2.	Locational Clearance (Arya Residences Tower 2)	City Planning and Development Office, Taguig City	Decision No. 2-0329-12 Ser. No. 367	03-Jul-12	N/A
3.	Certificate of Registration (Arya Residences)	Housing and Land Use Regulatory Board ("HLURB")	No. 22290	26-Apr-10	N/A
4.	Zoning Certification	HLURB	N/A	28-Aug-16	N/A
5.	License to Sell (Sale of units in Arya Residences Tower I)	HLURB	No. 23693	13-Oct-10	N/A
6.	License to Sell (Sale of units in Arya Residences Tower II)	HLURB	No. 25103	25-Nov-11	N/A

7.	Application for Building Permit	N/A (Filed with the Department of Public Works and Highways ("DPWH"), Office of the Building Official, Taguig City)	N/A	N/A (Filed on 14-Jan-2010)	N/A
8.	Architectural Permit	DPWH, Office of the Building Official, Taguig City	N/A	05-Jul-11	N/A
9.	Civil/Structural Permit	DPWH, Office of the Building Official, Taguig City	N/A	05-Jul-11	N/A
10.	Electrical Permit	DPWH, Office of the Building Official, Taguig City	N/A	05-Jul-11	N/A
11.	Certificates of Occupancy (Towers 1 and 2)	DPWH, Office of the Building Official, Taguig City	Nos. 15-2015-0438 and 15-2014-0142	06-Mar-2014 and 20-Aug-15	N/A
12.	Zoning Certification	HLURB	N/A	28-Aug-09	N/A
13.	ECC	Department of Environment and Natural Resources ('DENR")	ECC Ref. Code ECC-NCR-0907-0645	13-Oct-11	N/A
14.	Height Clearance Certification	Civil Aviation Authority of the Philippines	N/A	N/A	N/A

Cebu Lavana Land Corp.

	Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date
1.	Zoning Certification	City Planning and Development Office, City of Cebu	N/A	08-Mar-13	N/A
2.	Locational Clearance	City Planning and Development Office, City of Cebu	Locational Clearance No. LC16-02-03-02	21-Apr-16	N/A
3.	Certificate of Registration	PhilHealth	PhilHealth Employer No. 001000041180	23-Aug-16	N/A
4.	Certificate of Registration	SSS	SSS Employer No. 03-9504421-8-000	23-Aug-16	N/A
5.	HLURB Development Permit	HLURB	CVR-016-0397	20-Jul-16	N/A
6.	HLURB Preliminary Approval and Locational Clearance	HLURB	CVR-016-0647	20-Jul-16	N/A
7.	HLURB Temporary License to Sell	HLURB	HLURB Temporary License to Sell No. 0076	25-Aug-16	25-Feb-17
8.	Barangay Certification - Excavation	Office of the Barangay Captain, Barangay Lahug, City of Cebu	N/A	15-Jan-16	N/A
9.	Barangay Certification - Construction	Office of the Barangay Captain, Barangay Lahug, City of Cebu	N/A	13-Jan-16	N/A
10.	DENR ECC	DENR-EMB	ECC-R07-06160009	8-Jul-16	N/A

Arthaland Century Pacific Tower

Name of Permit	Issuing Agency	License/ Permit No.	Issue Date	Expiry Date

1.	Zoning Certification (as "Urban Core Zone")	HLURB	N/A	15-Oct-14	N/A
2.	Locational Clearance	City Planning and Development Office, Taguig City	Decision No. 3-0374-14 Ser. No. 14-371-B	18-Aug-14	30-Jul-16
3.	Certification	Office of the Sangguniang Barangay	N/A	04-Jul-14	N/A
4.	Application for Building Permit	N/A (filed with DPWH, Office of the Building Official, Taguig City)	N/A	N/A (filed on 10-Mar-2015)	N/A
5.	Architectural Permit	N/A (filed with DPWH, Office of the Building Official, Taguig City)	N/A	N/A	N/A
6.	Civil/Structural Permit	N/A (filed with DPWH, Office of the Building Official, Taguig City)	N/A	N/A	N/A
7.	Electrical Permit	N/A (filed with DPWH, Office of the Building Official, Taguig City)	N/A	N/A	N/A
8.	HLURB Development Permit	HLURB	D.P. No. 15-07-042	02-Jul-15	N/A
9.	Locational Clearance	City Planning and Development Office, Taguig City	N/A (Decision No. 3-0341-14)	18-Aug-14	15-Jul-15
10.	HLURB Zoning Certification	HLURB	N/A	15-Oct-14	N/A
11.	Barangay Certification	Office of the Sangguniang Barangay, Brgy. Fort Bonifacio	N/A	4-Jul-14	N/A
12.	ECC	DENR	ECC-NCR-0810-107-5010	07-Oct-08	N/A

13.	Excavation Permit, Mechanical Permit, Plumbing Permit	Office of the Building Official, City of Taguig	N/A	N/A	N/A

RESEARCH AND DEVELOPMENT

There have been no significant Research and Development costs recorded by the Company in the past three years.

EMPLOYEES

As of 30 June 2016, ALCO has a total of 68 employees with 32 in management, 36 rank and file, and no contractual employees.

None of these employees is covered by a collective bargaining agreement.

It cannot be determined whether additional employees will be hired for the succeeding year but the same will be closely aligned with ALCO's actual and programmed growth.

Description of Property

ALCO is the registered owner of a 2,233-sqm property (Lot 5 Block 5)[5] along 5th Avenue within BGC's E-Square, particularly along the street where The Shangri La at the Fort and the future building of the PSE are located. Currently rising on this property is ACPT which is expected to be completed in the third quarter of 2017. The building will be mainly leased out to provide a source of recurring income for ALCO. This lot is presently mortgaged with BDO Unibank, Inc.

CLLC is the owner of two parcels of adjacent land in Cebu City, Philippines with a total area of 8,440 sqms. The development plan for this property is mixed-use.

MPI, a wholly-owned subsidiary of ALCO, is the registered owner of the 6,357-sqm property (Lot 4 Block 1) along McKinley Parkway on which Arya currently stands. This property will be conveyed to Arya Residences Condominium Corporation eventually.

UPHI, another wholly-owned subsidiary of ALCO, is the registered owner of a 33-hectare raw land[6] located at the junction of the city limits of Tagaytay City and the provincial boundaries of Laguna and Batangas. The portion of the property lying within the Tagaytay City limits is nestled along the fairway of Tagaytay Highlands Golf and Country Club. Approximately one hectare of this property is subject of an expropriation proceeding, a full disclosure of which is discussed in the succeeding item.

On 8 September 2016, ALCO's wholly owned subsidiary, Cazneau Inc., signed a deed of absolute sale to acquire an 8-hectare property in Biñan, Laguna. This property will be the site of ALCO's Biñan Laguna Project.

BOOK VALUE OF BATANGAS PROPERTIES

Based on available records, it is the understanding of the Company that the Batangas Properties[7], along with 45% of the outstanding shares of UPHI and other real assets, formed part of the security for a loan granted by then EIB to PR Builders Developers and Managers, Inc. ("PR Builders"). Subsequently, the Batangas Properties and other assets comprising the PR Builders account became part of the non-performing asset portfolio of EIB which were sold in 2006 to special purpose vehicles ("SPVs") specializing in the acquisition of similar non-performing assets. Because of the various cases filed by PR Builders, the concerned SPV was unable to consolidate its ownership over the Batangas Properties and the other assets which formed part of the PR Builders account. As the Company understands it, the SPV exercised its option to return the Batangas Properties and other assets comprising the PR Builders account to EIB in 2007, and EIB, in turn, returned the amount of Php13 million the SPV had paid for these assets and proceeded to negotiate directly with PR Builders for a compromise so that the former may sell the assets to other interested third parties.

The Company, on the other hand, was interested in acquiring the Batangas Properties for future development. It was also keen to acquire the shares comprising 45% of the equity of UPHI as the Company already owned the balance of 55%. The acquisition of 100% of UPHI will consolidate the Company's ownership of the underlying asset of UPHI which included a 33-hectare property in Tagaytay. In addition, the Company would like to acquire from the major shareholders of PR Builders ("Spouses Villarin") the 1.8-hectare property in Tagaytay ("Tagaytay Property") which is adjacent to the existing 33-hectare property of UPHI and which is important to the future development of the said 33- hectare property.

[5]FAR 15.4, GFA 34,380m^2
[6]The carrying value of this property amounts to ₱149.80 million. Based on the appraisal report dated 5 February 2014, the fair value of the land amounted to Php349.8 million.
[7]Composed of twoparcels of agricultural land located at Bo. Niyugan, Laurel, Batangas covered by Transfer Certificates of Title (TCT) Nos. 99702 (56,711m^2) and 99703 (28,356m^2)

Following negotiations with PR Builders, the Absolute Mutual Release and Quitclaim (the "Compromise Agreement") was executed between EIB and PR Builders with the conformity of the Company (then EIB Realty Developers, Inc.) and Spouses Villarin on April 15, 2008.

As a result of the Compromise Agreement, PR Builders waived, ceded and assigned, among others, the following assets to the Company for and in consideration of the amount of Php42,500,000.00 which Arthaland paid to PR Builders in 2008:

- The Batangas Properties, and
- The forty-five percent (45%) equity investment in UPHI.

PR Builders also caused one of its shareholders, Mr. Pablito Villarin, to sell to the Company his rights, title and interest in the 1.8-hectare Tagaytay Property which is adjacent to the 33.0 hectare property owned by UPHI. The consideration for the Tagaytay Property was included in the Php42.5 million that the Company paid to PR Builders in 2008.

In addition to the Php42.5 million paid to PR Builders, the Company also undertook to pay EIB the sum of Php13 million, the same amount it had returned to the SPV, for the assignment in favor of the Company of EIB's rights, title, interest and participation in the Batangas Properties and the shares in UPHI. The Company's records show that it had paid EIB Php13 million in March 2011. Thereafter, in April 2011, the Deed of Absolute Sale for the Batangas Properties was executed between EIB and the Company.

In documenting the sale of the Batangas Properties, the Company understands that EIB allocated Php9.702 million out of the Php13 million it had received from the Company to the Batangas Properties. Thus, the Deed of Absolute Sale between EIB and Arthaland for the Batangas Properties reflected the amount of Php9.702 million.

The total acquisition cost of the Company for the above assets was Php55.5 million, comprised of the Php42.5 million paid to PR Builders in 2008 and the Php13 million paid to EIB in 2011. The carrying values of the Batangas Properties and the Tagaytay Property amounting to Php34.1 million and Php10.9 million[8], or Php45 million combined, represent the amounts allocated to these assets from the total acquisition cost of Php55.5 million.

Information on the carrying values of the Batangas Properties and the Tagaytay Property was disclosed in Note 6.1(b) of the December 31, 2011 Audited Financial Statements of the Company. The same information was disclosed in the Note 7(d) of the December 31, 2008 Audited Financial Statements of the Company. The carrying values of these properties reflect the lower of their acquisition cost and appraisal values for each reporting period consistent with the Company's accounting policies in reporting Real Estate Assets for Sale.

The appraised values of the Batangas Properties and the Tagaytay Property were estimated to be Php34.1 million and Php15.3 million respectively based on the appraisal reports of TopConsult Inc. dated April 21, 2009 and Asian Appraisal Company, Inc. dated March 9, 2010. The Batangas Properties and the Tagaytay Property had carrying amounts of Php34.1 million and Php10.9 million as of December 31, 2008 respectively, consistent with the Company's accounting policies.

[8]Includes amounts paid by Arthaland for taxes and other transfer related expenses for the Tagaytay Property of approximately Php1.1 million in addition to the Php55.5 million total amount paid to PR Builders and EIB.

OPERATING LEASE COMMITMENTS—GROUP AS LESSOR

In 2016, the Group entered into various lease contracts for its retail units in Arya Residences Towers 1 and 2. The term of the lease ranges from two to five years. The lease agreements also provide for various escalation rates for the duration of the agreements.

Future minimum lease receivable by the Group under the non-cancellable lease agreements as at 30 June 2016 are as follows:

Within one year	₱7,287,308
After one year but not more than five years	36,510,088
	₱43,797,396

The Parent Company was a lessor under cancellable operating leases with Ayala Property Management Corporation covering parking space. The rental is seventy percent (70%) of the net operating income from parking operations of the leased premise per one month period. This lease agreement ended in 2014.

The total rental income recognized from this operating lease amounted to ₱1.1 million and ₱2.9 million in 2014 and 2013, respectively.

OPERATING LEASE COMMITMENTS—GROUP AS LESSEE

The Parent Company is a lessee under non-cancellable operating leases where its office space is situated. The lease term for the office space is three years and three months, with renewal options and provisions for escalation. The lease for the land where its model unit is situated ended in 2014.

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

	30 June 2016 (Unaudited)	31 December 2015 (Audited)	31 December 2014 (Audited)	31 December 2013 (Audited)
Within one year	₱11,653,723	₱9,255,935	₱8,050,091	₱13,104,432
After one year but not more than five years	20,432,192	29,784,662	683,332	9,918,733
	₱32,085,915	₱39,040,597	₱8,733,423	₱23,023,165

The total rental expense recognized from these operating leases amounted to ₱4.7 million for the six months period ended June 30, 2016, and ₱10.5 million, ₱19.7 million and ₱19.4 million for the years ended 31 December 2015, 2014 and 2013, respectively.

Legal Proceedings

As of 30 June 2016, with the exception of the following cases, neither ALCO nor any of its subsidiaries is a party to any legal action arising from the ordinary course of its respective business:

Quieting of Title

On 18 October 2010, UPHI filed a complaint for quieting of title, among other reliefs, before the Regional Trial Court of Calamba, Laguna, Branch 36, because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property as described in previous paragraphs. Trial is on-going.

Expropriation

A portion of UPHI's property with an area of about one hectare is the subject of an expropriation proceeding filed by the NAPOCOR in February 1998 and is pending before the Regional Trial Court of Calamba, Laguna, Branch 34, for final resolution on the amount to be paid by NAPOCOR. NAPOCOR had erected a tower thereon to form part of the Tayabas-Dasmarinas Line Project.

The potential impact of the foregoing cases on the financial statements of ALCO and its subsidiaries is not expected to have a material adverse effect on ALCO and its subsidiaries.

Termination of Trust Account

ALCO filed a claim before the Regional Trial Court of Makati City, Branch 149 in relation to the petition for liquidation of Export and Industry Bank represented by the Philippine Deposit Insurance Corporation ("PDIC"). ALCO maintained a Trust Account with the bank prior to its closure in April 2012 and had demanded from PDIC the termination of said account and the release of the owner's duplicate copies of three transfer certificates of title which had been placed in the custody of the bank's Trust Department. While ALCO does not have any interest in the remaining assets of the bank to be liquidated, it was constrained to make such claim before the liquidation court given that PDIC has not acted on the matter to date.

Please also see "Directors and Executive Officers & Key Persons - Involvement in Certain Legal Proceedings" on pages 89 to 91 of this Prospectus for additional discussions on these proceedings involving certain directors and an officer of the Company.

Ownership and Capitalization

SHARE CAPITAL

As of 30 September 2016, the Company had a total authorized capital of 16,368,095,199 common shares, of which 5,318,095,199 are issued and outstanding and 50,000,000 preferred shares of which 12,500,000 are issued and outstanding;

Top 20 Stockholders

Common Shares (as of 30 September 2016)

Rank	Name	No. of Ordinary Shares	%[9]
1	CPG Holdings, Inc.	2,142,619,910	40.29%
2	AO Capital Holdings 1, Inc.	1,383,730,000	26.02%
3	PCD Nominee Corporation (Filipino)	856,092,840	16.10%
4	Edimax Investment Limited	296,460,000	5.58%
5	Viplus Investment Limited	247,899,874	4.66%
6	Elite Holdings, Inc.	119,809,996	2.25%
7	Kinstar Investment Limited	94,720,035	1.78%
8	Tina Keng	25,000,000	0.47%
9	PCD Nominee Corporation (Non-Filipino)	17,990,456	0.34%
10	Rosario Bartolome	15,231,750	0.29%
11	EQL Properties, Inc.	14,671,125	0.28%
12	Urban Bank Trust Department A/C No. 625	4,838,488	0.09%
13	RBL Fishing Corporation	4,350,000	0.08%
14	Veronica D. Reyes	3,799,272	0.07%
15	Aurelio Paulo R. Bartolome	2,922,500	0.06%
16	Veronica D. Reyes and/or Cecilia D. Reyes	2,654,061	0.05%
17	Theodore G. Huang and/or Corazon B. Huang	2,501,250	0.05%
18	Carlos Sunico Rufino	2,175,000	0.04%
19	Anito Tan and/or Lita Tan	2,027,049	0.04%
20	Lourdes D. Dizon	1,740,000	0.03%
	Subtotal (Top 20 Stockholders)	**5,241,233,606**	**98.56%**
	Others	76,861,593	1.44%
	Total Outstanding	**5,318,095,199**	**100.00%**

Preferred Shares (As of 30 September 2016)

Rank	Name	No. of Preferred Shares	%[10]
1	Manchesterland Properties, Inc.	12,500,000	100.0%

[9] The percentages of ownership listed indicate only the number up to two decimal points of total outstanding common shares.
[10] The percentages of ownership listed indicate only the number up to two decimal points of total outstanding preferred shares.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

As of 31 August 2016 the following are persons directly or indirectly the record and/or beneficial owner of more than five percent (5%) of any class of the Company's voting securities:

Class of Share	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common	**CPG Holdings, Inc.** 7/F The Centerpoint Building, Julia Vargas corner Garnet Street, Ortigas Center, Pasig City	Direct	Filipino	2,142,619,910	40.29%
Common	**AO Capital Holdings I, Inc.** 25th Floor, PhilAm Life Tower, 8767 Paseo De Roxas, Salcedo Village, Makati City	Direct	Filipino	1,383,730,000	26.02%
Common	**Edimax Investment Limited** British Virgin Islands	Direct	British	296,460,000	5.58%

As of 31 August 2016, no beneficial owner registered with the PCD Nominee Corporation holds more than five percent (5%) of a class of shares of the Company.

SECURITY OWNERSHIP OF MANAGEMENT

As of 30 June 2016, the following are the share ownership of directors and executive officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percentage of Class
		Direct	Indirect		
Common	Ernest K. Cuyegkeng	1	0	Filipino	0%
Common	Angela de Villa Lacson	1	0	Filipino	0%
Common	Jaime C. Gonzalez	1	0	Filipino	0%
Common	Jaime Enrique Y. Gonzalez	1	0	Filipino	0%
Common	Christopher Paulus Nicolas T. Po	1	0	Filipino	0%
Common	Leonardo Arthur T. Po	1	0	Filipino	0%
Common	Ricardo Gabriel T. Po, Jr.	1	0	Filipino	0%
Common	Emmanuel A. Rapadas	1	0	Filipino	0%
Common	Andres B. Sta. Maria	1	0	Filipino	0%

Except as disclosed above, none of the Company's other executive officers or department managers own shares directly or indirectly in the Company. Ownership in the Company is limited to that indicated in the foregoing.

VOTING TRUST HOLDERS

There are no persons holding more than five percent (5%) of a class of shares of the Company under a voting trust or similar agreement as of the date of this Prospectus.

CHANGES IN CONTROL

The Company has no knowledge of any arrangements that may result in a change in control of the Company.

SALE OF UNREGISTERED OR EXEMPT INCLUDING SECURITIES CONSTITUTING AN EXEMPT TRANSACTION

The Company has not issued any securities within the past three years which are unregistered under the SRC ("SRC") or otherwise sold on the basis of an exempt transaction under the SRC.

EFFECT ON COMMON EQUITY HOLDERS

The Preferred Shares will not have any dilutive effect on the rights of the holders of the common shares of the Company because the Preferred Shares are non-voting, non-convertible and non-participating.

FOREIGN EQUITY HOLDERS

Common shares owned by foreigners as of 16 August 2016 amount to 655,922,390 or 12.33% of the Company’s total number of outstanding shares entitled to vote.

Market Price of and Dividends on the Equity of ALCO and Related Shareholder Matters

Market Information

The common equity of ALCO is listed on the PSE. The high and low sales prices for each period are indicated in the table below.

	2016				2015				2014				2013			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
High	0.23	0.29	0.30	N/A	0.29	0.27	0.25	0.25	0.22	0.37	0.33	0.31	0.21	0.20	0.20	0.19
Low	0.20	0.23	0.26	N/A	0.24	0.22	0.18	0.20	0.17	0.19	0.30	0.24	0.17	0.17	0.17	0.17

The closing price as of 18 October 2016, the latest practicable trading date, is ₱ 0.27.

The approximate number of shareholders as of 31 August 2016 is 2,015.

Dividends and Dividend Policy

Cash dividends declared by the BOD of ALCO to common stockholders are as follows:

Regular Dividends

28 June 2013 - ₱0.012 per share
10 March 2014 - ₱0.012 per share
9 March 2015 - ₱0.012 per share

Special Dividends
10 March 2014 - ₱0.024 per share

Dividends may be declared at the discretion of the BOD and will depend upon the future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and other factors the BOD may deem relevant.

Similarly, the subsidiaries of ALCO may declare dividends at the discretion of their respective boards of directors and will depend upon the future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from their respective subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and other factors their respective boards of directors may deem relevant.

As of the date of this Prospectus, there have been no dividends declared by any of the subsidiaries of ALCO.

Directors and Executive Officers & Key Persons

The overall management and supervision of the Company is vested in its BOD. The Company's officers and management team cooperate with its BOD by preparing relevant information and documents concerning the Company's business operations, financial condition and results of operations for the review and action by the BOD. At present, the BOD consists of nine members, including two independent directors in accordance with the requirements of the SRC.

Members of the Board of Directors

All of the Company's directors, except Leonardo Arthur T. Po[11], were elected at the Company's annual stockholders' meeting held last 24 June 2016 and will continue to serve as such until the next annual stockholders' meeting or until their successors have been duly elected and qualified. Information on each member of the Company's BOD as of the date of this Prospectus, including each director's term of office as a director and the period during which the director has served is set out in the table below.

Name	Age	Position in ALCO	Period	Citizenship
Ernest K. Cuyegkeng	70	Chariman/Regular Director	24 June 2016- Present	Filipino
		Chairman/ Independent Director	6 June 2012 – 24 June 2016	
		Independent Director	21 May 2007 – 6 June 2012	
Angela de Villa Lacson	70	President and CEO	1 April 2008 - Present	Filipino
Jaime C. Gonzalez	70	Vice Chairman/Regular Director	01 August 2016 – Present	Filipino
		Regular Director	06 June 2012 – 01 August 2016	
		Chairman/Regular Director	21 May 2007 – 06 June 2012	
Ricardo Gabriel T. Po	48	Vice Chairman/Regular Director	26 June 2015 - Present	Filipino
		Regular Director	28 March 2012 – 26 June 2015	
Jaime Enrique Y. Gonzalez	39	Regular Director	24 June 2011 – Present	Filipino
Christopher Paulus Nicolas T. Po	45	Regular Director	24 June 2011 - Present	Filipino
Leonardo Arthur T. Po	39	Treasurer and Regular Director	01 August 2016 - Present	Filipino
		Treasurer	26 April 2011 – 01 August 2016	

[11] Leonardo Arthur T. Po was elected by the Board of Directors to replace Ricardo S. Po, Sr. who resigned on August 1, 2016 in anticipation of his eventual retirement.

Emmanuel A. Rapadas	56	Independent Director	24 June 2016 – Present	Filipino
Andres B. Sta. Maria	67	Independent Director	24 June 2016 – Present	Filipino

The directors' previous and present positions and tenure in listed companies other than ALCO are likewise summarized below:

PREVIOUS AND PRESENT POSITIONS AND TENURE IN LISTED COMPANIES OTHER THAN ALCO		
Name	**Position/Company**	**Period**
Ernest K. Cuyegkeng	*Director/Executive Vice President/Chief Financial Officer* – A. Soriano Corporation	April 2009 – Present
	Director – iPeople, Inc.	2016 – Present
Angela de Villa Lacson	Residential Division Group Head – Ayala Land, Inc.	May 1999 – March 2008
Jaime C. Gonzalez	*Chairman of the Board* – IP E-game Ventures, Inc.	October 2005 – Present
	Independent Director – Southeast Asia Cement Holdings, Inc. (subsidiary of Lafarge S.A.)	1998 – April 2013
	Independent Director - Euromoney Institutional Investors PLC (UK publicly listed media company)	November 2005 – January 2013
	Director – Export and Industry Bank, Inc. (Chairman of the Board from May 2006)	February 2006 – April 2012
Ricardo Gabriel T. Po	*Vice Chairman/Director* – Century Pacific Food, Inc.	October 2013 – Present
Jaime Enrique Y. Gonzalez	*Deputy Chairman/President* – IP E-game Ventures, Inc.	October 2005 – Present
Christopher Paulus Nicolas T. Po	*President & Chief Executive Officer/Director* – Century Pacific Food, Inc.	October 2013 – Present
Leonardo Arthur T. Po	*Treasurer/Director* – Century Pacific Food, Inc.	October 2013 – Present
Emmanuel A. Rapadas	President – Concrete Aggregates Corp	2006 – 2013
Andres B. Sta. Maria	Director – South East Asian Cement, Inc.	2000 – 2013

The business experience of each of the Company's directors for the past five years is described below.

Ernest K. Cuyegkeng, Filipino, is presently the Executive Vice President/Chief Financial Officer and Director of A. Soriano Corporation. His other concurrent positions include being the President and Director of Phelps

Dodge Philippines International, and a Director of Seven Seas Resorts & Leisure, Inc., Prople Inc., iPeople, Inc., Cirrus Global, Inc., KSA Realty, TO Insurance, Sumifru Singapore and Sumifru Philippines. He is also a Trustee of Andres Soriano Foundation and is a member of the Makati Business Club, Management Association of the Philippines and Financial Executive Institute of the Philippines. He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Business Administration, both from the De La Salle University. He also obtained a Masters degree in Business Administration from the Columbia Graduate School of Business in New York.

Angela de Villa-Lacson, Filipino, grew the ALCO organization from its inception in 2008 to what it is today, a dedicated and committed 59 or so permanent and 34 contractual employees. Responsible for drawing up the future proof mission and vision of the company closely adhering to the principles of being responsive to its shareholders and its stakeholders, she has established ALCO's flagship high-end project, Arya Residences, as a residential benchmark for sustainable practices in the construction and design industry. She also led the planning and development of the ALCO office building, the ArthaLand Century Pacific Tower, the first premier grade office building in Bonifacio Global City. She has also ensured the future projects of the company with the acquisition and planning of the Cebu office building project of ALCo, and the purchase of the property in Biñan, Laguna.

From May 1999 to March 2008, Ms. Lacson served as the Residential Division Group Head of Ayala Land, Inc. (ALI) where she led the growth of the Residential Business of the company to account for more than half of the revenues thereof. While in ALI, she led various high-end residential developments, some low-rise developments, and the development of the new communities in the South. Concurrent to her position in ALI as head of Ayala Land Premier, she started and grew its subsidiary, Community Innovations, Inc. (CII), now Alveo, the company that addresses the needs of the upper-mid market. She also headed the Innovation and Design Group of ALI. This group leads the design, master planning and development of the various communities of ALI in residential high-rise, gated villages, commercial buildings, BPO campuses and retail, while concurrently heading the Ayala Museum. Prior to joining ALI, she was marketing director of San Miguel Corporation (Beer and Foods) and headed various marketing groups of Unilever, both here and in Europe.

Jaime C. Gonzalez, Filipino, is a graduate of Harvard Business School (MBA) and of De La Salle University in Manila, B.A. in Economics (*cum laude*) and B.S. in Commerce (*cum laude*). He is the founder and the Chairman and Chief Executive Officer of AO Capital Partners, a financial and investment advisory firm with headquarters in Hong Kong. He is presently a member of the Board of Directors of a number of companies, including Chairman of IP E-game Ventures Inc. which is listed in the PSE and is involved in information technology and new media, retail/food & beverage, natural resources, and real estate and resort development.

He was Independent Director for Southeast Asia Cement Holdings, Inc. from 1998 to April 2013; an Independent Director of Euromoney Institutional Investors, PLC from November 2005 to January 2013; and a director of Export and Industry Bank from February 2006 to April 2012.

Jaime Enrique Y. Gonzalez, Filipino, is currently the Deputy Chairman and President of IP E-game Ventures Inc., a leading investor and operator of Technology, Media and Telecom ("TMT") businesses in the Philippines and Southeast Asia with over US$100 million in investments and deals. He is also the founder of IPVG Corp., Egames, and IP-Converge, Inc., which are all listed on the Philippine Stock Exchange. He has a successful track record in M&A including notable deals such as PCCW Teleservices Philippines (sold to PCCW of HK), Prolexic Technologies (sold to Kennet Partners and eventually AkaMai technologies for over US$300 million), and Level-up Games (sold to Asiasoft Corporation Public Company Ltd). Mr. Jaime Enrique Y. Gonzalez is presently a partner in the Kaikaku Fund (a Softbank led fund), a venture capital and private equity fund focused on investment into consumer facing companies that have demonstrated a track record and further growth potential. He holds a Bachelor of Arts degree in International Politics and Economics from Middlebury College, attended the program for Masters in Entrepreneurship at the Asian Institute of Management, and completed Business courses from Sophia University in Tokyo. He has completed the Owner-President Management program at Harvard Business School. He was selected as IT executive of the year in 2008 and a finalist for the Ernst & Young Entrepreneur of the Year 2011 (Master Entrepreneur Category). He is also part of the Young Presidents Organization and on the Board of Trustees of Asia Society Philippines. Enrique is a Kauffman Fellow Class of 21 and a business lifestyle contributor to Philippine Star.

Christopher Paulus Nicolas T. Po, Filipino, is the Chairman, President and Chief Executive Officer of Century Pacific Food, Inc., a company also listed in the PSE and trading under the symbol CNPF. Prior to this, he was Managing Director for Guggenheim Partners. He graduated from Wharton School and the College of Engineering of the University of Pennsylvania with dual degrees in Economics (Finance Concentration) and Applied Science (Systems Engineering), respectively. He holds a Masters degree in Business Administration from the Harvard University Graduate School of Business Administration.

Leonardo Arthur T. Po, Filipino, is the Treasurer and Director of Century Pacific Food, Inc., Arthaland Corporations, and Shakey's Asia Food Holdings, Inc. He graduated magna cum laude from Boston University with a degree in Business Administration and has extensive and solid business experience in the consumer marketing, finance and operations of fast moving consumer goods, food service, quick-serve restaurants, and real estate development.

Ricardo Gabriel T. Po, Jr., Filipino, is currently one of the Vice Chairmen and a Director of Century Pacific Food, Inc. and is also Vice Chairman of Shakey's Asia Foods Holdings Inc. He graduated magna cum laude from Boston University, Massachusetts, USA with a Bachelor of Science degree in Business Management. He also completed the Executive Program (Owner-President Management Program) at Harvard Business School in 2001. From 1990-2006, Mr. Po, Jr. was the Executive Vice President and Chief Operating Officer of the Century Pacific Group of Companies.

Emmanuel A. Rapadas, Filipino,is presently the Chief Financial Officer of Torre Lorenzo Development Corporation. He graduated *cum laude* from the University of the East with a Bachelor of Science degree in Accounting and he holds a Masters in Business Administration from the Ateneo de Manila University. He received training from Singapore Institute of Management (Job of the Chief Executive), the University of Asia and the Pacific (Strategic Business Economic Program) and the Institute of Corporate Directors (Independent Directors Certification Program). Prior to joining Torre Lorenzo, Mr. Rapadas was the CFO & Treasurer of Ortigas & Company from 2001 to 2014, and the President of Concrete Aggregates Corporation from 2006 to 2013.

Andres B. Sta. Maria, Filipino, holds a Bachelor of Science degree in Business Administration and a Bachelor of Laws, both from the University of the Philippines. He also studied in New York University (Master of Laws in Corporation Law) and Cornell University (U.S. corporation and commercial law). For 25 years prior to his retirement in 2013, Mr. Sta. Maria headed the Special Projects Group of SyCip Salazar Hernandez & Gatmaitan. He was likewise a director of Southeast Asian Cement, Inc. from 2000 to 2013.

Executive Officers and Significant Employees

In addition to the directors listed above, the following are the names, ages and citizenship of the Company's executive officers and significant employees elected and appointed as of the date of this Prospectus.

Name	Age	Position	Years Served in Current Position	Citizenship
Daisy P. Arce	69	Corporate Secretary	21 May 2007 – Present	Filipino
Riva Khristine V. Maala	44	Assistant Corporate Secretary/Corporate Information Officer	21 May 2007 – Present	Filipino

		Vice President/ Head, Legal Affairs and Investor Relations	1 October 2012-Present	
Ninalyn S. Cordero	51	Senior Vice President/Head, Project and Business Development	30 September 2012 – Present	Filipino
		Vice President/ Head, Project and Business Development, concurrently Partner and Investor Relations Officer	12 January 2012—30 September 2012	
		Vice President/ Partner and Investor Relations Officer	20 October 2011 – 12 January 2012	
		Assistant Vice President/Partner and Investor Relations Officer	6 October 2008 – 20 October 2011	
Gabriel I. Paulino	59	Senior Vice President/Head, Technical Services	31 August 2011 – Present	Filipino
Ferdinand A. Constantino	54	Chief Finance Officer	01 July 2016 – Present	Filipino
Sheryll P. Verano	39	Vice President/Head, Strategic Funding and Investments	01 July 2016 – Present	Filipino
Chonabeth I. Nazario	51	Compliance Officer	01 July 2016 – Present	Filipino
		Executive Assistant to the President	01 April 2014—01 July 2016	

The business experiences covering the past five years of the Company's executive officers and significant employees who are expected to make a significant contribution to the business of ALCO are described below.

Daisy P. Arce, Filipino, holds a Bachelor of Laws degree from the Ateneo de Manila University. She was a partner at Quasha Ancheta Peña & Nolasco Law Offices and now has her own practice.

Riva Khristine V. Maala, Filipino, holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. She was an Associate Attorney of Fortun Narvasa and Salazar Law Offices before joining the banking industry. Atty. Maala was appointed as the Company's Head of Legal Affairs and Investor Relations on 1 October 2012 and also acted as its Assistant Corporate Secretary and Corporate Information Officer.

Ninalyn S. Cordero, Filipino, is the Head of Project and Business Development. She brings in almost 30 years of experience in corporate finance, investment banking, business development and project development. She has over ten years of experience with a leading investment house as Vice President for Capital Markets. Prior to joining ALCO, she held a key position in Rockwell as Assistant Vice President handling business development in charge of research, product development and project conceptualization of new businesses and projects.

Gabriel I. Paulino, Filipino, is the Head of Technical Services. He has over 30 years of professional experience in architectural practice. He was formerly the Assistant Vice President for Design and Planning at Rockwell

Land Corporation and worked on Edades Towers, The Grove, One Rockwell, Joya and the Powerplant Mall. Prior to Rockwell, he was a Senior Associate of Recio + Casas Architects. He was also involved in the Pacific Plaza Towers (Makati and Fort Bonifacio), Manansala at Rockwell, LKG Tower Ayala and Salcedo Park Towers Makati.

Ferdinand A. Constantino, Filipino, is the Chief Finance Officer. He is a Certified Public Accountant and a licensed Real Estate Broker. He obtained his degree in Accountancy from the Polytechnic University of the Philippines in 1982. His work experience includes being the Corporate Comptroller/Tax Manager of Century Canning Corporation (1995-2006), GM/Business Unit Head of CPGC Logistics Philippines, Inc. (2006-2013), and Finance Director of Century Pacific Food, Inc.

Sheryll P. Verano, Filipino, is the Vice President of Strategic Funding and Investments. She is a finance professional with 16 years of experience in financial advisory, debt and equity capital raising, debt restructuring and mergers and acquisitions. Prior to joining ALCO, she was Associate Director in American Orient Capital Partners (Philippines) and was with the Global Corporate Finance group of SGV and Co. She received her CFA Charter in 2006 and was one of the topnotchers in the 1999 CPA Board Exams. She graduated cum laude from the University of the Philippines with a Bachelor of Science degree in Business Administration and Accountancy.

Chonabeth I. Nazario, Filipino, is the Compliance Officer. She is a Certified Public Accountant who graduated cum laude from the Polytechnic University of the Philippines with a degree in Accountancy. She has more than 30 years of experience in the field of Finance, particularly in external and internal audit, treasury, and controllership, 25 years of which were with various real estate developers. Prior to joining ALCO, she was the Assistant Vice President and Group Internal Audit Head of the Alcantara Group of Companies. Before that, she was an Assistant Vice President (Treasury) for the High Rise Residential and Office Building Divisions of Robinson's Land Corporation and its various Condominium Corporations. She also worked as the Finance Manager, Treasurer, and Board Director of San Miguel Properties Inc., and its subsidiaries. Ms. Nazario is a member of both the Philippine Institute of Certified Public Accountants and the Institute of Internal Auditors and was an active participant (Assessor) for the ASEAN Corporate Governance Scorecard.

CORPORATE GOVERNANCE

The directors and officers of ALCO believe that good corporate governance is a necessary component of a sound and strategic business management and therefore, undertake every effort necessary to create awareness of this policy and of ALCO's Manual of Corporate Governance (hereinafter, the "Manual") within the entire organization.

ALCO believes that compliance with the principles of good corporate governance starts with its Board of Directors but to ensure adherence to corporate principles and best practices as stated in the Manual and pertinent laws and regulations of the SEC and the PSE, the BOD designated a Compliance Officer tasked to monitor compliance and he reports directly to the BOD.

ALCO recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. At the minimum, ALCO provides its shareholders, minority or otherwise, all rights granted to them under the law, particularly the Corporation Code of the Philippines (the "Corporation Code"), with the exception of pre-emptive rights. The reports or disclosures required under the Manual and by the SEC and the PSE, including any and all material information that could potentially affect share price, are prepared and submitted through relevant corporate officers of ALCO.

The Company likewise safeguards the independence of its auditors, financial analysts, investment banks, and other relevant third parties through the following measures:

Auditors	Financial Analysts	Investment Banks
Strict observance of rotation requirement	Public disclosure of all financial information as approved by the Audit Committee	Public disclosure of all financial information as approved by the Audit Committee
Access to management	Access to management	Access to management

Manual on Corporate Governance

The Company first adopted the Manual in December 2002, which was revised on 23 July 2014. The Manual has been submitted to the SEC in compliance with Revised Code of Corporate Governance SEC Memorandum Circular No. 6, Series of 2009, and SEC Memorandum Circular No. 9, Series of 2014.

The Company's policy of corporate governance is based on its Manual, which provides that it shall institutionalize the principles of good corporate governance in the entire organization. The Manual also provides that, to the extent applicable, it shall also serve as a guide in the management and operations of the Company's operating subsidiaries. The BOD periodically reviews its performance to determine the level of compliance of the Board and Senior Management with the Manual and the necessary steps required to improve.

ALCO's Code of Conduct ("Code") (which deals with conflict of interest, business and fair dealing, receipt of gifts from third parties, compliance with laws and regulations, trade secrets, nonpublic information, company assets, and employment/labor policies, among others) is part of the orientation of newly hired employees regardless of rank. Each new employee is given a copy of this Code and a letter-agreement he or she must sign to signify his or her undertaking to comply with its provisions. Any violation of any provision of this Code is essentially determined through periodic activities carried out by ALCO's Human Resources Department, reports submitted by the employees themselves, and performance meetings with managers. Disciplinary measures taken are commensurate with the seriousness of the offense and comply with the Labor Code of the Philippines.

Insofar as the directors, the Manual is clear that a director's office is one of trust and confidence. Having vetted his/her qualifications, the Nomination Committee ensures that ALCO directors shall at all times act in a manner characterized by transparency, accountability and fairness.

As of the date of this Prospectus, there has been no deviation from the Manual.

While ALCO continually evaluates its corporate governance policy, there are no definite plans to change its corporate governance policy as of the date of this Prospectus.

Independent Directors

The Manual provides that the BOD shall have at least two independent directors or such number that constitutes 20% of the total number of directors of the BOD pursuant to the Company's Articles of Incorporation, whichever is lesser, but in no case less than two. The Company's has two independent directors: Messrs. Emmanuel A. Rapadas and Andres B. Sta. Maria.

In addition, the Manual directs that independent directors should always attend board meetings, but their absence shall not affect the quorum requirement. However, the BOD may, to promote transparency, require the presence of at least one independent director in all its meetings.

Independent directors must be independent of management and free from any business or other relationship with the Company which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

COMMITTEES OF THE BOARD

The BOD has constituted certain committees to effectively manage the operations of the Company. The Company's committees include the Executive Committee, Nomination Committee, Stock Option and Compensation Committee and Audit Committee. A brief description of the functions and responsibilities of the key committees are set out below:

Executive Committee

The Executive Committee is the body to which the BOD may delegate some of its powers and authorities which may lawfully be delegated. It shall be composed of the Chairman, the President and CEO, the Chief Finance Officer and such other officers of the Company as may be appointed by the BOD. The Executive Committee shall adopt and observe its own internal procedures and conduct of business.

The Executive Committee is composed of: Ernest K. Cuyegkeng as Chairman, Jaime C. Gonzalez and Ricardo Gabriel T. Po, Jr. as Vice Chairmen, and Angela de Villa-Lacson, Jaime Enrique Y. Gonzalez, Leonardo Arthur T. Po, Christopher Paulus Nicolas T. Po and Ferdinand A. Constantino as members.

Nomination Committee

The Nomination Committee is composed of at least three members of the BOD, one of whom must be an independent director. The committee shall review and evaluate the qualifications of all persons nominated as directors and such other appointments which require board approval, and to assess the effectiveness of the processes and procedures in the election or replacement of directors. It shall pre-screen and shortlist all candidates nominated as director in accordance with the qualifications outlined in the Company's By-laws and the Corporation Code of the Philippines, the SRC and other relevant laws. The decision of the Nomination Committee is final for purposes of the election.

The Nomination Committee is composed of: Jaime C. Gonzalez as Chairman and Ricardo Gabriel T. Po, Jr. and Andres B. Sta. Maria as members.

Stock Option and Compensation Committee

The Stock Option and Compensation Committee is composed of at least three members of the BOD, one of whom must be an independent director. The Stock Option and Compensation Committee shall, among others, establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy, and control environment.

The Stock Option and Compensation Committee is composed of: Jaime C. Gonzalez as Chairman and Angela de Villa-Lacson and Emmanuel A. Rapadas as members.

Audit Committee

The Audit Committee shall be composed of at least three members of the BOD, at least two of whom shall be independent directors, including the Chairman thereof, and preferably all members shall have accounting, auditing or related financial management expertise or experience. Each member should have adequate understanding at least or competence at most of the Company's financial management system and environment.

The Audit Committee shall, among others, assist the BOD in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations. It shall also review the quarterly, half-year and annual financial statements before their submission to the BOD, with particular focus on: (a) any change/s in accounting policies and practices; (b) major judgmental areas; (c) significant adjustments resulting from the audit; (d) going concern assumptions; (e) compliance with accounting standards; and, (f) compliance with tax, legal and regulatory requirements.

The Audit Committee is composed of: Emmanuel A. Rapadas as Chairman and Andres B. Sta. Maria and Ricardo Gabriel T. Po, Jr. as members.

Given that the present independent directors were only newly elected, there has been no assessment of ALCO's Audit Committee performed for the previous year.

Family Relationships

With the exception of the brothers Messrs. Ricardo Gabriel T. Po, Jr., Christopher Paulus Nicolas T. Po and Leonardo Arthur T. Po, and the father and son, Messrs. Jaime C. Gonzalez and Jaime Enrique Y. Gonzalez, the above-mentioned incumbent directors and executive officers of the Company are not related to each other, either by consanguinity or affinity.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, there has been no occurrence of any of the following events during the past five years up to the date of this Prospectus, which are material to an evaluation of the ability or integrity of any director, any person nominated to become a director, executive officer or control person of the Company:

1. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Directors and Executive Officers & Key Persons – Involvement in Certain Legal Proceedings

Two directors and an officer of the Company are currently parties to legal proceedings which do not directly involve the Company nor acts of such directors and officers of the Company as such but which are nevertheless discussed below. There are no final resolutions on these proceedings at this time. The Company believes that the involvement of these directors and officer in the said proceedings is not material to an evaluation of the ability or integrity of such person to become a director, executive officer, or control person of the Company.

1. In 2013, the PDIC had filed one and the same complaint against one of the Company's directors, Mr. Jaime C. Gonzalez, among other former officers of then Export and Industry Bank, before one, the Department of Justice (DOJ) and two, the Bangko Sentral ng Pilipinas (BSP) for violation of Section 21 (f)(10) of Republic Act (R.A.) No. 3591, Section 21 (f)(4) of R.A. No. 3591, and Sections 55, 56 and 66 of R.A. No. 8791 in relation to Section 36 of R.A. No. 7653. PDIC alleged that the respondents committed acts which constituted doing business in an unsafe and unsound manner, essentially having concealed from PDIC the engagement as the bank's financial advisor of a company which Mr. Gonzalez was an officer of simultaneously with being an officer of the bank. All respondents denied PDIC's accusation and submitted documentary evidence that there was in fact full disclosure to all concerned parties.

   In 2014, the DOJ found no probable cause to hold Mr. Gonzalez and his co-respondents liable for the charges of PDIC against them and dismissed the complaint. PDIC's Motion for Reconsideration was likewise denied. PDIC filed a Petition for Review before the Secretary of Justice but there is no decision on the matter to date. There is, therefore, no criminal case against Mr. Gonzalez as of the date of filing of this Prospectus.

   Insofar as the administrative complaint pending before the BSP is concerned, both PDIC and the respondents are awaiting the order from the Office of the General Counsel directing them to submit their respective position papers.

   In March 2016, PDIC filed a civil complaint for sum of money against Mr. Gonzalez, among others, arising from the same set of allegations and circumstances stated in the above complaint PDIC filed with the DOJ and the BSP. Trial is currently ongoing with the cross-examination of PDIC's witness.

2. In 2015, PDIC filed one and the same complaint against Mr. Gonzalez and the Company's President and CEO, Ms. Angela de Villa Lacson, and Assistant Corporate Secretary, Ms. Riva Khristine V. Maala, among other former officers of then Export and Industry Bank and of the Company, one before the DOJ for violation of Article 315 of the Revised Penal Code in relation to Presidential Decree No. 1689 and of Section 21(f)(10) of R.A. No. 3591, as amended, and two, before the BSP for violation of Section 37 of R.A. No. 7653. PDIC alleged that the respondents conspired and fraudulently caused

the bank to make advances in favor of the Company for the alleged purchase by the Company of one of the bank's non-performing assets in the sum of ₱13 million. All respondents denied PDIC's charges against them in their respective counter-affidavits.

As of the date of filing of this Prospectus, the complaint before the DOJ is deemed submitted for resolution. There is, therefore, no criminal case against Mr. Gonzalez, Ms. Lacson or Ms. Maala.

The proceedings before the BSP Office of Special Investigation, which are administrative in nature, are held in abeyance pending resolution of various motions filed by the parties.

EXECUTIVE COMPENSATION

Compensation of Directors and Executive Officers

Each regular director is entitled to receive a per diem of ₱10,000.00 for each board meeting (special or regular) attended, while each independent director is entitled to receive a per diem of ₱75,000.00 for each board meeting (special or regular) attended. The Chairman of the Board is entitled to receive ₱100,000.00 for every meeting attended. Each director is entitled to receive a per diem of ₱2,500.00 for each committee meeting, of which he is a member, attended. These committees are the Executive Committee, the Audit Committee, the Stock Option and Compensation Committee and the Nomination Committee.

The Corporate Secretary and the Assistant Corporate Secretary are entitled to receive the same per diems for regular directors for every Board and committee meeting attended.

The following table sets out the CEO and the four most highly compensated senior officers as of the date of this Prospectus:

Name	Position
Angela de Villa-Lacson	President and CEO
Jaime C. Gonzalez	Vice Chairman of the Board Of Directors
Leonardo Arthur T. Po	Treasurer
Ninalyn S. Cordero	Head of Project and Business Development
Gabriel I. Paulino	Head of Technical Services

The following table identifies and summarizes the aggregate compensation of the Company's CEO and the four most highly compensated executive officers, and all other officers and the directors as a group, for the years ended 31 December 2015 and 2014 and for the six months ended 30 June 2016:

	Year	Basic Compensation (in millions of pesos)	Other Compensation (in millions of pesos)
President and the four most highly compensated executive officers named above………………………	2016 (six months)[12]	22.905	3.308

[12] The amount includes the compensation of the former Chief Finance Officer, who resigned effective May 31, 2016, but does not include the compensation of Jaime C. Gonzalez, an incumbent Vice Chairman of the Board who has assumed this position starting June 24, 2016.

	Year	Basic Compensation (in millions of pesos)	Other Compensation (in millions of pesos)
	2015	42.041	2.85
	2014	40.032	5.29
Aggregate compensation paid to all other officers and directors as a group unnamed……………………	2016 (six months)	5.942	1.106
	2015	12.465	1.09
	2014	11.420	-

Under the Company's Stock Option Plan, which was approved by the stockholders on 16 October 2009, the total amount of shares available and may be issued for the purpose of such stock option will amount to 10% of the Company's total outstanding capital stock at any given time. At present, this is equivalent to 511,809,520 shares. The Stock Option and Compensation Committee consisting of at least three directors, one of whom is an independent director, will administer the implementation of this plan.

The qualified employees eligible to participate are (i) the members of the Board, with the exception of the independent directors; (ii) President and CEO and other corporate officers, which include the Corporate Secretary and the Assistant Corporate Secretary; (iii) Employees and Consultants who are exercising managerial level functions or are members of the Management Committee; and, (iv) Executive officers assigned to ALCO's subsidiaries or affiliates, in which subsidiaries or affiliates the Company must have at least 50% equity holdings.

Other Arrangements

The Stock Option and Compensation Committee is empowered to determine to whom the options are to be granted, determine the price the option is to be exercised (which in no case shall be below the par value of ALCO's common stock), decide when such option shall be granted and its effectivity dates, and determine the number and class of shares to be allocated to each qualified employee. The Committee will also consider at all times the performance evaluation of the qualified employee and/or the result of the achievement of the objectives of ALCO each year.

The Option Period during which the qualified employee may exercise the option to purchase such number of shares granted will be three years starting with the full year vesting in accordance with the following schedule:

(i) Within the first 12 months from Grant Date - up to 33.33%
(ii) Within the 13th to the 24th month from Grant Date - up to 33.33%
(iii) Within the 25th to 36th month from Grant Date - up to 33.33%.

On the Exercise Date, the qualified employee should pay the full purchase price or in such terms as may be decided upon by the Committee.

As of the date of this Prospectus, options equivalent to 164,800,000 shares were granted. However, none of the qualified employees exercised their respective rights until October 2012 when the period within which they can do so expired.

There are no special retirement plans for executives. There is no existing arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change in control of the Company.

Certain Relationships and Related 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 include: (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. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

In the regular conduct of its business, ALCO and its wholly-owned subsidiaries enter into intercompany transactions, primarily advances necessary to carry out their respective functions subject to liquidation and reimbursements for expenses.

ALCO ensures that these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks, they are fair and treated at arm’s length.

Interest Free Loan provided by Centrobless

The construction of ACPT is partially funded by a non-interest bearing loan from Centrobless, Inc., (an investment vehicle of CPG). Under the terms of the loan agreement, Centrobless may choose to be repaid through the dacion of office units in ACPT representing approximately 31% of ACPT’s net leasable area. If Centrobless chooses to be repaid as described above, ALCO will have 20,976 sqm of net leasable space in ACPT which it will keep to generate recurring lease revenues.

Advances to CLLC

Pursuant to the Shareholders’ Agreement dated 7 January 2016, by and among the Company, Arch SPV and CLLC, the Company provided advances to CLLC amounting to ₱255.3 million by way of shareholder advance.

Property Management

EPMI currently manages the condominium corporation of Arya. EPMI is likewise expected to render property management services to ALCO’s other projects.

Transactions between ALCO and its subsidiaries

A summary of related party transactions between ALCO and its subsidiaries for the years ended 31 December 2013, 2014 and 2015 and for the six-months ended 30 June 2015 and 2016 are summarized below:

SUBSIDIARY	As of December 31 (Audited)			As of June 30 (Unaudited)	
	2013	2014	2015	2015	2016
UPHI	58,450,875	58,909,030	59,808,618	59,222,481	59,881,619
MPI	19,765,768	(48,500)	-	(5,425,081)	(289,481,804)
CAZNEAU	79,731	181,040	338,945	308,285	412,549
EMERA	80,875	962,272	1,872,494	1,853,478	2,169,712
CLLC			386,783,936		255,295,934
ZILEYA					337,590
Total	**78,377,249**	**60,003,842**	**448,803,993**	**55,959,162**	**28,615,600**

In the normal course of the business, the Company provides management and financial support to its subsidiaries. The financial support is given in the form of cash advances to fund certain financial obligations. The advances to MPI, UPHI, Cazneau, Emera and Zileya are non-interest bearing, unsecured and settled in cash whenever possible. The advances to CLLC are interest-bearing and unsecured.

While there have been no guarantees provided or received relating to these amounts, no impairment losses were recognized. This assessment is undertaken each financial year through a review of the subsidiaries' financial position and the perceived condition, existing and prospective, of the market they operate in. These amounts are eliminated to arrive at the consolidated financial statements of ALCO and its subsidiaries.

Management's Discussion and Analysis of Results of Operations and Financial Condition

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of ALCO and its subsidiaries for the three-year period ended 31 December 2015 and the unaudited consolidated financial statements as of and for the six months ended 30 June 2016. The following discussion is lifted from the 2015 annual report (SEC Form 17-A) and the quarterly report as of 30 June 2016 (SEC Form 17-Q) filed with the SEC and should be read in conjunction with the attached audited consolidated statements of financial position of ALCO as of 31 December 2015 and 2014 and 30 June 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended 31 December 2015 and the six months ended 30 June 2016.

OVERALL GROWTH STRATEGY

Following its reorganization in 2007, ALCO focused on establishing its brand and track record by developing its flagship projects, Arya and ACPT, which are meant to represent ALCO's solid presence in both the residential and office segments of the real estate sector. After the huge success of Arya and as ACPT is about to be completed, ALCO has established itself as a premium and sustainable property developer and is now focused on growing its real estate portfolio.

By 2022, ALCO expects to have in its portfolio a total of more than 520,000 sqm of developed GFA. Compared against the combined GFA of Arya and ACPT of approximately 110,000 sqm, this represents a growth multiple of almost five times its current portfolio or an estimated compounded annual growth rate of 30%.

ALCO's two most immediate projects, the Cebu Exchange and the Biñan Laguna projects, already account for 56% of the incremental GFA that ALCO expects to support its growth target. For these two projects, ALCO has secured the land on which the projects will rise and for the Cebu Exchange, ALCO expects construction to begin within the first half of 2017. Thus, ALCO has already secured the location and is mobilizing its resources for a substantial portion of its growth target. ALCO is in the process of securing the land for the balance 44% of the target incremental GFA and will disclose when the acquisitions are completed.

Diversification

ALCO believes that while the outlook for the entire real estate sector is positive, the real estate sub-sectors will be in varying stages of growth from 2016 to 2022. Given recent trends in the industry, ALCO has identified opportunities in the office sub-sector following the continuous strong demand for office space in key locations. In the residential sub-sector, ALCO has identified pockets of the market segments that are promising.

Given these, ALCO uses a deliberate strategy of achieving an optimal mix of residential and office development in its portfolio. Of the expected 520,000 sqm portfolio by 2022, ALCO expects approximately 50% (about 260,000 sqm) to be in the office segment and the balance 50% in the upper middle to high end residential segment.

Within each of the office and residential sub-sectors, ALCO further plans to diversify its developments geographically. Of the approximately 260,000 sqm of planned developed GFA for the office segment, ALCO has deliberately allocated 40% outside Metro Manila through the Cebu Exchange project. Of the 60% that it plans to develop within Metro Manila, ALCO has further allocated its planned office projects among the key business districts in Fort Bonifacio, Makati, Ortigas and southern Metro Manila.

In the residential segment, ALCO plans for almost 50% of developed gross floor area by 2022 to be located outside Metro Manila through its Biñan Laguna project. The other 50% is also allocated among key locations in Fort Bonifacio and Makati.

Maintaining High Quality in its Projects

ALCO is very particular about maintaining the high quality for which its flagship projects are known. As a central focus of its strategy, ALCO will continue to position itself as a premium developer of sustainable projects and will continue to target to achieve green building certification for all of its future projects

Matching of Fixed Costs with Recurring Income

To mitigate risk, ALCO likewise intends to maintain a leasing portfolio which, at minimum, is planned to match its fixed overhead costs. ALCO's leasing portfolio is currently composed of its retail units in Arya Residences as well as the office units in ACPT, which is currently under construction. Depending on market conditions, ALCO may also choose to retain retail or office units in its future projects to grow its leasing portfolio.

KEY PERFORMANCE INDICATORS

The table below sets forth the comparative performance indicators of the Company and its subsidiaries for the fiscal years 2013, 2014 and 2015, as well as for the interim period June 30, 2016.

Key Performance Indicators	**FY December 2013**	**FY December 2014**	**FY December 2015**	**June 30, 2015**	**June 30, 2016**
Current Ratio	1.95	2.95	3.24	2.57	1.99
Total Liabilities to Equity Ratio	1.78	2.26	2.51	2.34	2.03
Interest Bearing Debt to Equity Ratio	1.13	1.63	1.27	1.61	0.42
Interest Coverage Ratio	5.63	6.52	8.69	9.16	1.88
Return on Equity	18%	12%	12%	6%	2%
Acid test Ratio[13]	1.09	2.24	2.09	2.03	1.10
Net profit margin	19%	10%	14%	12%	7%

All of the revenues and net income of ALCO for the years 2013, 2014, 2015 and for the six months ended 30 June 2016 were contributed by the revenues and net income from the sale of units in Arya Residences. ALCO expects to generate lease revenues from Arya Commercial Retail Units in 2017 and from ACPT when the project is completed.

EXECUTIVE COMPENSATION

Please refer to pages 91 to 92 of this Prospectus for a discussion on "Executive Compensation".

RELATED PARTY TRANSACTIONS

Please refer to pages 93 to 94 of this Prospectus for the further discussion on "Certain Relationships and Related Transactions".

[13] Calculated as Quick Assets divided by Current Liabilities. Quick Assets are assets easily convertible to cash and only include cash and cash equivalents, financial assets at FVPL, and trade and other receivables.

Interim Periods

FINANCIAL POSITION
June 2016 vs June 2015

	30 June 2016	30 June 2015	% Change
Cash and cash equivalents	**P 572,314,052**	P 822,480,366	-30%
Financial assets at fair value through profit or loss	**904,357,550**	209,076,409	333%
Trade and other receivables	**626,008,194**	2,256,697,285	-72%
Real estate for sale	**1,358,489,814**	961,650,912	41%
Investment properties	**1,853,091,823**	1,184,922,163	56%
Property and equipment	**13,217,385**	24,021,421	-45%
Creditable withholding tax	**290,203,674**	215,085,624	35%
Other assets	**153,606,237**	144,138,000	7%
Total Assets	**5,771,288,729**	5,818,072,180	-1%
Loans payable	**2,300,865,779**	2,804,726,330	-18%
Accounts payable and other liabilities	**1,444,703,087**	1,052,280,870	37%
Retirement liability	**40,801,518**	33,672,130	21%
Net deferred tax liabilities	**81,832,157**	187,038,289	-56%
Total Liabilities	**3,868,202,541**	4,077,717,619	-5%
Equity attributable to Equity Holders of ArthaLand Corporation			
Capital stock	**957,257,136**	957,257,136	0%
Additional paid-in capital	**75,000,000**	75,000,000	0%
Retained earnings	**860,682,990**	708,155,166	22%
Cumulative remeasurement gains (losses) on retirement liability - net of tax	**990,511**	(57,741)	-1815%
	1,893,930,637	1,740,354,561	9%
Non-controlling interests	**9,155,551**	-	100%
Total Equity	**1,903,086,188**	1,740,354,561	9%
Total Liabilities and Equity	**P 5,771,288,729**	P 5,818,072,180	-1%

The Company's total resources as of 30 June 2016 decreased by 1% to ₱5.77 billion from 30 June 2015 level of ₱5.82 billion, due to the following:

30% Decrease in Cash and Cash Equivalents
The decrease was due to temporary placements of excess cash in higher yielding bank deposits, presented in the financial statements as Financial assets at fair value through profit or loss (FVPL).

333% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)
The increase was due to additional short-term placement of excess cash.

72% Decrease in Trade and Other Receivables
The decrease was mainly due to collection of maturing accounts.

41% Increase in Real Estate for Sale

The increase was largely due to acquisition cost of a land in Cebu City.

56% Increase in Investment Properties
The increase was due to accumulation of cost of ArthaLand Century Pacific Tower as the construction progresses.

45% Decrease in Property and Equipment
The decrease was mainly due to the full depreciation of the Arya Residences Sales Pavilion in 2015.

35% Increase in Creditable Withholding Tax
The increase was primarily due to additional creditable withholding taxes arising from real estate sales.

7% Increase in Other Assets
The increase was mainly due to investment in dollar denominated time deposits and additional input vat from suppliers.

18% Decrease in Loans payable
The decrease was mainly due to higher principal repayments of matured bank loans as compared to new loans acquired.

37% Increase in Accounts Payable and Other Liabilities
The increase was mainly due to partial payment only from the acquisition of a land in Cebu City.

21% Increase in Retirement Liability
The increase refers to additional provisions for retirement obligation for the year to comply with the requirements of PAS 19 and latest actuarial valuation report for the company.

56% Decrease in Net Deferred Tax Liabilities
The decrease pertains to the reversal of deferred tax liabilities in December 2015 and provision in 2016.

22% Increase in Retained Earnings
The increase represents the net income from 30 June 2015 to 30 June 2016.

1815% Decrease in Cumulative measurement gains (losses) on retirement liability - net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 and re-measurement based on latest actuarial valuation report for the company.

100% Increase in Non-controlling Interests
This represents 40% of equity share of an investor in CLLC.

RESULTS OF OPERATIONS
June 2016 vs June 2015

	30 June 2016	30 June 2015	% Change
Realized revenues from real estate sales	**P 365,514,239**	P 897,790,498	-59%
Cost of real estate sold	**(278,300,946)**	(595,635,758)	-53%
Gross Profit	**87,213,293**	302,154,740	-71%
OPERATING EXPENSES			
Administrative expenses	**122,182,478**	112,691,361	8%
Selling and marketing expenses	**25,743,312**	37,760,184	-32%
	147,925,790	150,451,545	-2%
OPERATING PROFIT (LOSS)	**(60,712,497)**	151,703,195	-140%
OTHER OPERATING EXPENSES (INCOME)			
Finance costs	**29,396,534**	18,950,441	55%
Other operating income	**(115,655,145)**	(21,792,625)	431%
	(86,258,611)	(2,842,184)	2935%
PROFIT BEFORE TAX	**25,546,114**	154,545,379	-83%
TAX EXPENSE (BENEFIT)	**1,675,837**	51,128,771	-97%
NET PROFIT	**P 23,870,277**	P 103,416,608	-77%

The Company's net income in the first (1st) half was at ₱23.9 million or 77% lower for the year-on year.

59% Decrease in Revenue from Real Estate Sales
The revenue for 1st half of 2015 is lower compared with same period last year since the significant portion of Arya Residences revenues were already recognized in prior periods.

53% Decrease in Cost of Sales
The decrease in cost of sales was due to lower level of sales revenues during the period.

8% Increase in Administrative Expenses
The increase was due to higher taxes and licenses and utilities and manpower expenses related to turnover of Arya Tower 2.

32% Decrease in Selling and Marketing Expenses
The decrease was due to lower sales commissions during the current period.

55% Increase in Finance costs
The increase was due to amortization of "Day 1" gain on loan discounting.

431% Increase in Other Income - net
The increase was largely due to the recognition of "Day 1" gain on loan discounting.

97% Decrease in Tax Expense
The decrease was due to lower taxable income for the period.

RESULTS OF OPERATIONS
April - June 2016 vs April - June 2015

		1 April - 30 June 2016		1 April - 30 June 2015	% Change
Realized revenues from real estate sales	**P**	**85,840,825**	P	616,688,920	-86%
Cost of sales		**(78,678,069)**		(395,535,041)	-80%
Gross Profit		**7,162,756**		221,153,879	-97%
OPERATING EXPENSES					
Administrative expenses		**54,520,865**		50,309,617	8%
Selling and marketing expenses		**9,685,247**		21,348,146	-55%
		64,206,112		71,657,763	-10%
OPERATING PROFIT (LOSS)		**(57,043,356)**		149,496,116	-138%
OTHER OPERATING EXPENSES (INCOME)					
Finance costs		**20,349,717**		9,443,252	115%
Other income – net		**(58,400,612)**		(12,508,039)	367%
		(38,050,895)		(3,064,787)	1142%
PROFIT BEFORE TAX		**(18,992,461)**		152,560,903	-112%
TAX EXPENSE (BENEFIT)		**(22,264,230)**		57,877,209	-138%
NET PROFIT	**P**	**3,271,769**	P	94,683,694	-97%

The Company's net income was 97% lower for the quarter on quarter.

86% Decrease in Revenue from Real Estate Sales
The decrease was attributable to lower volume of sales in 2Q 2016 compared with 2Q 2015.

80% Decrease in Cost of Sales
The decrease in cost of sales is due to lower sales volume.

8% Increase in Administrative Expenses
The increase was largely due to higher taxes which includes business taxes, DST on loans, and related real property taxes on Arya T2, turned over in the recent quarter.

55% Decrease in Selling and Marketing Expenses
The decrease was due to lower sales commissions and advertising activities during the current period.

115% Increase in Finance Costs
The increase was due to amortization of "Day 1" gain on loan discounting.

367% Increase in Other Income - net
The increase was largely due to the recognition of "Day 1" gain on loan discounting.

138% Decrease in Tax Expense (Benefit)
The decrease was due to lower taxable income during the 2nd quarter of 2016 compared with the same period last year.

FINANCIAL RATIOS

June 2016 vs June 2015

	June 2016	June 2015	% Change
Current/Liquidity Ratio	**1.99:1**	2.57:1	-23%
(Current Assets over Current Liabilities)			
Solvency Ratio	**0.01:1**	0.03:1	-74%
(Net income before depreciation			
over total liabilities)			
Debt-to-equity Ratio	**2.03:1**	2.34:1	-13%
(Total liability over total equity*)			
Debt-to-equity (interest-bearing) Ratio	**0.42:1**	1.61:1	-73%
(Interest-bearing liabilities over total equity*)			
Asset-to-equity Ratio	**3.03:1**	3.34:1	-9%
(Total assets over total equity*)			
Interest Coverage Ratio	**1.88:1**	9.16:1	-79%
(Pretax income before Interest			
over interest expense)			
Profitability Ratio	**0.02:1**	0.06:1	-72%
(Net income attributable to equity holders of			
Arthaland Corporation over total equity)			
*based on consolidated equity			

FINANCIAL POSITION
June 2016 vs December 2015

	30 June 2016	31 Dec 2015	% Change
Cash and cash equivalents	**P 572,314,052**	P 604,613,082	-5%
Financial assets at fair value through profit or loss	**904,357,550**	732,635,225	23%
Trade and other receivables	**626,008,194**	1,831,115,193	-66%
Real estate for sale	**1,358,489,814**	1,550,936,177	-12%
Investment properties	**1,853,091,823**	1,391,323,861	33%
Property and equipment	**13,217,385**	17,202,058	-23%
Creditable withholding tax	**290,203,674**	214,119,974	36%
Other Assets	**153,606,237**	201,471,010	-24%
Total Assets	**5,771,288,729**	6,543,416,580	-12%
Liabilities			
Loans payable	**2,300,865,779**	3,091,768,912	-26%
Accounts payable and other liabilities	**1,444,703,087**	1,368,361,438	6%
Retirement liability	**40,801,518**	40,801,518	0%
Net deferred tax liabilities	**81,832,157**	180,664,234	-55%
Total Liabilities	**3,868,202,541**	4,681,596,102	-17%
Equity attributable to Equity Holders of ArthaLand Corporation			
Capital stock	**957,257,136**	957,257,136	0%
Additional paid-in capital	**75,000,000**	75,000,000	0%
Retained earnings	**860,682,990**	828,572,831	4%
Cumulative remeasurement gains (losses) on retirement liability - net of tax	**990,511**	990,511	0%
	1,893,930,637	1,861,820,478	2%
Non-controlling interests	**9,155,551**	-	100%
Total Equity	**1,903,086,188**	1,861,820,478	2%
Total Liabilities and Equity	**P 5,771,288,729**	P 6,543,416,580	-12%

The Company's total resources as of 30 June 2016 decreased by 12% to ₱5.77 billion from 31 December 2015 level of ₱6.54 billion, due to the following:

5% Decrease in Cash and Cash Equivalents
The decrease was due to temporary placements of excess cash in higher yielding bank deposits, presented in the financial statements as Financial assets at fair value through profit or loss (FVPL).

23% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)
The increase was due to additional short-term placement of excess cash.

10% increase in Cash and Cash Equivalents
The increase was primarily due to recently acquired non-interest bearing loans from a private funder to finance the construction of ArthaLand Century Pacific Tower (ACPT).

66% Decrease in Trade and Other Receivables
The decrease was mainly due to collection of maturing accounts.

12% Decrease in Real Estate for Sale
The decrease was mainly attributable to amount charged to cost of sales corresponding to realized revenues based on percentage of completion method.

33% Increase in Investment Properties
The increase was due to accumulation of cost of ArthaLand Century Pacific Tower as the construction progresses.

23% Decrease in Property and Equipment
The decrease resulted from normal provision for depreciation.

36% Increase in Creditable Withholding Tax
The increase was primarily due to additional creditable withholding taxes arising from real estate sales.

24% Decrease in Other Assets
The decrease was due to maturities of some investments in dollar denominated time deposits and amounts held in escrow due to repayment of principal loans during the period.

26% Decrease in Loans Payable
The decrease was mainly due to higher principal repayments of matured bank loans as compared to new loans acquired.

6% Increase in Accounts Payable and Other Liabilities
The increase is mainly due to accruals made at the end of the reporting date as well as increase in retention payable.

55% Decrease in Net Deferred Tax Liabilities
The movement pertains to the effect of current period's net income.

100% Increase in Non-controlling Interests
This represents 40% of equity share of an investor in CLLC.

FINANCIAL RATIOS

June 2016 vs December 2015

	June 2016	December 2015	% Change
Current/Liquidity Ratio	**1.99:1**	3.24:1	-39%
(Current Assets over Current Liabilities)			
Solvency Ratio	**0.01:1**	0.05:1	-86%
(Net income before depreciation			
over total liabilities)			
Debt-to-equity Ratio	**2.03:1**	2.51:1	-19%
(Total liability over total equity*)			
Debt-to-equity (interest-bearing) Ratio	**0.42:1**	1.27:1	-66%
(Interest-bearing liabilities over total equity*)			
Asset-to-equity Ratio	**3.03:1**	3.51:1	-14%
(Total assets over total equity*)			
Interest Coverage Ratio	**1.88:1**	8.69:1	-78%
(Pretax income before Interest			
over interest expense)			
Profitability Ratio	**0.02:1**	0.12:1	-86%
(Net income attributable to equity holders of			
Arthaland Corporation over total equity)			
*based on consolidated equity			

Full Year Periods

FINANCIAL POSITION
31 December 2015 vs. 31 December 2014

	31-Dec-15	31-Dec-14	Change
Cash and cash equivalents	**604,613,082**	834,733,453	-28%
Financial assets at fair value through profit or loss (FVPL)	**732,635,225**	272,072,660	169%
Trade and other receivables	**1,831,115,193**	1,946,089,269	-6%
Real estate for sale	**1,550,936,177**	713,026,538	118%
Investment properties	**1,391,323,861**	1,367,498,286	2%
Property and equipment	**17,202,058**	28,597,607	-40%
Net deferred tax assets	**12,382,953**	11,839,572	5%
Other assets	**403,208,031**	372,057,900	8%
Total Assets	**6,543,416,580**	5,545,915,285	18%
Loans payable	**3,091,768,912**	2,765,827,162	12%
Accounts payable and other liabilities	**1,368,361,438**	880,784,527	55%
Retirement liability	**40,801,518**	33,672,130	21%
Net deferred tax liabilities	**180,664,234**	167,026,381	8%
Total Liabilities	**4,681,596,102**	3,847,310,200	22%
Capital stock	**957,257,136**	955,107,136	0%
Additional paid-in capital	**75,000,000**	75,000,000	0%
Retained earnings	**828,572,831**	668,555,690	24%
Accumulated unrealized actuarial gains (losses)	**990,511**	(57,741)	1815%
Total Equity	**1,861,820,478**	1,698,605,085	10%
Total Liabilities And Equity	**6,543,416,580**	5,545,915,285	18%

ALCO's total resources as of 31 December 2015 was at ₱6.54 billion, or about 18% higher than the 31 December 2014 level of ₱5.55 billion due to the following:

28% Decrease in Cash and Cash Equivalents
The decrease was due to temporary placements of excess cash in higher yielding bank deposits, presented in the financial statements as Financial assets at fair value through profit or loss (FVPL).

169% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)
The increase was due to additional short-term placement of excess cash.

6% Decrease Trade and Other Receivables
The decrease was due to collection of maturing accounts.

118% Increase in Real Estate for Sale
The significant increase was mainly due to the acquisition cost of a land in Cebu City.

40% Decrease in Property and Equipment
The decrease was mainly due to the full depreciation of the Arya Residences Sales Pavilion in 2015.

8% Increase in Other Assets

The increase is primarily due to additional creditable withholding taxes and investments in long-term time deposits with certain local banks.

12% Increase in Loans Payable
The increase was mainly due to a loan obtained to partially fund the construction of ArthaLand Century Pacific Tower.

55% Increase in Accounts Payable and Other Liabilities
The significant increase represents remaining payable to the landowner of the Cebu real property acquired during the year.

21% Increase in Retirement Liability
The increase is due to additional provisions for the year to comply with the requirements of PAS 19 and the latest actuarial valuation report for ALCO.

8% Increase in Net deferred Tax Liabilities
The change was mainly due from increase in Other Income.

24% Increase in Retained Earnings
The increase was due to the Net income for the year.

1815% Increase in Accumulated Unrealized Actuarial Gains
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

RESULTS OF OPERATIONS
31 December 2015 vs. 31 December 2014

	31 Dec. 2015	31 Dec. 2014	Change
Revenue from real estate sales	**1,584,016,397**	2,053,012,855	-23%
Cost of real estate sold	**1,043,700,643**	1,216,469,030	-14%
Gross income	**540,315,754**	836,543,825	-35%
Administrative expenses	**244,556,979**	289,460,170	-16%
Selling and marketing expenses	**69,323,793**	76,377,533	-9%
Operating expenses	**313,880,772**	365,837,703	-14%
Income from operations	**226,434,982**	470,706,122	-52%
Finance costs	**-40,566,579**	-75,914,834	-47%
Other income – Net	**125,934,371**	24,068,982	423%
Income before income tax	**311,802,774**	418,860,270	-26%
Income tax expense	**87,968,491**	215,105,595	-59%
Net income	**223,834,283**	203,754,675	10%
Other comprehensive income			
Change in actuarial gain (loss) - Net of tax	**1,048,252**	-2,114,558	150%
Total comprehensive income	**224,882,535**	201,640,117	12%

Results of Operations for the year ended 31 December 2015 compared to the year ended 31 December 2014.

23% Decrease in Revenue from Real Estate Sales
Balance for 2015 represents the remaining unrecognized revenues from Arya Residences. Substantial portions of sales from the said project were already recognized in prior years.

14% Decrease in Cost of Real Estate Sold
The resulting cost of real estate sold recognized for the current year applies to said remaining unrecognized revenues.

16% Decrease in Administrative Expenses
The decline in administrative expenses was mainly due to lower business taxes and decreased rental, depreciation and utility expenses caused by the retirement of the Arya Residences Sales Pavilion.

9% Decrease in Selling and Marketing Expenses
The decrease was mainly attributable to lower commission expenses during the year.

47% Decrease in Finance Costs
Lower interest expense was due to decreased bank loan balance in 2015 as compared with the previous year.
423% Increase in Other Income – Net

The other income for the current year includes a one-time gain resulting from the accounting treatment requiring a discounting of a non-interest bearing loan.

59% Decrease in Income Tax Expense
The decrease was due to lower financial tax base for the year as compared to 2014.

150% Increase in Change in Actuarial Gain (loss) - Net of tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 and the latest actuarial valuation report for ALCO.

FINANCIAL POSITION
31 December 2014 vs. 31 December 2013

	31 Dec 2014	31 Dec 2013	Change
Cash and cash equivalents	**834,733,453**	574,608,266	45%
Financial assets at fair value through profit or loss (FVPL)	**272,072,660**	-	100%
Trade and other receivables	**1,946,089,269**	1,416,114,777	37%
Real estate for sale	**713,026,538**	1,388,489,169	-49%
Investment properties	**1,367,498,286**	681,139,343	101%
Property and equipment	**28,597,607**	45,536,253	-37%
Net deferred tax assets	**11,839,572**	43,739,108	-73%
Other assets	**372,057,900**	204,693,708	82%
Total Assets	**5,545,915,285**	4,354,320,624	27%
Loans payable	**2,765,827,162**	1,769,861,911	56%
Accounts payable and other liabilities	**880,784,527**	997,255,035	-12%
Retirement liability	**33,672,130**	23,532,523	43%
Net deferred tax liabilities	**167,026,381**	-	100%
Total Liabilities	**3,847,310,200**	2,790,649,469	38%
Capital stock	**955,107,136**	850,786,496	12%
Additional paid-in capital	**75,000,000**	54,575,400	37%
Retained earnings	**668,555,690**	656,252,442	2%
Accumulated unrealized actuarial gains	**(57,741)**	2,056,817	-103%
Total Equity	**1,698,605,085**	1,563,671,155	9%
Total Liabilities And Equity	**5,545,915,285**	4,354,320,624	27%

ALCO's total resources as of 31 December 2014 was at ₽5.55 billion, or about 27% higher than the 31 December 2013 level of ₽4.35 billion due to the following:

45% Increase in Cash and Cash Equivalents
The increase is mainly due to collections of lump sum balances from matured accounts and from financing activities.

100% Increase in Financial Assets at Fair Value through Profit or Loss (FVPL)
The increase is mainly due to short term investments made under trust products of a local bank.

37% Increase Trade and Other Receivables
The increase is due to additional sales take-up for Arya Residences Tower 2 and higher completion rate of construction in 2014.

49% Decrease in Real Estate for Sale
The decrease is attributable to amount charged to cost of sales during the year and cost of completed Arya Residences Tower 1 retail and parking units reclassified as investment properties.

101% Increase in Investment Properties
The increase is due to additional development costs for ArthaLand Century Pacific Tower incurred during the year and cost of completed Arya Residences Tower 1 retail and parking units reclassified from real estate for sale.

37% Decrease in Property and Equipment
The decrease is due to regular provisions for depreciation.

73% Decrease in Net Deferred Tax Assets
The decrease is due to partial application of deferred tax assets against the current year's tax liability.

82% Increase in Other Assets
The increase is primarily due to additional creditable withholding taxes and input taxes, and investments in long-term time deposits with certain local banks.

56% Increase in Loans Payable
The increase is due to financing activities during the year.

12% Decrease in Accounts Payable and Other Liabilities
The decrease is mainly due to reduced balance of payable to buyers as a result of the same being recognized as revenue during the year.

43% Increase in Retirement Liability
The increase is due to additional provisions for the year to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

100% Increase in Net Deferred Tax Liabilities
The increase is due to excess of financial over taxable gross profit on sale of real estate.

12% Increase in Capital Stock
The increase is due to collections of outstanding subscription receivables from various stockholders.

37% Increase in Additional Paid-in Capital
The increase is due to collections of outstanding subscription receivables from various stockholders.

103% Decrease in Accumulated Unrealized Actuarial Gains
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

RESULTS OF OPERATIONS
31 December 2014 vs. 31 December 2013

	31 Dec 2014	31 Dec 2013	Change
Revenue from real estate sales	**2,053,012,855**	2,332,118,300	-12%
Cost of real estate sold	**1,216,469,030**	1,540,944,865	-21%
Gross income	**836,543,825**	791,173,435	6%
Administrative expenses	**289,460,170**	236,860,488	22%
Selling and marketing expenses	**76,377,533**	131,746,565	-42%
Operating expenses	**365,837,703**	368,607,053	-1%
Income from operations	**470,706,122**	422,566,382	11%
Finance costs	**-75,914,834**	-78,299,685	-3%
Other income – Net	**24,068,982**	18,342,033	31%
Income before income tax	**418,860,270**	362,608,730	16%
Income tax expense	**215,105,595**	79,588,871	170%
Net income	**203,754,675**	283,019,859	-28%
Other comprehensive income			
Change in actuarial loss - Net of tax	**-2,114,558**	-1,390,319	52%
Total comprehensive income	**201,640,117**	281,629,540	-28%

Results of Operations for the year ended 31 December 2014 compared to the year ended 31 December 2013.

12% Decrease in Revenue from Real Estate Sales
The high revenue for 2013 was attributable to Arya Residences Towers 1 and 2 sales and construction accomplishment. In 2014, revenues come mainly from Tower 2 since Tower 1 revenues had been substantially recognized in 2013 and prior years.

21% Decrease in Cost of Real Estate Sold
The cost of Real Estate Sold decreased with the realized revenue for the period.

22% Increase in Administrative Expenses
The increase was mainly due to expenses related to transfer of Condominium Certificates of Title under buyers' name for Arya Residences Tower 1.

42% Decrease in Selling and Marketing Expenses
The decrease was attributable to reduced marketing and selling activities during the year.

31% Increase in Other Income – Net

The increase was mainly due to interests earned from temporary placements with local commercial banks.

170% Increase in Income Tax Expense (Benefit)
The increase is due to higher financial tax base for the year compared with statutory tax base.

52% Increase in Change in Actuarial Gain (Loss) – Net of Tax
This is a result of year-end adjustments to comply with the requirements of PAS 19 and the latest actuarial valuation report for ALCO.

FINANCIAL POSITION
31 December 2013 vs. 31 December 2012

	31 Dec 2013	31 Dec 2012	Change
Cash and cash equivalents	**574,608,266**	335,727,042	71%
Trade and other receivables	**1,416,114,777**	801,278,453	77%
Real estate for sale	**1,388,489,169**	1,554,389,856	-11%
Investment properties	**681,139,343**	645,556,744	6%
Property and equipment	**45,536,253**	24,251,797	88%
Net deferred tax assets	**43,739,108**	82,483,297	-47%
Other assets	**204,693,708**	196,224,071	4%
Total Assets	**4,354,320,624**	3,639,911,260	20%
Loans payable	**1,769,861,911**	1,503,210,516	18%
Accounts payable and other liabilities	**997,255,035**	796,460,145	25%
Retirement liability	**23,532,523**	14,986,602	57%
Total Liabilities	**2,790,649,469**	2,314,657,263	21%
Capital stock	**850,786,496**	830,181,736	2%
Additional paid-in capital	**54,575,400**	54,575,400	0%
Retained earnings	**656,252,442**	437,049,725	50%
Accumulated unrealized actuarial gains	**2,056,817**	3,447,136	-40%
Total Equity	**1,563,671,155**	1,325,253,997	18%
Total Liabilities And Equity	**4,354,320,624**	3,639,911,260	20%

ALCO's total resources as of 31 December 2013 was at ₱4.35 billion, or about 20% higher than the 31 December 2012 level of ₱3.64 billion due to the following:

*71% Increase in Cash and Cash Equivalen*ts
The increase was mainly due to collections from Arya Residences Tower 1 accounts due for turn-over to buyers, cash collection from Arya Residences Tower 2 buyers, and cash proceeds from financing activities.

77% Increase Trade and Other Receivables
The significant increase was due to recognition of Arya Residences Tower 2 sales starting 2013. The recognition is based on the percentage of completion method.

11% Decrease in Real Estate for Sale
The decrease was mainly attributable to amount charged to cost of sales corresponding to recognized revenues based on percentage of completion method.

6% Increase in Investment Properties
The increase pertains to initial planning costs incurred for ALCO's lot in Bonifacio Global City.

88% Increase in Property and Equipment
The increase was mainly due to the cost of new computer software acquired as part of ALCO's efforts to enhance operational efficiency.

47% Decrease in Net Deferred Tax Assets

The decrease was due to partial application of deferred tax assets against the current year's tax liability.

18% Increase in Loans Payable
The increase was due to financing activities undertaken by ALCO during the year.

25% Increase in Accounts Payable and Other Liabilities
The increase was attributable to higher monthly progress billings from contractors as a result of simultaneous development of Arya Residences Towers 1 and 2 in 2013. Progress billings are normally settled within a thirty-day period.

57% Increase in Retirement Liability
The increase was due to additional provisions for the year to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

50% Increase in Retained Earnings
The increase comes from the year's net income less cash dividends paid in August 2013.

40% Decrease in Accumulated Unrealized Actuarial Gains
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

RESULTS OF OPERATIONS
31 December 2013 vs. 31 December 2012

	31 Dec 2013	31 Dec 2012	Change
Revenue from real estate sales	**2,332,118,300**	1,453,263,809	60%
Cost of real estate sold	**1,540,944,865**	1,167,802,556	32%
Gross income	**791,173,435**	285,461,253	177%
Administrative expenses	**236,860,488**	203,410,797	16%
Selling and marketing expenses	**131,746,565**	100,468,319	31%
Operating expenses	**368,607,053**	303,879,116	21%
Income (loss) from operations	**422,566,382**	-18,417,863	-2394%
Finance costs	**-78,299,685**	-71,275,593	10%
Other income – Net	**18,342,033**	413,027,859	-96%
Income (loss) before income tax	**362,608,730**	323,334,403	12%
Income tax expense (benefit)	**79,588,871**	57,340,446	39%
Net income	**283,019,859**	265,993,957	6%
Other comprehensive income			
Change in actuarial gain (loss) - Net of tax	**-1,390,319**	3,100,523	-145%
Total comprehensive income	**281,629,540**	269,094,480	5%

Results of Operations for the year ended 31 December 2013 compared to the year ended 31 December 2012.

60% Increase in Revenue from Real Estate Sales
The increase is mainly due to the start of revenue recognition for Arya Residences Tower 2 and completion of Arya Residences Tower 1. Revenues are recognized using the percentage of completion method.

32% Increase in Cost of Real Estate Sold
The increase was due to recognition of additional costs corresponding to the realized revenues under the percentage of completion method.

16% Increase in Administrative Expenses
The increase is mainly due to higher depreciation and amortization expenses and manpower related costs.

31% Increase in Selling and Marketing Expenses
Bulk of the increase in these accounts is attributable to sales commission incurred for the year.

10% Increase in Finance Costs
The increase was due to higher level of financing activities in 2013 compared with the 2012 level.

96% Decrease in Other Income – Net
The high level of other income in 2012 was a result of a one-time transaction, *i.e.* sale of a subsidiary and lot in BGC. There was no similar transaction in 2013.

39% Increase in Income Tax Expense (Benefit)
The significant increase is due to higher taxable income during the year.

145% Decrease in Change in Actuarial Gain (Loss) – Net of Tax
This is a result of year-end adjustment to comply with the requirements of PAS 19 and latest actuarial valuation report for ALCO.

FINANCIAL RATIOS

	December 2015	December 2014	December 2013
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**3.24:1**	2.95:1	1.95:1
Solvency Ratio (Net income (Loss) before depreciation over total liabilities)	**0.05:1**	0.06:1	0.11:1
Debt-to-equity Ratio (Total debt to total equity)	**2.51:1**	2.26:1	1.78:1
Debt-to-equity (Interest-bearing) Ratio (Interest-bearing debt to total equity)	**1.27:1**	1.63:1	1.13:1
Asset-to-equity Ratio (Total assets over total equity)	**3.51:1**	3.26:1	2.78:1
Interest Coverage Ratio (Pretax income before Interest over interest expense)	**8.69:1**	6.52:1	5.63:1
Profitability Ratio (Net income over total equity)	**0.12:1**	0.12:1	0.18:1

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

Except for the development costs of Arya Residences, ArthaLand Century Pacific Tower and the newly acquired property in Cebu City, there are no other material commitments for capital expenditures as of the period covered by the Report.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenue or income from continuing operations.

There is no foreseen event that will cause a material change in the relationship between costs and revenues.

External Audit Fees and Services

The external auditor's fees are based on the estimated time that would be spent on an engagement and ALCO is charged on the experience level of the professional staff members who will be assigned to work on the engagement and generally, on the complexity of the issues involved and the work to be performed, as well as the special skills required to complete the work.

The audit fees of Punongbayan & Araullo are ₽550,000.00 for 2011, ₽400,000.00 for 2010, and ₽270,000.00 for 2009. These fees are exclusive of VAT.

The audit fees of Reyes Tacandong and Co. ("RT&Co") are ₽500,000.00 for 2012, 550,000.00 for 2013, and ₽750,000.00 for both 2014 and 2015, all of which are exclusive of VAT.

The audit fees of RT&Co for services rendered to ALCO's subsidiaries are as follows:

In ₽	2015	2014	2013
Cazneau Inc.	80,000.00	75,000.00	60,000.00
Cebu Lavana Land Corp.	70,000.00	N.A.	N.A.
Emera Property Management, Inc.	90,000.00	90,000.00	60,000.00
Manchesterland Properties, Inc.	180,000.00	180,000.00	70,000.00
Urban Property Holdings, Inc.	80,000.00	75,000.00	60,000.00

RT&Co did not charge ALCO for non-audit work in 2013, 2014 or 2015.

The partner-in-charge for the ensuing year is Ms. Carolina P. Angeles of Reyes Tacandong & Co.

The stockholders approve the appointment of the external auditors of the Company. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the BOD and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. Likewise, the Audit Committee evaluates and determines any non-audit work performed by external auditors, including the fees therefor, and ensures that such work will not conflict with external auditor's duties as such or threaten its independence.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the external auditor of the Company on accounting and financial disclosure.

Interest of Named Experts

Independent Auditors

The consolidated financial statements of the Company as at and for the years ended 31 December 2015, 2014, and 2013 have been audited by Reyes Tacandong & Co., independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The Audit Committee of the Company, reviews and monitors, among others, the integrity of all financial reports and ensures compliance with both internal financial management manual and pertinent accounting standards, including regulatory requirements. The Audit Committee also performs the following duties and responsibilities relating to the services of the Company's external auditors:

- Asses and monitor the (i) external auditor's professional qualifications, competence, independence and objectivity and require the external auditor to make the statements necessary under applicable auditing standards as regards its relationship and services to the Company, discussing any relationship or services which may derogate its independence or objectivity; and (ii) the effectiveness of the audit process in accordance with applicable standards.

- Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the securities of the Company are listed.

- Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences.

- Review the reports or communications of the external auditor and ensure that management or the Board will provide a timely response to the issues raised in such reports or communications.

- Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions.

There is no arrangement that experts and independent counsels will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

Taxation

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Preferred Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Preferred Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Preferred Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Preferred Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment applicable to a holder of the Preferred Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Preferred Shares.

PROSPECTIVE PURCHASERS OF THE PREFERRED SHARES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF THE PREFERRED SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

Taxes on Dividends on the Preferred Shares

Individual Philippine citizens and resident aliens are subject to a final tax on dividends derived from the Preferred Shares at the rate of 10.0%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Preferred Shares at the rate of 20.0% on the gross amount thereof, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual. A non-resident alien individual not engaged in trade or business in the Philippines is subject to a final withholding tax on dividends derived from the Preferred Shares at the rate of 25.0% of the gross amount, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual.

The term "non-resident holder" means a holder of the Preferred Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and

- should a tax treaty be applicable, whose ownership of the Preferred Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Dividends derived by domestic corporations (i.e., corporations created or organized in the Philippines or under its laws) and resident foreign corporations from the Preferred Shares shall not be subject to tax.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of 30.0%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30.0% rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a special 15.0% rate if:

- the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends; or
- the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15.0%.

The BIR has prescribed, through an administrative issuance, procedures for the availment of tax treaty relief. The application for tax treaty relief has to be filed with the BIR by the non-resident holder of the Preferred Shares (or its duly authorized representative) at least 15 calendar days (Revenue Memorandum Order 1-2000) prior to the first taxable event, or prior to the first and only time the income tax payor is required to withhold the tax thereon or should have withheld taxes thereon had the transaction been subject to tax.

The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and BIR Form No. 0901-D. These include proof of tax residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of Preferred Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of Preferred Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

If tax at the regular rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the Preferred Shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund. Moreover, in view of the requirement of the BIR that an application for tax treaty relief be filed prior to the first taxable event as previously stated, the non-resident holder of the Preferred Shares may not be able to successfully pursue a claim for refund if such an application is not filed before such deadline.

Stock dividends distributed pro rata to any holder of shares are not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as share dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends (%)	Capital Gains Tax Due on Disposition of Shares Outside the PSE (%)
Canada	25[(a)]	Exempt[(h)]
France	15[(b)]	Exempt[(h)]
Germany	15[(c)]	5/10[(i)]
Japan	15[(d)]	Exempt[(h)]
Singapore	25[(e)]	Exempt[(h)]
United Kingdom	25[(f)]	Exempt[(j)]
United States	25[(g)]	Exempt[(h)]

Notes:

(a) *15.0% if the recipient company controls at least 10.0% of the voting power of the company paying the dividends.*

(b) *10.0% if the recipient company (excluding a partnership) holds directly at least 10.0% of the voting shares of the company paying the dividends.*

(c) *10.0% if the recipient company (excluding a partnership) owns directly at least 25.0% of the capital of the company paying the dividends.*

(d) *10.0% if the recipient company holds directly at least 10.0% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends.*

(e) *15.0% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year (if any) at least 15.0% of the outstanding shares of the voting shares of the paying company were owned by the recipient company.*

(f) *15.0% if the recipient company is a company which controls directly or indirectly at least 10.0% of the voting power of the company paying the dividends.*

(g) *20.0% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year (if any), at least 10.0% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15.0% withholding tax rate under the tax-sparing clause[14] of the Tax Code provided certain conditions are met.*

(h) *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*

(i) *Under the tax treaty between the Philippines and Germany, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5.0% on the net capital gains realized during the taxable year not in excess of Php100,000.00 and 10.0% on the net capital gains realized during the taxable year in excess of Php100,000.00.*

(j) *Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

In order for an exemption under a tax treaty to be recognized, an application for tax treaty relief on capital gains tax on the sale of shares must be filed by the income recipient before the deadline for the filing of the documentary stamp tax return, which is the fifth day from the end of the month when the document transferring ownership was executed.

The requirements for a tax treaty relief application in respect of capital gains tax on the sale of shares are set out in the applicable tax treaty and BIR Form No. 0901-C. These include proof of residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

[14] *The tax-sparing clause of the Tax Code may also apply to countries other than the United States, i.e. Switzerland.*

Sale, Exchange or Disposition of Shares after the Offer Period

Capital gains tax

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares outside the facilities of the PSE, unless an applicable treaty exempts such gains from tax or provides for preferential rates, are subject to tax as follows: 5.0% on gains not exceeding ₱100,000.00 and 10.0% on gains over ₱100,000.00. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain an exemption under a tax treaty. Such application must be filed before the deadline for the filing of the documentary stamp tax return − otherwise, the tax treaty exemption cannot be availed of. The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Taxes on transfer of shares listed and traded at the PSE

A sale or other disposition of shares through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.5% of the gross selling price or gross value in money of the shares sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, VAT of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client.

Prospective purchasers of the Preferred Shares should obtain their own tax advice in respect of their investment in relation to these developments.

Documentary Stamp Taxes on Shares

The original issue of shares is subject to documentary stamp tax of ₱1.00 on each ₱200.00 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱0.75 on each ₱200.00, or fractional part thereof, of the par value of the shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the shares.

However, the sale, barter or exchange of Preferred Shares should they be listed and traded through the PSE are exempt from documentary stamp tax.

In addition, the borrowing and lending of securities executed under the securities borrowing and lending program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

Estate and Gift Taxes

The transfer of the Preferred Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at progressive rates ranging from 5.0% to 20.0% if the net estate is over ₱200,000.00.

Individual registered holders, whether or not citizens or residents of the Philippines, who transfer the Preferred Shares by way of gift or donation, will be liable for Philippine donor's tax on such transfers at progressive rates ranging from 2.0% to 15.0% if the total net gifts made during the calendar year exceed ₱100,000.00. The rate of tax with respect to net gifts made to a stranger (one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of 30.0%. Corporate registered holders are also liable for Philippine donor's tax on such transfers, but the rate of tax with respect to net gifts made by corporate registered holders is always at a flat rate of 30.0%.

Estate and gift taxes will not be collected in respect of intangible personal property, such as shares, (1) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Corporate Income Tax

In general, a tax of 30.0% is imposed upon the taxable net income of a domestic corporation from all sources (within and outside the Philippines) pursuant to Republic Act No. 9337, except, among other things, (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20.0% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 7.5% of such income.

Minimum Corporate Income Tax ("MCIT") of 2.0% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when MCIT is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the MCIT over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Furthermore, subject to certain conditions, the MCIT may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, force majeure, or legitimate business reverses.

Regulatory Framework

The statements herein are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.

Laws on housing and land projects

Presidential Decree No. 957: The Subdivision and Condominium Buyers' Protective Decree

Presidential Decree No. 957, or the Subdivision and Condominium Buyers' Protective Decree ("PD 957"), as amended, is the principal statute regulating the development and sale of real property as part of a condominium project or subdivision. It was enacted pursuant to the policy of the state to ensure that real estate subdivision owners, developers, operators, and/or sellers provide and properly maintain roads, drainage, sewerage, water systems, lighting systems and other similar basic requirements in order to guarantee the health and safety of home and lot buyers. PD 957 covers condominium and subdivision projects for residential, commercial, industrial and recreational areas as well as open spaces and other community and public areas in the project. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the government which, together with local government units, enforces PD 957 and has jurisdiction over real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with and approved by the HLURB and the relevant local government unit of the area where the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Before it is approved, the subdivision plan must comply with the Subdivision Standards and Regulations. On the other hand the condominium plan, in addition to complying with the same procedure, must also comply with Presidential Decree No. 1096, or the National Building Code, with respect to the building or buildings included in the condominium project. The owner or developer shall submit the condominium plan in accordance with the requirements of the National Building Code to the building official of the city or municipality where the property lies and the same shall be acted upon subject to the conditions in accordance with the procedure prescribed in Section 4 of Republic Act No. 4726, or the Condominium Act.

Alterations of approved condominium plans affecting significant areas of the project, such as infrastructure and public facilities, also require prior approval of the HLURB and the city or municipal engineer.

The development of subdivision and condominium projects can only commence after the relevant government body has issued the required development permit and the necessary building or construction permits in accordance with the requirements of the city or municipality where the property lies. The issuance of a development permit is dependent on, among other things: (i) compliance with required project standards and technical requirements that may differ depending on the nature of the project; and (ii) issuance of the barangay clearance, the locational clearance, permits issued by the Department of Environment and Natural Resources ("DENR") (such as the Environmental Compliance Certificate ("ECC") or Certificate of Non-Coverage ("CNC")), conversion order or exemption clearance from the Department of Agrarian Reform ("DAR"), permit to drill from the National Water Resources Board, and such other permits and approvals. In cases where the property involved is located in an area already classified as residential, commercial, industrial or other similar development purposes, a DAR conversion order shall no longer be required as a precondition for issuance of certificate of registration and license to sell.

Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the HLURB. Subdivision or condominium units may only be sold or offered for sale after a license to sell has been issued by the HLURB. Further, to ensure that the owner or developer of a proposed subdivision or condominium project shows firm commitment to proceed with a project, current HLURB regulations require minimum developments before the issuance of a license to sell: (a) for subdivision projects, proof of land clearing and grubbing, road tracing and entrance gate if included in the brochure or advertisement; and (b) for condominium projects, excavation per approved plan/excavation permit, are required.

As a requisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB any of the following to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance with the applicable laws, rules and regulations:

1. a surety bond equivalent to 20% of the development cost of the unfinished portion of the approved plan, issued by a duly accredited bonding company (whether private or government), and acceptable to the HLURB;

2. a real estate mortgage executed by the applicant developer as mortgagor in favor of the Republic of the Philippines, as represented by the HLURB, as mortgagee, over property other than that subject of the application, free from any liens and encumbrance and provided that the value of the property, computed on the basis of the zonal valuation of the Bureau of Internal Revenue, shall be at least 20% of the total development cost; or

3. other forms of security equivalent to 10% of the development cost of the unfinished portion of the approved plan which may be in the form of the following:

    a) a cash bond;
    b) a fiduciary deposit made with the cashier and/or disbursing officer of the HLURB;
    c) a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the HLURB for the total development cost;
    d) a letter from any bank of recognized standing certifying that so much has been set aside from the bank account of the developer in favor of the HLURB, which amount may be withdrawn by the HLURB at any time the developer fails or refuses to comply with its duties and obligations under the bond contract; or
    e) any irrevocable credit line to be utilized in the development of the project from any bank of recognized standing and a refinancing re-structuring program indicating sources of funding from duly accredited funding institutions.

The HLURB is vested with quasi-judicial powers and regulatory functions necessary for the enforcement and implementation of PD 957. Among these regulatory functions are: (i) regulation of the real estate trade and business; (ii) registration of subdivision lots and condominium projects; (iii) issuance of license to sell subdivision lots and condominium units in the registered units; (iv) approval of performance bond and the suspension of license to sell; (v) registration of dealers, brokers and salesman engaged in the business of selling subdivision lots or condominium units; (vi) revocation of registration of dealers, brokers, and salesmen; (vii) approval of mortgage on any subdivision lot or condominium unit made by the owner or developer; (viii) granting of permits for the alteration of plans and the extension of period for completion of subdivision or condominium projects; (ix) approval of the conversion to other purposes of roads and open spaces found within the project which have been donated to the city or municipality concerned; (x) regulation of the relationship between lessors and lessees; and (xi) hear and decide cases on unsound real estate business practices, claims involving refund filed against project owners, developers, dealers, brokers or salesmen, and cases of specific performance.

The HLURB is also authorized, *motu proprio* or upon verified complaint filed by a buyer of a subdivision lot or condominium unit, to revoke the registration of any subdivision project or condominium project and the license to sell any subdivision lot or condominium unit in said project upon showing that the owner or dealer:

    a) is insolvent;

b) has violated any of the provisions of PD 957, or any applicable rule or regulation of the HLURB, or any undertaking under his/its bond;
c) has been or is engaged or is about to engage in fraudulent transactions;
d) has made any misrepresentation in any Prospectus, brochure, circular, or other literature about the subdivision project or condominium project that has been distributed to prospective buyers; or
e) does not conduct his business in accordance with law or sound business principles.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as involvement in fraudulent transactions, misrepresentation, and/or failure to conduct business in accordance with law or sound business principles. A license or permit to sell may only be suspended, cancelled or revoked after a written notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Executive Order No. 71, *Series of 1993*

Under *Executive Order No. 71*, *Series of 1993*, cities and municipalities assume the powers of the HLURB over the following:

a) approval of preliminary as well as final subdivision schemes and development plans of all subdivisions, residential, commercial, industrial, and for other purposes;
b) approval of preliminary as well as final subdivision schemes and development plans of all economic and socialized housing projects;
c) evaluation and resolution of opposition against issuance of development permits for any of said projects; and
d) monitoring the nature and progress of its approved land development projects, to ensure their faithfulness to the approved plans and its specifications.

Republic Act No. 7279: Urban Development and Housing Act of 1992

Republic Act No. 7279, as amended, or the Urban Development and Housing Act of 1992, requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost, and at least five percent (5%) of condominium area or project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB and other existing laws. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development.

Republic Act No. 9646: Real Estate Service Act

Real estate dealers, brokers and salesmen are also required to register with the HLURB before they can sell lots or units in a registered subdivision or condominium project. Furthermore, no person shall practice or offer to practice real estate service in the Philippines, unless he/she has satisfactorily passed the licensure examination given by the Professional Regulatory Board of Real Estate Service. Under Republic Act No. 9646, or the Real Estate Service Act, the real estate service practitioners required to take the licensure examination are:

1. Real estate consultants — duly registered and licensed natural persons who, for a professional fee, compensation or other valuable consideration, offer or render professional advice and judgment on: (i) the acquisition, enhancement, preservation, utilization or disposition of lands or improvements thereon; and (ii) the conception, planning, management and development of real estate projects;

2. Real estate appraisers — duly registered and licensed natural persons who, for a professional fee, compensation or other valuable consideration, perform or render, or offer to perform services in estimating and arriving at an opinion of or act as an expert on real estate values, such services of which shall be finally rendered by the preparation of the report in acceptable written form; or

3. Real estate brokers — duly registered and licensed natural persons who, for a professional fee, commission or other valuable consideration, act as an agent of a party in a real estate transaction to offer, advertise, solicit, list, promote, mediate, negotiate or effect the meeting of the minds on the sale, purchase, exchange, mortgage, lease or joint venture, or other similar transactions on real estate or any interest therein.

Republic Act No. 4726: The Condominium Act

Under the Condominium Act, the owner of a project shall, prior to the conveyance of any condominium therein, register a declaration of restrictions relating to such project, which restrictions shall constitute a lien upon each condominium in the project, and shall insure to and bind all condominium owners in the project. Such liens, unless otherwise provided, may be enforced by any condominium owner in the project or by the management body of such project. The RD shall enter and annotate the declaration of restrictions upon the certificate of title covering the land included within the project.

The declaration of restrictions shall provide for the management of the project by anyone of the following management bodies: a condominium corporation, an association of the condominium owners, a board of governors elected by condominium owners, or a management agent elected by the owners or by the board named in the declaration. It shall also provide for voting majorities *quorums*, notices, meeting date, and other rules governing such body or bodies.

Further, any transfer or conveyance of any unit or an apartment, office or store or other space, shall include the transfer or conveyance of the undivided interests in the common areas, or, in a proper case, the membership or shareholdings in the condominium corporation.

A condominium corporation shall not, during its existence, sell, exchange, lease, or otherwise dispose of the common areas owned or held by it in the condominium project unless authorized by the affirmative vote of a simple majority of the registered owners with prior notification to all registered owners. Further, the condominium corporation may expand or integrate the project with another upon the affirmative vote of a simple majority of the registered owners, subject only to the final approval of the HLURB.

HLURB Memorandum Circular No. 03, Series of 2016

HLURB Memorandum Circular No. 03, Series of 2016, or the 2015 Guidelines on Time Completion (the "Guidelines") provides that projects required by law to be registered with the HLURB such as industrial, commercial and residential subdivisions, residential or commercial condominiums, and similar projects, such as memorial parks, should be completed within one year from the date of the issuance of the license to sell, or any other period fixed by the HLURB ("Time of Completion"). Failure to comply with the Time of Completion will: (1) entitle buyers to exercise their rights under PD 957 and the Civil Code of the Philippines in addition to other rights and remedies under other laws; and (2) subject the owner or developer to administrative fines, sanctions and penalties which may include the suspension of the license to sell and a cease and desist order.

The HLURB shall rely on the work program or program of development submitted during the application for a Certificate of Registration and license to sell in determining the applicable Time of Completion of a project.

Residential subdivision projects are subject to different Times of Completion for the land and the housing components. The Time of Completion for land development, which includes land clearing and grubbing, road construction, installation of power and water distribution system, construction of drainage and sewerage systems, and other developments, will depend on the work program or program of development submitted by the owner or developer. All subdivision amenities and facilities such as clubhouse, playgrounds, sports facilities and other infrastructures included in the approved project plans, brochures, prospectus, printed matters, letters or any forms of advertisement shall be developed and completed within the period for the project's land development. Meanwhile, the completion and delivery of any housing unit purchased shall be explicitly provided in the contract to sell or any purchase agreement, and absent any indication thereof, will not exceed one year from the date of purchase.

For condominium projects, all facilities and amenities included in the approved project plans, brochures, prospectus, printed matters, letters or any forms of advertisement shall be completed in accordance with the work program or program of development of the project. The Time of Completion as stated in the license to sell shall be binding and obligatory upon the owner or developer, but if it provides a shorter period in any form of advertisement, it shall be bound by the shorter period.

The Guidelines also provides that the Time of Completion which shall include the date, time and year shall be indicated in the license to sell of the project, which shall be binding and obligatory on the part of the owner or developer, unless a shorter period of completion or delivery is represented in any form of advertisement. The Time of Completion should be indicated in any advertisement of a project.

As a general rule, the Time of Completion is non-extendible, except in the following instances and upon the posting of a bond or security:

1. Existence of sub-soil conditions discoverable only after actual excavation and would require additional excavation time;

2. Occurrence of a fortuitous event completely independent of the will of the owner or developer, that requires reconstruction or causes delays in the project, and renders its completion within the original approved period impossible in a normal manner;

3. Issuance of a lawful order of a court, other government agency or local government unit that temporarily enjoins the development of the project, unless such issuance is caused by the fault, mistake or negligence of the owner or developer.

If an owner or developer wishes to apply for additional time due to the foregoing grounds, it shall file a sworn application with the Regional Field Office of the HLURB where the project is registered, including a proof of notice to all lot or unit buyers, a revised work program with computation of remaining cost of completion and other requirements, within 60 days from the discovery of the unfavorable sub-soil conditions, the occurrence of the fortuitous event, or from receipt of the order or issuance of a court or government body.

The owner or developer of a project that is not completed on time will be given a Notice of Alleged Reported Violation requiring it to explain under oath why no administrative fine and sanctions and cease and desist order should be imposed against it. Should the owner or developer fail to comply with the order or justify the non-completion of a project, an order imposing administrative fines and sanction shall be issued, and the owner or developer shall be required to submit additional documentations on the project.

Upon review of the submitted documents, a final order shall be issued requiring the completion of the project within such period as may be fixed by the HLURB, and a performance bond shall be secured conditioned on this undertaking. In case of non-completion of the project within the approved Time of Completion, an administrative fine shall be imposed in accordance with the approved Schedule of Fines and other existing HLURB guidelines, the license to sell shall be suspended, and a cease and desist order shall be issued enjoining the owner or developer from further selling any lot, including any building or improvement thereon, or any unit in a project, from advertising the project, and from collecting amortization payment, until the completion of the project and issuance of a Certificate of Completion.

Real estate sales on installments

Republic Act No. 6552: Maceda Law

The provisions of Republic Act No. 6552, or the Maceda Law, apply to all transactions or contracts involving the sale or financing of real estate on installment payments (including residential condominium units but excluding industrial and commercial lots).

Under the provisions of the Maceda Law, where a buyer of real estate has paid at least two years of installments, the buyer is entitled to the following rights in case he/she defaults in the payment of succeeding installments:

1. To pay, without additional interest, the unpaid installments due within the total grace period earned by him, which is fixed at the rate of one month for every one year of installment payments made. However, the buyer may exercise this right only once every five years during the term of the contract and its extensions, if any.

2. If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to 50% of the total payments made, and in cases where five years of installments have been paid, an additional 5% every year (but with a total not to exceed 90% of the total payments); Provided, that the actual cancellation of the contract shall take place after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

The computation of the total number of installment payments made includes down payments, deposits, or options on the contract.

In the event that the buyer has paid less than two years of installments, the seller shall give the buyer a grace period of not less than 60 days from the date the installment became due. If the buyer fails to pay the installments due at the expiration of the grace period, the seller may cancel the contract after 30 days from receipt by the buyer of the notice of cancellation or the demand for rescission of the contract by a notarial act.

Zoning and land use

Republic Act No. 7160: Local Government Code of the Philippines

A city or municipality may, through an ordinance passed by the Sanggunian, after conducting public hearings for the purpose, authorize the reclassification of agricultural lands and provide for the manner of their utilization or disposition in the following cases: (i) when the land ceases to be economically feasible and sound for agriculture or (ii) where the land shall have substantially greater economic value for residential, commercial or industrial purposes, as determined by the Sanggunian concerned; provided that such reclassification shall be limited to the following percentage of total agricultural land area at the time of the passage of the ordinance:

1. For Highly Urbanized and Independent Component Cities, fifteen percent (15%);

2. For Component Cities and First to Third Class Municipalities, ten percent (10%);

3. For Fourth to Sixth Class Municipalities, five percent (5%).

Zoning ordinances may also limit land use. Once enacted, a comprehensive land use plan approved by the relevant local government unit may restrict land use in accordance with such land use plan. Zoning ordinances may also classify lands as commercial, industrial, residential or agricultural. Lands may also be further re-classified based on a local government unit's future projection of needs.

Republic Act No. 6657: Comprehensive Agrarian Reform Law of 1988

Under Republic Act No. 6657, as amended, or the Comprehensive Agrarian Reform Law of 1988, and such other rules and regulations currently in effect in the Philippines, however, land classified for agricultural purposes as of or after June 1, 1988 cannot be converted to non-agricultural use without the prior approval of the DAR.

Property registration and nationality restrictions

Presidential Decree No. 1529: Property Registration Decree

The Philippines has adopted a system of land registration, which evidences land ownership that is binding on all persons. Once registered, title to registered land becomes indefeasible after one year from the date of entry of the decree of registration except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, or the Property Registration Decree, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication, service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment to the Court of Appeals and ultimately to the Supreme Court within 15 days from receiving notice of judgment. Upon finality of judgment, the appropriate Register of Deeds ("RD") may issue an Original Certificate of Title ("OCT"). The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration. Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR's issuance of a patent. The patent becomes the basis for issuance of the OCT by the RD. All land patents (i.e., homestead, sales and free patents) must be registered with the appropriate RD since the conveyance of the title to the land covered thereby takes effect only upon such registration.

The act of registration shall be the operative act to convey or affect the land insofar as third persons are concerned, and in all cases under the said decree, the registration shall be made in the office of the RD for the province or city where the land lies. Every conveyance, mortgage, lease, lien, attachment, order, judgment, instrument or entry affecting registered land shall, if registered, filed or entered in the office of the RD for the province or city where the land to which it relates lies, be constructive notice to all persons from the time of such registering, filing or entering.

All interests in registered land less than ownership (such as liens created by mortgages and leases) shall be registered by filing with the RD the instrument which creates or transfers or claims such interests and by a brief memorandum thereof made by the RD upon the certificate of title, and signed by him. A similar memorandum shall also be made on the owner's duplicate.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

All documents evidencing conveyances of subdivision and condominium units should also be registered with the RD. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the sales price. In the event a mortgage over the lot or unit is outstanding at the time of the issuance of the title to the buyer, the owner or developer shall redeem the mortgage or the corresponding portion thereof within six months from such issuance in order that the title over any fully paid lot or unit may be secured and delivered to the buyer. To evidence ownership of condominium units, the RD issues a Condominium Certificate of Title.

Article XII, Section 7 of the Constitution; Commonwealth Act No. 141

Article XII, Section 7 of the Constitution, in relation to Chapter 5 of the Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, pursuant to Republic Act No. 4726 (as amended), with respect to condominium developments, the ownership of condominium units where the common areas in the condominium project are co-owned by the owners of the separate units or owned by a corporation is limited to up to 40% foreign equity.

Environmental laws and safety standards

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In the case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EIS and ECC are mandatory. In determining the scope of the EIS System, two factors are considered: (i) the nature of the project and its potential to cause significant negative environmental impacts, and (ii) the sensitivity or vulnerability of environmental resources in the project area.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences of the project to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, each contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a government certification that the proposed project or undertaking will not cause a significant negative environmental impact, that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to meet any damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are required to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. In any case, the establishment of an EMF must not be later than the initial construction phase of the project. The EMF shall be used to support the activities of a multi-partite monitoring team organized to monitor compliance with the ECC and applicable laws, rules and regulations.

While a development project may not fall under the categories wherein an ECC is required, it is still required to obtain a CNC from the EMB or the DENR Regional Office. The applicant must submit a Project Description to the EMB, which will then evaluate whether or not an ECC is required for the project. If an ECC is not required, then the EMB will issue a CNC to be submitted to the HLURB.

Aside from the EIS and IEE, engineering, geological and geo-hazard assessments are also required for ECC applications covering subdivisions, housing and other land development and infrastructure projects.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

All buildings or structures as well as accessory facilities thereto shall conform in all respects to the principles of safe construction under the National Building Code. Every applicant for a building permit under the National Building Code is likewise required to secure a Height Clearance Permit from the Civil Aviation Authority of the Philippines.

Real property taxation

Republic Act No. 7160: Local Government Code of the Philippines

Real property taxes are payable annually or quarterly based on the property's assessed value. Assessed values are determined by applying the assessment levels (fixed by ordinances of the concerned Sanggunian) against the fair market values of real property. Under Republic Act No. 7160, as amended, or the Local Government Code of the Philippines, the assessed value of property and improvements varies depending on the location, use and nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed up to 80% of their fair market values; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. A province or city, or a municipality within Metro Manila may also levy and collect an annual tax of one percent (1%) on the assessed value of real property which shall be in addition to the basic real property tax to accrue exclusively to the Special Education Fund of the local government unit where the property is located.

Construction license

A regular contractor's license is required to be obtained from the Philippine Contractors Accreditation Board ("PCAB"). In applying for and granting such license, the PCAB takes into consideration the applicant-contractor's qualifications and compliance with certain minimum requirements in the following criteria: (i) financial capacity, (ii) equipment capacity, (iii) experience of the firm, and (iv) experience of technical personnel. Philippine laws also require a contractor to secure construction permits and environmental clearances from appropriate government agencies prior to actually undertaking each project.

The Philippine Stock Market

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Underwriters or any of their respective subsidiaries, affiliates or advisors in connection with sale of the Preferred Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective board of governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system which integrates all bid and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the PSE "Self-Regulatory Organization" status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE has an authorized capital stock of 120.0 million, of which approximately 61.2 million was subscribed and fully paid-up as of June 30, 2015. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the president. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, PSE allowed listing on the First Board, Second Board or the Small and Medium Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of incorporation of the issuer. Each index represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi includes 30 selected stocks listed on the PSE. In July 2010, the PSE's new trading system, now known as PSE Trade, was launched.

With the increasing calls for good corporate governance, PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets forth movements in the composite index from 2005 to as of September 30, 2016, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Selected Stock Exchange Data

Calendar year	Composite index at closing	Number of listed companies	Aggregate market capitalization	Combined value of turnover
			(in ₱ billions)	
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	7,098.8	263	13,650.0	1,510.0
As of September 30, 2016 (year to date)	7,629.73	265	15,023.8	1,508.1

Source: PSE. Data in the table above for the years 2005 to 2015 is as of the last trading day of each year, and the data for the period ended September 30, 2016 is as of the last trading day of such period.

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. To trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day after the trade.

Equities trading on the PSE starts at 9:30 am and ends at 12:00 pm for the morning session, and resumes at 1:30 pm and ends at 3:30 pm for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal and special holidays.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for our Shares is 100 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a certificate of registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on 17 January 2002. It is responsible for: (i) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE Trading Participants; (ii) guaranteeing the settlement of trades in the event of a PSE Trading Participant's default through the implementation of its "Fails Management System" and administration of the Clearing and Trade Guaranty Fund; and (iii) performance of risk management and monitoring to ensure final and irrevocable settlements of trades.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE broker maintains a Cash Settlement Account with one of the seven existing Settlement Banks of SCCP, which are BDO, Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, The Hongkong and Shanghai Banking Corporation Limited, Unionbank of the Philippines and Maybank Philippines, Inc. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system ("CCCS") on 29 May 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the Philippine Depository & Trust Corporation (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On 16 December 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO, Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, Deutsche Bank, HSBC Philippines, Unionbank of the Philippines and Maybank Philippines, Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee, a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished by way of book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On 24 June 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on 1 July 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in the amended rules on Lodgment of Securities of the PSE.

Further, the PSE apprised all listed companies and market participants on 21 May 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the Philippine SEC.

For listing applications, the amended rule on lodgment of securities is applicable to:

a. the offer shares/securities of the applicant company in the case of an initial public offering;

b. the shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Philippine SEC in the case of a listing by way of introduction;

c. new securities to be offered and applied for listing by an existing listed company; and

d. additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof.

Issuance of Certified Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply to PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. As stated above, if a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

Upon the issuance of certificated shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of beneficial ownership in the shares to certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Appendix

Unaudited Interim Financial Statements for June 30, 2016 and 2015

Consolidated Audited Financial Statements for December 31, 2015, 2014 and 2013

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND DECEMBER 31, 2015

	Notes		JUNE 30 2016 (Unaudited)		DECEMBER 31 2015 (Audited)
ASSETS					
Cash and cash equivalents	4	P	1,476,671,602	P	1,337,248,307
Trade and other receivables	5		626,008,194		1,831,115,193
Real estate for sale	6		1,358,489,814		1,550,936,177
Investment properties	7		1,853,091,823		1,391,323,861
Property and equipment	8		13,217,385		17,202,058
Creditable withholding tax			290,203,674		214,119,974
Other assets	9		153,606,237		201,471,010
		P	5,771,288,729	P	6,543,416,580
LIABILITIES AND EQUITY					
Liabilities					
Loans payable	10	P	2,300,865,779	P	3,091,768,912
Accounts payable and other liabilities	11		1,444,703,087		1,368,361,438
Retirement liability			40,801,518		40,801,518
Net deferred tax liabilities			81,832,157		180,664,234
Total Liabilities			3,868,202,541		4,681,596,102
Equity attributable to Equity Holders of Arthaland Corporation					
Capital stock	12		957,257,136		957,257,136
Additional paid-in capital			75,000,000		75,000,000
Retained earnings			860,682,990		828,572,831
Cumulative measurement gains (losses) on retirement liability - net of tax			990,511		990,511
			1,893,930,637		1,861,820,478
Non-controlling interests			9,155,551		-
Total Equity			1,903,086,188		1,861,820,478
		P	5,771,288,729	P	6,543,416,580

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	Notes	JUNE 30 2016 (Unaudited)	JUNE 30 2015 (Unaudited)
ASSETS			
Cash and cash equivalents	4	P 1,476,671,602	P 1,031,556,775
Trade and other receivables	5	626,008,194	2,256,697,285
Real estate for sale	6	1,358,489,814	961,650,912
Investment properties	7	1,853,091,823	1,184,922,163
Property and equipment	8	13,217,385	24,021,421
Creditable withholding tax		290,203,674	215,085,624
Other assets	9	153,606,237	144,138,000
		5,771,288,729	5,818,072,180
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	10	2,300,865,779	2,804,726,330
Accounts payable and other liabilities	11	1,444,703,087	1,052,280,870
Retirement liability		40,801,518	33,672,130
Net deferred tax liabilities		81,832,157	187,038,289
Total Liabilities		3,868,202,541	4,077,717,619
Equity attributable to Equity Holders of Arthaland Corporation			
Capital stock	12	957,257,136	957,257,136
Additional paid-in capital		75,000,000	75,000,000
Retained earnings		860,682,990	708,155,166
Cumulative measurement gains (losses) on retirement liability - net of tax		990,511	(57,741)
Total Equity		1,893,930,637	1,740,354,561
Non-controlling interests		9,155,551	-
Total Equity		1,903,086,188	1,740,354,561
		P 5,771,288,729	P 5,818,072,180

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2016
AND FOR THE YEAR ENDED DECEMBER 31, 2015

	Notes		JUNE 30 2016 (Unaudited)		DECEMBER 31 2015 (Audited)
REVENUE FROM REAL ESTATE SALES		**P**	**365,514,239**	P	1,584,016,397
COST OF REAL ESTATE SOLD			**(278,300,946)**		(1,043,700,643)
GROSS INCOME			**87,213,293**		540,315,754
OPERATING EXPENSES	13		**147,925,790**		313,880,772
INCOME (LOSS) FROM OPERATIONS			**(60,712,497)**		226,434,982
FINANCE COSTS	14		**(29,396,534)**		(40,566,579)
OTHER INCOME - net	15		**115,655,145**		125,934,371
INCOME BEFORE INCOME TAX			**25,546,114**		311,802,774
INCOME TAX EXPENSE	16		**1,675,837**		87,968,491
NET INCOME		**P**	**23,870,277**	P	223,834,283
OTHER COMPREHENSIVE INCOME			**-**		-
TOTAL COMPREHENSIVE INCOME		**P**	**23,870,277**	P	223,834,283
Net income attributable to:					
Equity holders of Arthaland Corporation		**P**	**32,110,159**	P	223,834,283
Non-controlling interests			**(8,239,882)**		-
		P	**23,870,277**	P	223,834,283
Total comprehensive income attributable to:					
Equity holders of Arthaland Corporation		**P**	**32,110,159**	P	223,834,283
Non-controlling interests			**(8,239,882)**		-
		P	**23,870,277**	P	223,834,283
EARNINGS PER SHARE - Basic and Diluted	19	**P**	**0.006**	P	0.042

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2016 AND 2015

	Notes		JUNE 30 2016 (Unaudited)		JUNE 30 2015 (Unaudited)
REVENUE FROM REAL ESTATE SALES		P	365,514,239	P	897,790,498
COST OF REAL ESTATE SOLD			(278,300,946)		(595,635,758)
GROSS INCOME			87,213,293		302,154,740
OPERATING EXPENSES	13		147,925,790		150,451,545
INCOME (LOSS) FROM OPERATIONS			(60,712,497)		151,703,195
FINANCE COSTS	14		(29,396,534)		(18,950,441)
OTHER INCOME - net	15		115,655,145		21,792,625
INCOME BEFORE INCOME TAX			25,546,114		154,545,379
INCOME TAX EXPENSE	16		1,675,837		51,128,771
NET INCOME		P	23,870,277	P	103,416,608
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME		P	23,870,277	P	103,416,608
Net income attributable to:					
Equity holders of Arthaland Corporation		P	32,110,159	P	103,416,608
Non-controlling interests			(8,239,882)		-
		P	23,870,277	P	103,416,608
Total comprehensive income attributable to:					
Equity holders of Arthaland Corporation		P	32,110,159	P	103,416,608
Non-controlling interests			(8,239,882)		-
		P	23,870,277	P	103,416,608
EARNINGS PER SHARE - Basic and Diluted	19	P	0.006	P	0.019

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

April 1 to June 30, 2016 and April 1 to June 30, 2015

	Notes		April 1 to JUNE 30 2016 (Unaudited)		April 1 to JUNE 30 2015 (Unaudited)
REVENUE FROM REAL ESTATE SALES		P	**85,840,825**	P	616,688,920
COST OF REAL ESTATE SOLD			**(78,678,069)**		(395,535,041)
GROSS INCOME			**7,162,756**		221,153,879
OPERATING EXPENSES	13		**64,206,112**		71,657,763
INCOME (LOSS) FROM OPERATIONS			**(57,043,356)**		149,496,116
FINANCE COSTS	14		**(20,349,717)**		(9,443,252)
OTHER INCOME	15		**58,400,612**		12,508,039
INCOME (LOSS) BEFORE INCOME TAX			**(18,992,461)**		152,560,903
INCOME TAX EXPENSE (BENEFIT)	16		**(22,264,230)**		57,877,209
NET INCOME			**3,271,769**		94,683,694
OTHER COMPREHENSIVE INCOME			**-**		-
TOTAL COMPREHENSIVE INCOME		P	**3,271,769**	P	94,683,694
Net income attributable to:					
Equity holders of Arthaland Corporation		P	**7,298,507**	P	94,683,694
Non-controlling interests			**(4,026,738)**		-
		P	**3,271,769**	P	94,683,694
Total comprehensive income attributable to:					
Equity holders of Arthaland Corporation		P	**7,298,507**	P	94,683,694
Non-controlling interests			**(4,026,738)**		-
		P	**3,271,769**	P	94,683,694
EARNINGS PER SHARE - Basic and Diluted	19	P	**0.001**	P	0.018

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2016 AND 2015

	Note		JUNE 30 2016 (Unaudited)		JUNE 30 2015 (Unaudited)
CAPITAL STOCK					
Issued and outstanding	12	P	**957,257,136**	P	957,257,136
ADDITIONAL PAID-IN CAPITAL					
Balance at end of year			**75,000,000**		75,000,000
RETAINED EARNINGS					
Balance at beginning of period			**828,572,831**		668,555,690
Net profit for the period			**32,110,159**		103,416,608
Dividends declared during the year			**-**		(63,817,132)
Balance at end of period			**860,682,990**		708,155,166
ACCUMULATED UNREALIZED ACTUARIAL GAINS					
Balance at end of year			**990,511**		(57,741)
NON-CONTROLLING INTERESTS					
Balance at beginning of year			**-**		-
Net income (loss) for the period			**(8,239,882)**		-
Capital infusion by non-controlling interests			**17,395,433**		-
Balance at end of year			**9,155,551**		-
TOTAL EQUITY		P	**1,903,086,188**	P	1,740,354,561

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2016 AND 2015

		JUNE 30 2016 (Unaudited)		JUNE 30 2015 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	P	**25,546,114**	P	154,545,379
Adjustments for:				
Finance costs		**21,968,220**		18,437,679
Interest income		**5,397,794**		(9,625,172)
Depreciation and amortization		**4,102,060**		9,158,008
Unrealized foreign exchange loss - net		**799,523**		177,926
Gain on sale of property equipment		**(185,888)**		-
Day 1 gain on loan discounting		**80,883,656**		-
Operating income before working capital changes		**138,511,480**		172,693,820
Decrease (increase) in:				
Trade and other receivables		**1,195,282,775**		(310,185,031)
Real estate for sale		**192,446,363**		(248,624,374)
Other assets		**(28,218,927)**		14,283,795
Increase in:				
Accounts payable and other liabilities		**66,759,030**		181,434,559
Cash generated from (used in) operations		**1,564,780,721**		(190,397,231)
Interest paid		**(21,968,220)**		(16,613,399)
Interest received		**4,426,429**		9,202,188
Income taxes paid		**(98,353,609)**		(32,667,234)
Net Cash From (Used in) Operating Activities		**1,448,885,322**		(230,475,675)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment		**-**		(4,581,822)
Increase in investment property		**(461,767,962)**		182,576,123
Proceeds from disposals of property and equipment		**68,501**		-
Net Cash From (Used in) Investing Activities		**(461,699,461)**		177,994,301
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from borrowings		**(864,358,475)**		38,899,168
Payment of dividends		**-**		(63,817,132)
Net proceeds from collection on subscriptions		**-**		2,150,000
Capital infusion by non-controlling interests in consolidated subsidiaries		**17,395,433**		-
Net Cash Used in Financing Activities		**(846,963,042)**		(22,767,964)
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**(799,523)**		177,926
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**139,423,295**		(75,249,338)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**1,337,248,307**		1,106,806,113
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P	**1,476,671,602**	P	1,031,556,775

See accompanying Notes to Consolidated Financial Statements

ARTHALAND CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE MATTERS

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

ALCO's first major development project is Arya Residences Towers 1 and 2 (the Project) located and currently rising in Global City, Taguig. The Project is the first high-rise residential development in the Philippines to be registered with US Green Building Council's Leadership in Energy and Environmental Design (LEED) program with the certification goal of Gold. In 2014, the Company started the construction of Arthaland Century Pacific Tower, a 30-storey office building also in BGC. It is a Philippine Economic Zone Accredited project and is aimed at achieving a LEED Gold and BERDE (Building for Ecologically Responsive Design Excellence) certifications.

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

On September 11, 2015, the Parent Company subscribed to 100% shares of Cebu Lavana Land Corporation (CLLC). CLLC is a newly incorporated business established to engage primarily in realty development business.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

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

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statements of financial position, separately from the Company's equity.

3. SUMMARY OF CHANGES IN PFRS

Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS, which became effective for annual periods beginning on or after January 1, 2015. These are summarized below.

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method – Proportionate Restatement of Accumulated Depreciation, and PAS 38, Intangible Assets - Revaluation Method -*

Proportionate Restatement of Accumulated Amortization – The amendment clarifies how the gross carrying amount and the accumulated depreciation and amortization are treated when an entity uses the revaluation model.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* – The amendments clarify the requirements on how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendment to PAS 40, *Investment Property* - Clarifying the Interrelationship between PFRS 3, Business Combination, and PAS 40 when Classifying Property as Investment Property or Owner - occupied Property – The amendment clarifies the application of PFRS 3 and PAS 40 in respect of acquisitions of investment property. PAS 40 distinguishes investment property from owner-occupied property and PFRS 3 determines whether the acquisition of an investment property is a business combination.

- Amendment to PFRS 3, *Business Combinations* – The amendment excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself.

- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* – The amendment requires the disclosure of management judgments in applying the aggregation criteria to operating segments, and requires reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, Financial Instruments: Recognition and Measurement or PFRS 9, Financial Instruments.

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

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the consolidated financial statements are summarized below:

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefit* – The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

- Amendments to PFRS 10, *Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that the gain or loss from sale or contribution of assets between an investor and its associate or joint venture should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- Amendments to PFRS 10, IFRS 12, *Disclosure of Interests in Other Entities, and PAS 28 - Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides 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 fair value through profit or loss 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 be no longer necessary for objective evidence of impairment before a credit loss is recognized.

ARTHALAND CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE MATTERS

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

ALCO's first major development project is Arya Residences Towers 1 and 2 (the Project) located and currently rising in Global City, Taguig. The Project is the first high-rise residential development in the Philippines to be registered with US Green Building Council's Leadership in Energy and Environmental Design (LEED) program with the certification goal of Gold. In 2014, the Company started the construction of Arthaland Century Pacific Tower, a 30-storey office building also in BGC. It is a Philippine Economic Zone Accredited project and is aimed at achieving a LEED Gold and BERDE (Building for Ecologically Responsive Design Excellence) certifications.

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

On September 11, 2015, the Parent Company subscribed to 100% shares of Cebu Lavana Land Corporation (CLLC). CLLC is a newly incorporated business established to engage primarily in realty development business.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

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

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statements of financial position, separately from the Company's equity.

3. SUMMARY OF CHANGES IN PFRS

<u>Adoption of New and Revised PFRS</u>

The Group adopted the following new and revised PFRS, which became effective for annual periods beginning on or after January 1, 2015. These are summarized below.

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method – Proportionate Restatement of Accumulated Depreciation, and PAS 38, Intangible Assets - Revaluation Method -*

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 nonfinancial risk exposures.

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

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	June 2016	December 2015	June 2015
Petty Cash Fund	**45,000**	45,000	45,000
Cash in Bank	**47,028,337**	231,862,594	301,549,654
Short term placements	**1,429,598,265**	1,105,340,713	729,962,121
	1,476,671,602	1,337,248,307	1,031,556,775

Cash in banks earn interest at the prevailing bank deposit rates and are immediately available for use in the current operations. Short-term placements are made for varying periods up to six (6) months and earn interest at the prevailing short-term deposit rates.

5. TRADE AND OTHER RECEIVABLES

This account consists of:

	June 2016	December 2015	June 2015
Sale of real estate	**223,945,705**	1,395,706,885	1,993,328,099
Advances for project development	**351,577,283**	376,152,395	215,204,789
Advances to employees	**6,649,731**	7,117,211	-
Other receivables	**44,203,767**	52,506,994	48,532,688
	626,376,486	1,831,483,485	2,257,065,576
Allowance for impairment losses	**(368,292)**	(368,292)	(368,292)
	626,008,194	1,831,115,193	2,256,697,284

The aging analysis of trade and other receivables are shown below:

	June 2016	December 2015	June 2015
Current	**625,639,902**	1,843,089,985	2,521,233,709
Past due			
Within 6 months	-	-	-
7 months to 1 year	-	-	-
More than 1 year	**368,292**	368,292	368,292
	626,008,194	1,843,458,277	2,521,602,001
Percentage of completion adjustment	-	(12,343,084)	(264,904,716)
	626,008,194	1,831,115,193	2,256,697,285

Receivables from sale of real estate pertain to receivables from sale of condominium units. These receivables are noninterest-bearing and generally collectible in monthly installments over the remaining construction period of the condominium. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

Advances for project development pertain to downpayments made to contractors for the construction of the Project. These advances are noninterest-bearing and are being recouped against contractors' monthly progress billings.

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

Other receivables include receivable from CPG, a related party, amounting to ₱36.1 million arising from the share purchase agreement between the Company, CPG and AOCH1. The share purchase agreement provides that the Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by Urban Property Holdings, Inc. (UPHI), a subsidiary, 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 amount or a portion thereof plus interest.

The carrying amount of the receivables is considered a reasonable approximation of fair value. All of the Group's receivables have been reviewed for indicators of impairment. As of June 30, 2016 and December 31, 2015, no receivables were found to be impaired. Thus, management believes that the entire carrying amount of the receivable portfolio is fully recoverable.

6. REAL ESTATE FOR SALE

This account consists of:

	June 2016	December 2015	June 2015
Condominium units held for sale	**397,617,774**	40,057,175	58,814,791
Assets under construction	**-**	581,113,279	857,816,186
Raw land inventory	**960,872,040**	929,765,723	45,019,935
	1,358,489,814	1,550,936,177	961,650,912

Condominium units held for sale pertain to the construction and development costs of unsold saleable condominium units and parking slots after development stage.

Raw land inventory pertains to parcels of land for future development. In 2015, CLLC acquired raw lands amounting to P878.5 million located at Cebu City with a total area of 8,440 square meters.

Management believes that the value of the land inventory has substantially improved and is higher than its carrying value as of June 30, 2016 and December 31, 2015.

7. INVESTMENT PROPERTIES

This account consists of:

	June 2016	December 2015	June 2015
Unsubdivided land	**621,913,060**	621,913,060	621,913,060
Assets under construction	**750,372,763**	589,532,879	432,528,695
Properties for lease	**480,806,000**	179,877,922	130,480,408
	1,853,091,823	1,391,323,861	1,184,922,163

Unsubdivided land include lots located at the cities of Taguig with a carrying value of ₱472.1 million and Calamba and Tagaytay, with a total carrying value of ₱149.8 million as at June 30, 2016 and December 31, 2015.

The aggregate fair value of the unsubdivided land amounted to ₱1,187.2 million as at June 30, 2016 and December 31, 2015 which was determined based on the last valuation report issued by the independent appraiser.

Asset under construction pertains to costs incurred for Arthaland Century Pacific Tower which is still under construction. The construction of said tower commenced in July 2014 and is expected to be completed in 2017. Arya Tower 2 turn-over to buyers started in first quarter of 2016.

Properties for lease pertain to the construction and development costs of unsold leasable retail units and parking slots after development stage.

8. PROPERTY AND EQUIPMENT

The balances and movements of this account as of June 30, 2016, December 31, 2015 and June 30, 2015 consist of:

	Cost	Accumulated Depreciation	Net Carrying Amount
June 30, 2016			
Office equipment	**37,924,627**	**(36,326,633)**	**1,597,994**
Furniture and fixture	**7,551,631**	**(7,501,944)**	**49,687**
Leasehold improvements	**48,363,334**	**(48,133,030)**	**230,304**
Transportation equipment	**30,373,235**	**(19,033,834)**	**11,339,401**
	124,212,827	**(110,995,441)**	**13,217,386**
December 31, 2015			
Office equipment	37,467,642	(35,803,169)	1,664,473
Furniture and fixture	7,534,354	(7,391,289)	143,065
Leasehold improvements	48,363,334	(47,948,094)	415,240
Transportation equipment	33,992,553	(19,013,273)	14,979,280
	127,357,883	(110,155,825)	17,202,058
June 30, 2015			
Office equipment	36,558,769	(30,873,448)	5,685,321
Furniture and fixture	7,483,640	(7,145,821)	337,819
Leasehold improvements	69,866,483	(68,704,467)	1,162,016
Transportation equipment	32,524,696	(15,688,431)	16,836,265
	146,433,588	(122,412,167)	24,021,421

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the consolidated statements of comprehensive income.

9. OTHER ASSETS

This account consists of:

	June 2016	December 2015	June 2015
Deposits	**66,302,556**	36,954,924	36,811,423
Prepayments	**39,894,104**	19,232,703	25,462,823
Investment in time deposits	**16,121,000**	98,858,090	31,593,747
Input VAT	**12,230,785**	408,468	16,245,397
Amounts held in escrow	**2,939,934**	31,679,600	29,999,962
Deferred input VAT	**1,707,139**	1,954,272	2,397,203
Deferred tax assets - net	**12,869,696**	12,382,953	1,627,445
Others	**1,541,023**	-	-
	153,606,237	201,471,010	144,138,000

Deposits pertain to rental deposits, deposits for professional services, and guarantee deposits for the construction of the Projects and Arthaland Century Pacific Tower. Deposits are refundable to the Group.

Prepayments consist of prepaid rent, taxes, insurance and others expenses.

Investment in time deposits pertains to US Dollar-denominated time deposits with a term of two (2) years and a fixed interest rate of 1.75% per annum. These time deposits are subject to holding period of six (6) months from the date of issuance. In cases of pre-termination, the investment will earn interest based on regular deposit rates.

Input VAT represents VAT paid to suppliers. These are creditable against the company's future VAT liabilities.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank the amount of which is equivalent to a quarter principal and interest amortization.

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose amount exceeds ₱1.0 million, excluding VAT.

10. LOANS PAYABLE

This account consists of:

	June 2016	December 2015	June 2015
Local creditor banks	**775,827,379**	2,301,222,170	2,755,002,360
Private funders	**1,525,038,400**	790,546,742	49,723,970
	2,300,865,779	3,091,768,912	2,804,726,330

Local creditor banks

Loans from local banks consist of interest-bearing secured loans and CTS financing obtained to finance project development and carries interest rates ranging from 5.75% to 6.00% to 5.51% to 6.50% in 2016 and 2015, respectively.

Private funders

Loans from private funders represent unsecured borrowings with maturities of 180 days to 3 years from the financial position date. Loans obtained from an entity under common ownership amounting to P1.5 billion are noninterest-bearing and will mature in 2018. "Day 1" gain amounting to P80.9 million was recognized on the noninterest-bearing loans and is presented under "Other Income" account in the consolidated statements of comprehensive income (Note 15). Other loans have interest rate at 3.50% and ranging from 3.00% to 4.00% in 2016 and 2015, respectively.

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	June 2016	December 2015	June 2015
Payable to landowners	**485,760,000**	485,760,000	-
Accounts payable	**430,476,197**	124,281,117	174,486,491
Retention payable	**356,604,109**	344,413,225	367,383,102
Accrued expenses	**114,418,321**	158,809,448	162,803,851
Deferred output VAT	**21,961,556**	131,062,891	190,554,444
Payable to buyers	**14,218,542**	80,250,117	138,941,782
Withholding taxes payable	**4,666,580**	7,039,350	4,436,960
Output VAT	-	20,419,309	-
Others	**16,597,782**	16,325,981	13,674,240
	1,444,703,087	1,368,361,438	1,052,280,870

Payable to land owner pertains to the unpaid balance on the land acquired in Cebu.

Accounts payable consist mainly of liabilities to contractors and suppliers, which are noninterest-bearing and are normally settled on a 30-day term.

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

Accrued expenses are accruals for unbilled construction accomplishments, interests, utilities, salaries and wages and other employee benefits which are expected to be settled within the next 12 months.

Deferred output VAT pertains to VAT from sales of property on the installment plan.

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

12. CAPITAL STOCK

The account consists of:

	Shares		
	June 2016	December 2015	June 2015
Common shares - P0.18 par value			
Authorized - 16,368,095,199			
Issued:			
Balance at the beginning of period	**5,318,095,199**	5,280,595,199	5,280,595,199
Issued during the period	-	37,500,000	37,500,000.00
Balance at end of period	**5,318,095,199**	5,318,095,199	5,318,095,199
Subscribed:			
Balance at the beginning of period	-	37,500,000	37,500,000
Issued during the period	-	(37,500,000)	(37,500,000)
Balance at end of period	-	-	-
	5,318,095,199	5,318,095,199	5,318,095,199

	Amount		
	June 2016	December 2015	June 2015
Issued:			
Balance at the beginning of period	**957,257,136**	950,507,136	950,507,136
Issued during the period	-	6,750,000	6,750,000
Balance at end of period	**957,257,136**	957,257,136	957,257,136
Subscribed:			
Balance at the beginning of period	-	6,750,000	6,750,000
Issued during the period	-	(6,750,000)	(6,750,000)
Balance at end of period	-	-	-
Subscription receivable:			
Balance at the beginning of period	-	(2,150,000)	(2,150,000)
Collected during the period	-	2,150,000	2,150,000
Balance at end of period	-	-	-
Subscribed - net	-	-	-
	957,257,136	957,257,136	957,257,136

13. OPERATING EXPENSES

Details of operating expenses by nature are as follows:

	June 2016 (Six Months)	December 2015 (Twelve Months)	June 2015 (Six Months)
Personnel costs	**56,487,699**	132,319,593	65,921,125
Taxes and licenses	**29,758,897**	34,119,989	9,616,573
Brokers' commissions	**15,472,405**	51,296,490	28,354,342
Advertising	**10,270,907**	18,027,303	9,405,842
Rental	**4,722,951**	10,478,643	5,430,112
Communications	**4,461,316**	3,217,936	1,466,604

Depreciation and amortization	**4,102,060**	19,282,497	9,158,008
Insurance	**4,000,096**	9,971,139	4,690,509
Management and professional fees	**2,892,162**	13,400,124	3,722,524
Power, light and water	**2,767,161**	1,465,325	859,616
Annual dues and fees	**2,765,804**	6,625,944	3,709,706
Security services	**1,715,879**	2,097,231	1,103,430
Transportation and travel	**1,526,667**	4,886,530	2,189,499
Supplies	**316,356**	309,254	200,145
Janitorial and clerical services	**315,599**	660,097	301,413
Miscellaneous	**6,349,831**	5,722,677	4,322,097
	147,925,790	**313,880,772**	**150,451,545**

14. FINANCE COSTS

Finance costs relate to the following:

	June 2016 (Six Months)	December 2015 (Twelve Months)	June 2015 (Six Months)
Interest-bearing loans	**29,099,261**	**39,713,231**	**18,437,679**
Others	**297,273**	**853,348**	**512,762**
	29,396,534	40,566,579	18,950,441

15. OTHER OPERATING INCOME

This account consists of:

	June 2016 (Six Months)	December 2015 (Twelve Months)	June 2015 (Six Months)
"Day 1" difference on loan discounting	**80,883,656**	89,952,419	-
Interest income	**5,397,795**	11,159,810	6,912,197
Others	**29,373,694**	24,822,142	14,880,428
	115,655,145	125,934,371	21,792,625

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and cash equivalents, trade and other receivables, deposits, accounts and other liabilities (except statutory liabilities) and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

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

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

Credit Risk

Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized, creditworthy third parties. It is the

Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As of June 30, 2015 and December 31, 2014, there were no significant credit concentrations. With respect to credit risk arising from the other financial assets of the Group, which are composed of cash, receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized as of June 30, 2015, December 31, 2014 and June 30, 2014.

None of Group's financial assets are secured by collateral or other credit enhancements.

a. *Cash in Bank*

The credit risk for cash in bank is considered negligible, since the counterparties are reputable universal banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution.

b. *Receivables*

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Receivables consist of a large number of customers. Based on historical information about customer default rates, management considers the credit quality of receivables that are not past due or impaired to be good.

The Group has no past due or impaired accounts as of June 30, 2015, December 31, 2014 and June 30, 2014.

<u>Liquidity Risk</u>
Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

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

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flow from operations. All financial liabilities of the Group, which consist of payable to clearing house, brokers and customers and accounts payable and other liabilities (excluding taxes payable to government agencies), are payable on demand.

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

The Group's loans payable to local banks subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

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

17. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

	June 2016	December 2015	June 2015
Total liabilities	**3,868,202,541**	4,681,596,102	4,077,717,619
Total equity*	**1,903,086,188**	1,861,820,478	1,740,354,561
	2.03:1	2.51:1	2.34:1

**based on consolidated equity*

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

18. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	June 2016	December 2015	June 2015
Net income attributable to equity holders of Arthaland Corporation	**32,110,159**	223,834,283	103,416,608
Divided by number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
	0.006	0.042	0.019

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

19. FINANCIAL RATIOS

	June 2016	December 2015	June 2015
Current/Liquidity Ratio (Current Assets over Current Liabilities)	**1.98:1**	3.24:1	2.57:1
Solvency Ratio (Net income before depreciation over total liabilities)	**0.01:1**	0.052:1	0.03:1
Debt-to-equity Ratio (Total liability over total equity*)	**2.03:1**	2.51:1	2.34:1
Debt-to-equity (interest-bearing) Ratio (Interest-bearing liabilities over total equity*)	**0.43:1**	1.27:1	1.61:1
Asset-to-equity Ratio (Total assets over total equity*)	**3.03:1**	3.51:1	3.34:1
Interest Rate Coverage Ratio (Pretax income before Interest over interest expense)	**1.89:1**	8.69:1	9.16:1
Profitability Ratio (Net income attributable to equity holders of Arthaland Corporation over total equity)	**0.02:1**	0.12:1	0.06:1

**based on consolidated equity*

*** December 2015 ratio is based on full year income while June 2016 and June 2015 ratios are based on half year income.*

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ARTHALAND CORPORATION** and its Subsidiaries (collectively, the "Group") is responsible for the preparation and fair presentation of their consolidated financial statements for the years ended 31 December **2015, 2014** and **2013**, including the additional components thereof as attached thereto, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the period 31 December **2015, 2014** and **2013**, have examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

15 March 2016.

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. EB4390925
Issued on 06 January 2012 in Manila

ANGELA DE VILLA LACSON
President and CEO
Passport No. EB7803963
Issued on 04 April 2013 in Manila

PONCIANO S. CARREON, JR.
Chief Finance Officer
Passport No. EB3824128
Issued on 07 October 2011 in Manila

8th Floor, Picadilly Star Building, 4th Avenue cor. 27th Street, Bonifacio Global City, Taguig 1634, Philippines TEL: (632) 403-6910 • FAX: (632) 403-6908

OATH

Republic of the Philippines)
Taguig City) SS.

I certify that on this **15th** day of **March 2016**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **ERNEST K. CUYEGKENG, ANGELA DE VILLA LACSON** and **PONCIANO S. CARREON, JR.** (i) whom I identified through their respective **Passports**, a competent evidence of identity, to be the same persons described in the foregoing instrument, (ii) who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and (iii) who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal.

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

Doc. No. 302
Page No. 62
Book No. 31
Series of 2016.

GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR No. 5339406 / 1-13-16 MKT
IBP No. 1016781 / 12-22-15 RSM
ROLL No. 41969
MCLE COMP. IV No. 0020663
APP No. 95 / 2015-2016

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 982 9100
Fax : +632 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2015, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Arthaland Corporation and Subsidiaries as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 5321844
Issued January 5, 2016, Makati City

March 15, 2016
Makati City, Metro Manila

Arthaland Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2015, 2014 and 2013

With independent auditor's report provided by

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	9	4	0	0	7	1	6	0

COMPANY NAME

ARTHALAND CORPORATION AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	(02) 403-6910	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,027	Last Friday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Ponciano S. Carreon, Jr.	pscarreon@arthaland.com	(+632)403-6898	09175299439

CONTACT PERSON'S ADDRESS

8/F Picadilly Star Building, 4th Avenue corner 27th Street, Bonifacio Global City, Taguig City 1634

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

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

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2015**	2014
ASSETS			
Cash and cash equivalents	6	**₱604,613,082**	₱834,733,453
Financial assets at fair value through profit or loss (FVPL)	7	**732,635,225**	272,072,660
Trade and other receivables	8	**1,831,115,193**	1,946,089,269
Real estate for sale	9	**1,550,936,177**	713,026,538
Investment properties	10	**1,391,323,861**	1,367,498,286
Property and equipment	11	**17,202,058**	28,597,607
Net deferred tax assets	21	**12,382,953**	11,839,572
Other assets	12	**403,208,031**	372,057,900
		₱6,543,416,580	₱5,545,915,285
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	13	**₱3,091,768,912**	₱2,765,827,162
Accounts payable and other liabilities	14	**1,368,361,438**	880,784,527
Retirement liability	19	**40,801,518**	33,672,130
Net deferred tax liabilities	21	**180,664,234**	167,026,381
Total Liabilities		**4,681,596,102**	3,847,310,200
Equity			
Capital stock	15	**957,257,136**	955,107,136
Additional paid-in capital		**75,000,000**	75,000,000
Retained earnings		**828,572,831**	668,555,690
Cumulative remeasurement gains (losses) on retirement liability - net of tax	19	**990,511**	(57,741)
Total Equity		**1,861,820,478**	1,698,605,085
		₱6,543,416,580	₱5,545,915,285

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

			Years Ended December 31	
	Note	**2015**	2014	2013
REVENUE FROM REAL ESTATE SALES		**₱1,584,016,397**	₱2,053,012,855	₱2,332,118,300
COST OF REAL ESTATE SOLD	9	**1,043,700,643**	1,216,469,030	1,540,944,865
GROSS INCOME		**540,315,754**	836,543,825	791,173,435
OPERATING EXPENSES	16	**313,880,772**	365,837,703	368,607,053
INCOME FROM OPERATIONS		**226,434,982**	470,706,122	422,566,382
FINANCE COSTS	17	**(40,566,579)**	(75,914,834)	(78,299,685)
OTHER INCOME - Net	18	**125,934,371**	24,068,982	18,342,033
INCOME BEFORE INCOME TAX		**311,802,774**	418,860,270	362,608,730
INCOME TAX EXPENSE	21	**87,968,491**	215,105,595	79,588,871
NET INCOME		**223,834,283**	203,754,675	283,019,859
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss -				
Remeasurement gain (loss) on retirement liability	19	**1,497,503**	(3,020,797)	(1,986,170)
Income tax benefit (expense) relating to item that will not be reclassified	21	**(449,251)**	906,239	595,851
		1,048,252	(2,114,558)	(1,390,319)
TOTAL COMPREHENSIVE INCOME		**₱224,882,535**	₱201,640,117	₱281,629,540
EARNINGS PER SHARE - Basic and diluted	22	**₱0.0421**	₱0.0383	₱0.0532

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2015**	2014	2013
CAPITAL STOCK	15			
Issued and outstanding		**₱957,257,136**	₱950,507,136	₱773,435,736
Subscribed capital - net of subscriptions receivable		**–**	4,600,000	77,350,760
		957,257,136	955,107,136	850,786,496
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**75,000,000**	54,575,400	54,575,400
Collection of subscription receivable	15	**–**	20,424,600	–
Balance at end of year		**75,000,000**	75,000,000	54,575,400
RETAINED EARNINGS				
Balance at beginning of year		**668,555,690**	656,252,442	437,049,725
Net income for the year		**223,834,283**	203,754,675	283,019,859
Dividends declared during the year	15	**(63,817,142)**	(191,451,427)	(63,817,142)
Balance at end of year		**828,572,831**	668,555,690	656,252,442
CUMMULATIVE REMEASUREMENT GAINS (LOSSES) ON RETIREMENT LIABILITY				
Balance at beginning of year		**(57,741)**	2,056,817	3,447,136
Remeasurement gain (loss) on retirement liability	19	**1,497,503**	(3,020,797)	(1,986,170)
Income tax benefit (expense) relating to OCI for the year	21	**(449,251)**	906,239	595,851
Balance at end of year		**990,511**	(57,741)	2,056,817
		₱1,861,820,478	₱1,698,605,085	₱1,563,671,155

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		**₱311,802,774**	₱418,860,270	₱362,608,730
Adjustments for:				
"Day 1" difference on loan discounting	18	**(89,952,419)**	–	–
Interest expense	17	**39,713,231**	54,185,972	72,543,240
Depreciation and amortization	16	**19,282,497**	27,319,033	37,082,990
Interest income	6	**(11,159,810)**	(11,967,089)	(9,080,891)
Retirement expense	19	**8,626,891**	7,118,810	6,559,751
Unrealized foreign exchange gain - net	18	**(2,407,067)**	(645,307)	(1,775,181)
Unrealized gain on change in fair value of financial assets at FVPL	18	**(635,227)**	(2,072,660)	–
Gain on sale of property and equipment		**(9,722)**	–	(118,278)
Discount on receivables financing	17	**–**	20,913,653	5,461,787
Loss on write-off of real estate asset		**–**	–	548,011
Operating income before working capital changes		**275,261,148**	513,712,682	473,830,159
Decrease (increase) in:				
Trade and other receivables		**114,974,076**	(550,888,145)	(645,625,465)
Real estate for sale		**(265,031,224)**	351,053,587	144,563,815
Other assets		**(31,150,131)**	(166,714,697)	(8,469,637)
Increase (decrease) in accounts payable and other liabilities		**1,816,911**	(119,206,892)	190,539,645
Net cash generated from operations		**95,870,780**	27,956,535	154,838,517
Interest paid		**(32,261,650)**	(54,185,972)	(72,543,240)
Income taxes paid		**(75,323,270)**	(15,273,439)	(40,248,831)
Interest received		**11,159,810**	11,967,089	9,080,891
Net cash provided by (used in) operating activities		**(554,330)**	(29,535,787)	51,127,337
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of financial assets at FVPL		**(2,261,499,999)**	(375,000,000)	–
Proceeds from disposal of financial assets at FVPL		**1,801,572,661**	105,000,000	–
Increase in investment properties	10	**(110,943,990)**	(362,664,186)	–
Acquisitions of property and equipment	11	**(8,611,948)**	(9,730,387)	(38,480,316)
Proceeds from disposal of property and equipment		**734,722**	64,287	1,020,009
Net cash used in investing activities		**(578,748,554)**	(642,330,286)	(37,460,307)

(Forward)

	Note	Years Ended December 31 **2015**	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from loans payable	13	**₱1,712,455,981**	₱2,068,452,944	₱547,764,526
Settlement of loan and other interest-bearing liabilities	13	**(1,304,013,393)**	(1,072,487,693)	(281,113,131)
Payment of dividends		**(63,817,142)**	(137,550,763)	(43,212,382)
Net proceeds from issuance of capital stock	15	**2,150,000**	73,580,960	–
Net cash generated from financing activities		**346,775,446**	931,995,448	223,439,013
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**2,407,067**	(4,188)	1,775,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(230,120,371)**	260,125,187	238,881,224
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	**834,733,453**	574,608,266	335,727,042
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱604,613,082**	₱834,733,453	₱574,608,266

NONCASH FINANCIAL INFORMATION:				
Acquisition of real estate asset through payable to landowners	14	**₱485,760,000**	₱–	₱–
Reclassification of properties for lease from "Investment properties" account to "Real estate for sale" account	10	**87,118,415**	–	–
Reclassification of unsubdivided land and related development costs from "Real estate for sale" account to "Investment properties" account		**–**	323,702,142	–
Offsetting of subscription receivable against dividends payable		**–**	51,164,280	–
Reclassification of leasehold improvements from "Real estate for sale" account to "Property and equipment" account		**–**	714,287	20,788,861
Reclassification of advances for project development from "Trade and other receivables" account to "Investment properties" account		**–**	–	48,971,038

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Matters**

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

ALCO's first major development project is Arya Residences Towers 1 and 2 (the Project) located and currently rising in Bonifacio Global City (BGC), Taguig. The Project is the first residential high-rise in the Philippines to be registered with US Green Building Council's Leadership in Energy and Environmental Design (LEED) program with the certification goal of Gold. In 2014, the Company started the construction of Arthaland Century Pacific Tower, a 30-storey office tower also located in BGC. The Arthaland Century Pacific Tower is accredited with the Philippine Economic Zone Authority and is aiming for LEED Gold and BERDE (Building for Ecologically Responsive Design Excellence) certification.

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

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

		Effective % of Ownership	
Subsidiary	Place of Incorporation	**2015**	2014
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%
Emera Property Management, Inc. (Emera)	Philippines	**100%**	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	**100%**	–

On September 11, 2015, the Parent Company subscribed to 100% shares of CLLC. CLLC is a newly incorporated business established to engage primarily in realty development business.

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

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

The consolidated financial statements of the Group as at and for the year ended December 31, 2015, were approved and authorized for issue by the Board of Directors (BOD) on March 15, 2016.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for fair value through profit or loss (FVPL) which are carried at fair value and are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

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

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and revised PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation,* and PAS 38*, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization* – The amendment clarifies how the gross carrying amount and the accumulated depreciation and amortization are treated when an entity uses the revaluation model.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* – The amendments clarify the requirements on how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination, and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* – The amendment clarifies the application of PFRS 3 and PAS 40 in respect of acquisitions of investment property. PAS 40 distinguishes investment property from owner-occupied property and PFRS 3 determines whether the acquisition of an investment property is a business combination.

- Amendment to PFRS 3, *Business Combinations* – The amendment excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself.

- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* – The amendment requires the disclosure of management judgments in applying the aggregation criteria to operating segments, and requires reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

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

<u>New and Revised PFRS Not Yet Adopted</u>
Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38*, Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefit* – The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28*, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that the gain or loss from sale or contribution of assets between an investor and its associate or joint venture should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- Amendments to PFRS 10, IFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides 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 fair value through profit or loss 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 be no longer necessary for 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.

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

4. **Summary of Significant Accounting Policies**

The significant accounting and reporting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Consolidation

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

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

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

Transactions Eliminated on Consolidation. All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Financial Assets and Liabilities

Date of Recognition. Financial instruments are recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of the 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 fair value through profit or loss (FVPL).

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in consolidated statements of comprehensive income. In cases where there are no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in consolidated statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

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

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

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

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

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

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's cash and cash equivalents, investment in time deposits and trade and other receivables are classified under this category.

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

The Group's loans payable and accounts payable and other liabilities (except statutory liabilities) are classified as other financial liabilities.

<u>Derecognition of Financial Instruments</u>

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

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, 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 the consolidated statements of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair Value Measurement

The Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

- Note 7 - Financial asset at FVPL
- Note 10 - Investment properties
- Note 24 - Fair value measurement

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.

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 (except for land which is stated at cost less any impairment in value) are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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

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.

Property and Equipment

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

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	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 the consolidated statements of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

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

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

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

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

Other Assets

Other assets include creditable withholding taxes (CWT), investment in time deposit, deposits, amounts held in escrow, prepayments, and value added tax (VAT).

CWT. Creditable withholding taxes are deducted from income tax payable on the same year the revenue was recognized. Creditable withholding taxes are included as part of "Other Assets" account in the consolidated statements of financial position.

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 consolidated statements of comprehensive income when incurred.

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

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

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

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

Capital Stock

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax.

Subscription Receivable

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

Retained Earnings

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

Basic and Diluted Earnings/Loss Per Share (EPS)

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

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

Revenue and Cost Recognition

Revenue is recognized to the extent that revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

Revenue from Real Estate Sales. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

Pending recognition of sale, cash received from buyers and any excess of collections over the recognized receivables are included in the "Payable to buyers" account under "Accounts payable and other liabilities" in the consolidated statements of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

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

Rental Income. Revenue is recognized on a straight-line basis over the lease term.

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

<u>Operating Expense Recognition</u>
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.

<u>Leases</u>
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).

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

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

Employee Benefits

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

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

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

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

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

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

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

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

Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete.

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 the consolidated statements of comprehensive income.

Income Taxes

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Related Party Transactions

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the 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.

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

Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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

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

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

---

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Revenue Recognition. 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. Completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage.

Revenue from real estate sales amounted to ₱1,584.0 million, ₱2,053.0 million and ₱2,332.1 million in 2015, 2014 and 2013, respectively.

Operating Lease Commitments – Group as Lessor. The Group entered into parking rental agreement for its unsubdivided land. Considering that there was no transfer of ownership of the leased properties to the lessee, the Group determined that it retained all the significant risks and benefits of ownership of these properties. Accordingly, the leases were accounted for as operating leases.

Rental income amounted to nil, ₱1.1 million and ₱2.9 million in 2015, 2014 and 2013, respectively (see Note 20).

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

Rental expense amounted to ₱10.5 million, ₱19.7 million and ₱19.4 million in 2015, 2014 and 2013, respectively (see Note 20).

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:

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

Trade and other receivables amounted to ₱1,831.1 million and ₱1,946.1 million as at December 31, 2015 and 2014, respectively (see Note 8).

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

The carrying amount of real estate for sale amounted to ₱1,550.9 million and ₱713.0 million as at December 31, 2015 and 2014, respectively. Considering the pricing policies of the Group, cost is considerably lower than the NRV (see Note 9).

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

There were no changes in the estimated useful lives of property and equipment and investment properties as at December 31, 2015 and 2014. The carrying amount of property and equipment amounted to ₱17.2 million and ₱28.6 million as at December 31, 2015 and 2014, respectively (see Note 11). Investment properties amounted to ₱1,391.3 million and ₱1,367.5 million as at December 31, 2015 and 2014, respectively (see Note 10).

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

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

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

The carrying amount of property and equipment amounted to ₱17.2 million and ₱28.6 million as at December 31, 2015 and 2014, respectively (see Note 11). Investment properties amounted to ₱1,391.3 million and ₱1,367.5 million as at December 31, 2015 and 2014, respectively (see Note 10).

Retirement Benefit Costs. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement liability.

The estimated retirement liability amounted to ₱40.8 million and ₱33.7 million as at December 31, 2015 and 2014, respectively (see Note 19).

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

The carrying amount of deferred tax assets amounted to ₱12.4 million and ₱11.8 million as at December 31, 2015 and 2014, respectively (see Note 21).

6. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash on hand	**₱45,000**	₱45,000
Cash in banks	**231,862,594**	86,819,635
Short-term placements	**372,705,488**	747,868,818
	₱604,613,082	₱834,733,453

Cash in bank earns interest at the 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 earned pertains to the following:

	Note	**2015**	2014	2013
Interest income earned on cash in banks and short-term placements		**₱10,297,258**	₱11,259,587	₱9,080,891
Interest income earned on long-term time deposits	12	**862,552**	707,502	–
Interest Income	18	**₱11,159,810**	₱11,967,089	₱9,080,891

7. Financial Assets at FVPL

Financial assets at FVPL amounting to ₱732.6 million and ₱272.1 million as at December 31, 2015 and 2014, respectively, represent units of participation in a money market fund held by the Group for short-term use and working capital purposes.

Financial assets at FVPL include unrealized gains amounting to ₱0.6 million and ₱2.1 million in 2015 and 2014, respectively, and included as part of “Other income” account in the consolidated statements of comprehensive income (see Note 18). Realized gain on sale of financial assets at FVPL amounted to ₱5.8 million and ₱0.6 million in 2015 and 2014, respectively (see Note 18).

The fair value of financial assets at FVPL is measured using Level 1 of the fair value hierarchy with significant directly observable inputs.

8. Trade and Other Receivables

This account consists of:

	2015	2014
Sale of real estate	**₱1,395,706,885**	₱1,788,164,625
Advances for project development	**376,152,395**	107,538,787
Advances to employees	**7,117,211**	7,250,244
Other receivables	**52,506,994**	43,503,905
	1,831,483,485	1,946,457,561
Allowance for impairment losses	**(368,292)**	(368,292)
	₱1,831,115,193	₱1,946,089,269

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

The Parent Company sold receivables from sale of real estate to certain local banks on a with recourse basis amounting to ₱1,356.0 million and ₱1,623.7 million as at December 31, 2015 and 2014, respectively (see Note 13). The Parent Company sold receivables from sale of real estate to certain local banks on a without recourse basis amounting to ₱49.5 million and ₱202.1 million in 2015 and 2014, respectively. A discount amounting to ₱20.9 million and ₱5.5 million was recognized on the of sale receivables on a without recourse basis in 2014 and 2013, respectively. The discount was included under “Finance costs” account in the consolidated statements of comprehensive income (see Note 17).

Advances for project development pertain to downpayments made to contractors for the construction of the Project. These advances are noninterest-bearing and are being recouped against contractors’ progress billings.

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

Other receivables include receivable from CPG, amounting to ₱36.1 million as at December 31, 2015 and 2014 arising from the share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by Urban Property Holdings, Inc. (UPHI), a subsidiary, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

9. Real Estate for Sale

This account consists of:

	2015	2014
Raw land inventory	**₱929,765,723**	₱45,019,935
Assets under construction	**581,113,279**	282,042,717
Condominium units for sale	**40,057,175**	385,963,886
	₱1,550,936,177	₱713,026,538

Raw land inventory pertains to parcels of land for future development. In 2015, CLLC acquired raw lands amounting to ₱878.5 million located at Cebu City with a total area of 8,440 square meters.

Assets under construction consist of project development costs incurred by the Parent Company for the construction of the Project. Estimated cost to complete for Tower 2 amounted to ₱14.3 million and ₱336.5 million as at December 31, 2015 and 2014, respectively.

Percentage of completion (POC) as at December 31, 2015 is 100% and 99.59% for Arya Residences Tower 1 and Tower 2, respectively.

Condominium units held for sale pertain to the construction and development costs of unsold saleable condominium units and parking slots after development stage.

The Parent Company partially finances its project developments through availment of loans. Accumulated capitalized borrowing cost amounted to ₱356.5 million and ₱231.3 million as at December 31, 2015 and 2014, respectively (see Note 13).

Raw land inventory and assets under construction are stated at cost as at December 31, 2015 and 2014.

The cost of real estate for sale recognized as cost of real estate sold amounted to ₱1,043.7 million and ₱1,216.5 million in 2015 and 2014, respectively.

10. **Investment Properties**

The balances and movements of this account as at and for the years ended December 31, 2015 and 2014 consist of:

	2015			
	Unsubdivided Land	**Properties for Lease**	**Assets Under Construction**	**Total**
Balance at beginning of year	**₱621,913,060**	**₱266,996,337**	**₱478,588,889**	**₱1,367,498,286**
Additions	–	–	**110,943,990**	**110,943,990**
Transfers	–	**(87,118,415)**	–	**(87,118,415)**
Balance at end of year	**₱621,913,060**	**₱179,877,922**	**₱589,532,879**	**₱1,391,323,861**

	2014			
	Land	Properties for Lease	Assets Under Construction	Total
Balance at beginning of year	₱621,913,060	₱–	₱59,226,283	₱681,139,343
Additions	–	125,796,351	236,867,835	362,664,186
Transfers	–	141,199,986	182,494,771	323,694,757
Balance at end of year	₱621,913,060	₱266,996,337	₱478,588,889	₱1,367,498,286

Unsubdivided land

The Group's investment properties include UPHI's residential land with an area of 33 hectares located at Barangay Gonzalo-Bontog, Calamba City and Barangay Calabuso, Tagaytay City.

Portion of the UPHI's residential land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. NAPOCOR built a tower on the residential land owned by UPHI covering an area of one (1) hectare, the tower forms part of the Tayabas - Dasmarinas Line Project. The covered area is about 3% of the total land area owned by UPHI. As at December 31, 2015 and 2014, management believes that the effect of the expropriation on the Group's consolidated financial statements is not significant.

A complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at December 31, 2015 and 2014, management believes that the potential effect of the case on the Group's consolidated financial statements is not significant.

Unsubdivided land, located in Taguig City pertains to the site of Arthaland Century Pacific Tower with carrying value of ₱472.1 million was mortgaged in favor of certain creditor banks as collateral for the Company's loans (see Note 13).

Rental income from this lease amounted to nil, ₱1.1 million and ₱2.9 million in 2015, 2014 and 2013, respectively (see Note 18). Direct operating expenses incurred on the unsubdivided land which consist of real property tax and association dues amounted to ₱0.8 million in 2015 and ₱0.7 million in 2014 and 2013.

The aggregate fair value of the unsubdivided land amounted to ₱1,187.2 million as at December 31, 2015, which was determined based on the last valuation report issued by an independent professionally qualified appraiser. Fair value was determined using market approach.

The fair value of investment properties is measured using Level 2 of the fair value hierarchy with significant directly observable inputs.

Asset under construction
Asset under construction pertains to costs incurred for Arthaland Century Pacific Tower and commercial units of Arya Residences Tower 2 which are still under construction. The construction of Arthaland Century Pacific Tower commenced in July 2014 and is expected to be completed in 2017. Arya Tower 2 is scheduled for turn-over to buyers starting first quarter of 2016.

Properties for lease
Properties for lease pertain to the construction and development costs of unsold leasable retail units and parking slots after development stage.

The fair value of the commercial units amounted to ₱281.6 million and ₱367.8 million as at December 31, 2015 and 2014, respectively, which was determined based on prevailing market prices.

11. Property and Equipment

The balances and movements of this account as at and for the years ended December 31, 2015 and 2014 consist of:

		2015				
	Note	**Office Equipment**	**Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Total**
Cost						
Balance at beginning of year		**₱35,939,043**	**₱7,483,639**	**₱69,430,117**	**₱31,744,222**	**₱144,597,021**
Additions		**1,528,599**	**50,715**	**436,366**	**6,596,268**	**8,611,948**
Disposals		**–**	**–**	**(21,503,149)**	**(4,347,937)**	**(25,851,086)**
Balance at end of year		**37,467,642**	**7,534,354**	**48,363,334**	**33,992,553**	**127,357,883**
Accumulated Depreciation and Amortization						
Balance at beginning of year		**26,463,182**	**6,925,249**	**67,970,611**	**14,640,372**	**115,999,414**
Depreciation and amortization	16	**9,339,987**	**466,040**	**1,480,632**	**7,995,838**	**19,282,497**
Disposals		**–**	**–**	**(21,503,149)**	**(3,622,937)**	**(25,126,086)**
Balance at end of year		**35,803,169**	**7,391,289**	**47,948,094**	**19,013,273**	**110,155,825**
Carrying Amount		**₱1,664,473**	**₱143,065**	**₱415,240**	**₱14,979,280**	**₱17,202,058**

		2014				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱34,663,437	7,456,983	68,715,830	24,525,419	135,361,669
Additions		1,275,606	26,656	714,287	8,428,125	10,444,674
Disposals		–	–	–	(1,209,322)	(1,209,322)
Balance at end of year		35,939,043	7,483,639	69,430,117	31,744,222	144,597,021
Accumulated Depreciation and Amortization						
Balance at beginning of year		17,189,450	6,381,049	56,821,333	9,433,584	89,825,416
Depreciation and amortization	16	9,273,732	544,200	11,149,278	6,351,823	27,319,033
Disposals		–	–	–	(1,145,035)	(1,145,035)
Balance at end of year		26,463,182	6,925,249	67,970,611	14,640,372	115,999,414
Carrying Amount		₱9,475,861	₱558,390	₱1,459,506	₱17,103,850	₱28,597,607

As at December 31, 2015 and 2014, fully depreciated property and equipment that are still being used by the Group amounted to ₱9.3 million and ₱4.0 million, respectively.

12. **Other Assets**

This account consists of:

	2015	2014
Creditable withholding taxes	**₱214,119,974**	₱193,727,220
Investment in time deposits	**98,858,090**	76,054,495
Deposits	**36,954,924**	36,775,423
Amounts held in escrow	**31,679,600**	28,537,903
Prepayments	**19,232,703**	17,321,246
Deferred input VAT	**1,954,272**	2,032,378
Input VAT	**408,468**	17,609,235
	₱403,208,031	₱372,057,900

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 investment will earn interest based on regular deposit rates. Interest income earned from investment in time-deposits amounted to ₱0.9 million and ₱0.7 million in 2015 and 2014, respectively (see Note 6).

Deposits pertain to rental deposits, deposits for professional services, and guarantee deposits for the construction of the Projects and Arthaland Century Pacific Tower. Deposits are refundable to the Group.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank the amount of which is equivalent to a quarterly principal and interest amortization.

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

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose aggregate amount exceeds ₱1.0 million in any one month, excluding VAT.

Input VAT represents VAT paid to suppliers that can be claimed as credit against the Group's future output VAT liabilities.

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose aggregate amount exceeds ₱1.0 million in any one month, excluding VAT.

13. **Loans Payable**

This account consists of:

	2015	2014
Local creditor banks	**₱2,301,222,170**	₱2,707,686,963
Private funders	**790,546,742**	58,140,199
	₱3,091,768,912	₱2,765,827,162

The movement of this account follows:

	2015	2014
Balance at beginning of year - net of cumulative payments	**₱2,765,827,162**	₱1,769,861,911
Availments	**1,746,962,035**	2,068,452,944
Payments	**(1,304,013,393)**	(1,072,487,693)
Balance at end of year	**3,208,775,804**	2,765,827,162
Unamortized “day 1” difference	**(84,499,117)**	–
Unamortized debt issue cost	**(32,507,775)**	–
	3,091,768,912	2,765,827,162
Less current portion of loans payable	**(169,723,970)**	(483,047,599)
Long term portion of loans payable	**₱2,922,044,942**	₱2,282,779,563

The movement in debt issue cost follows:

	2015
Balance at beginning of year	₱–
Additions	34,506,054
Amortization	(1,998,279)
Balance at end of year	₱32,507,775

Local creditor banks

These are loans from local banks which are interest-bearing secured loans obtained to finance the Parent Company’s working capital requirements, project development and acquisition of property. These loans have interest rates ranging from 5.6% to 7.5% and 5.5% to 6.5% in 2015 and 2014, respectively.

In 2015, the Company availed of an interest-bearing uncollateralized short-term loan amounting to ₱120.0 million.

Loans with outstanding balance of ₱1,356.0 million and ₱1,623.7 million, as at December 31, 2015 and 2014, respectively, obtained to finance the Parent Company’s project developments. These loans are secured by receivables with carrying amount of ₱1,356.0 million as at December 31, 2015 and ₱1,623.7 million as at December 31, 2014 (see Note 8).

Loan with an outstanding balance of ₱282.0 million as at December 31, 2015 and ₱376.0 million as at December 31, 2014 was secured by the outstanding shares of stock of MPI amounting to ₱635.7 million.

Loans obtained to partially finance the cost of land development and to settle any other outstanding liability have an outstanding balance of ₱360.0 million as at December 31, 2015 and 2014. These are secured by an investment property amounting to ₱472.1 million of the Parent Company (see Note 10).

Loans obtained to finance the acquisition of transportation equipment have an outstanding balance of ₱11.7 million and ₱17.3 million as at December 31, 2015 and 2014, respectively.

The Company entered into an Omnibus Loan and Security Agreement to partially finance the cost of the construction and development of the Arthaland Century Pacific Tower. The credit line amounts to ₱2,000.0 million and is secured by the land and building under construction and the receivables that will arise from the lease of the building. The outstanding loan balance amounted to ₱204.0 million as at December 31, 2015.

Private funders

Loans from private funders represent unsecured borrowings with maturities of 180 days to 3 years from the financial position date. Loans obtained from an entity under common ownership amounting to ₱825.3 million are noninterest-bearing and will mature in 2018. "Day 1" gain amounted to ₱90.0 million was recognized on the noninterest-bearing loans and is presented under "Other Income" account in the consolidated statements of comprehensive income (see Note 18). Interest-bearing loans amounting to ₱49.7 million bear interest rates ranging from 3.0% to 4.0% and 3.5% to 6.0% in 2015 and 2014, respectively.

Accumulated borrowing costs capitalized as part of "Real estate for sale" account in the consolidated statements of financial position amounted to ₱356.5 million and ₱231.3 million as at December 31, 2015 and 2014, respectively (see Note 9). The range of rates used to determine the amount of capitalized borrowing costs is 3.5% to 6.5% in 2015 and 2014.

Total interest expense charged under "Finance costs" account in the consolidated statements of comprehensive income amounted to ₱39.7 million, ₱54.2 million and ₱72.5 million in 2015, 2014 and 2013, respectively (see Note 17).

14. Accounts Payable and Other Liabilities

This account consists of:

	2015	2014
Payable to land owner	**₱485,760,000**	₱–
Retention payable	**344,413,225**	324,398,535
Accrued expenses	**158,809,448**	107,922,022
Accounts payable	**124,281,117**	134,700,469
Deferred output VAT	**131,062,891**	193,862,302
Payable to buyers	**80,250,117**	89,186,686
Output VAT	**20,419,309**	–
Withholding taxes payable	**7,039,350**	4,174,712
Others	**16,325,981**	26,539,801
	₱1,368,361,438	₱880,784,527

Payable to land owner pertains to the unpaid balance on the land acquired in Cebu. This is noninterest-bearing and is payable in installment until 2017.

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

Accrued expenses are the accruals for interest, utilities, salaries and wages and other employee benefits which are expected to be settled within the next 12 months.

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

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

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

15. **Equity**

Capital Stock

	Shares	
	2015	2014
Authorized capital stock - ₱0.18 Par Value	**16,368,095,199**	16,368,095,199
Issued		
Balance at beginning of year	**5,280,595,199**	4,296,865,199
Issuances during the year	**37,500,000**	983,730,000
Balance at end of year	**5,318,095,199**	5,280,595,199
Subscribed		
Balance at beginning of year	**37,500,000**	1,021,230,000
Issuances during the year	**(37,500,000)**	(983,730,000)
Balance at end of year	**–**	37,500,000
Total number of shares	**5,318,095,199**	5,318,095,199

	Amounts	
	2015	2014
Issued		
Balance at beginning of year	**₱950,507,136**	₱773,435,736
Issuances during the year	**6,750,000**	177,071,400
Balance at end of year	**957,257,136**	950,507,136
Subscribed		
Balance at beginning of year	**6,750,000**	183,821,400
Issuances during the year	**(6,750,000)**	(177,071,400)
Balance at end of year	**–**	6,750,000
Subscription receivable		
Balance at beginning of year	**(2,150,000)**	(106,470,640)
Collections during the year	**2,150,000**	104,320,640
Balance at end of year	**–**	(2,150,000)
Subscribed - net	**–**	4,600,000
Capital stock	**₱957,257,136**	₱955,107,136

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

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

The total number of shareholders is 2,027 and 2,059 as at December 31, 2015 and 2014, respectively.

On March 9, 2015, the Parent's Company's BOD approved the declaration of cash dividends to all stockholders of record as of March 23, 2015 in the amount of ₱0.012 per common share, or the total amount of ₱63.82 million. The cash dividends were paid on April 8, 2015.

On March 10, 2014, the Parent's Company's BOD approved the declaration of cash dividends to all stockholders of record as of March 28, 2014 in the amount of ₱0.036 per common share, or the total amount of ₱191.5 million. The cash dividends were paid on April 22, 2014. Cash dividends pertaining to subscribed capital stock were applied to the related subscription receivable amounting to ₱51.2 million.

In 2014, the Company collected subscription receivable amounting to ₱104.3 million from a subscription price amounting to ₱197.5 million for 983.7 million shares. Additional paid-in capital amounting to ₱20.4 million was recognized upon issuance of the subscribed shares.

On June 28, 2013, the Company's BOD approved the declaration of cash dividends to all stockholders of record as of July 26, 2013 in the amount of ₱0.01 per common share, or the total amount of ₱63.8 million. The cash dividends were paid on August 22, 2013. Cash dividends pertaining to subscribed capital stock were applied to the related subscription receivable amounting to ₱20.6 million.

16. **Operating Expenses**

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

	2015	2014	2013
Administrative	**₱244,556,979**	₱289,460,170	₱236,860,488
Selling and marketing	**69,323,793**	76,377,533	131,746,565
	₱313,880,772	₱365,837,703	₱368,607,053

Details of operating expenses by nature are as follows:

	Note	**2015**	2014	2013
Personnel costs		**₱132,319,593**	₱122,065,916	₱96,438,303
Brokers' commissions		**51,296,490**	56,095,451	91,811,827
Taxes and licenses		**34,119,989**	50,723,829	15,760,489
Depreciation and amortization	11	**19,282,497**	27,319,033	37,082,990
Advertising		**18,027,303**	20,282,082	39,934,738
Management and professional fees		**13,400,124**	12,098,215	11,116,250
Communication and office expenses		**12,910,462**	23,549,967	16,855,293
Rental	20	**10,478,643**	19,683,565	19,398,398
Insurance		**9,971,139**	9,613,177	7,229,166
Transportation and travel		**4,886,530**	7,153,507	12,592,431
Repairs and maintenance		**2,316,718**	1,883,766	4,590,034
Utilities		**1,465,325**	6,522,687	3,315,367
Representation		**883,885**	7,441,152	3,960,687
Others		**2,522,074**	1,405,356	8,521,080
		₱313,880,772	₱365,837,703	₱368,607,053

Personnel costs consist of the following:

	Note	**2015**	2014	2013
Salaries and other employee benefits		**₱123,692,702**	₱114,947,106	₱89,878,552
Retirement expense	19	**8,626,891**	7,118,810	6,559,751
		₱132,319,593	₱122,065,916	₱96,438,303

17. Finance Costs

This account arises from:

	Note	**2015**	2014	2013
Interest-bearing loans		**₱34,259,929**	₱54,185,972	₱72,543,240
Amortization of "day 1" difference on loan discounting		**5,453,302**	–	–
Total interest expense	13	**39,713,231**	54,185,972	72,543,240
Bank charges		**853,348**	815,209	294,658
Discount on receivables financing	8	**–**	20,913,653	5,461,787
		₱40,566,579	₱75,914,834	₱78,299,685

18. **Other Income - Net**

This account consists of:

	Note	2015	2014	2013
"Day 1" difference on loan discounting	13	**₱89,952,419**	₱–	₱–
Interest income	6	**11,159,810**	11,967,089	9,080,891
Realized gain on disposals of financial assets at FVPL	7	**5,807,623**	645,922	–
Unrealized foreign exchange gain - net		**2,407,067**	645,307	1,828,415
Unrealized gain on change in fair value of financial assets at FVPL	7	**635,227**	2,072,660	–
Rental income	20	**–**	1,142,908	2,877,359
Others		**15,972,225**	7,595,096	4,555,368
		₱125,934,371	₱24,068,982	₱18,342,033

Others include gain on sale of property and equipment and forfeited collections from buyers.

19. **Retirement Liability**

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

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

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated February 29, 2016):

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

	2015	2014
Balance at beginning of year	**₱33,672,130**	₱23,532,523
Current service cost	**7,061,137**	5,953,950
Interest cost	**1,565,754**	1,164,860
Remeasurement loss (gain) on:		
Change in financial assumptions	**(1,500,812)**	869,338
Experience adjustments	**3,309**	2,151,459
Balance at end of year	**₱40,801,518**	₱33,672,130

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

	Note	**2015**	2014
Balance at beginning of year		**₱33,672,130**	₱23,532,523
Retirement expense	16	**8,626,891**	7,118,810
Remeasurement (gain) loss		**(1,497,503)**	3,020,797
Balance at end of year		**₱40,801,518**	₱33,672,130

The cumulative remeasurement gains (losses) on retirement liability recognized in other comprehensive income as at December 31 follows:

	Accumulated Remeasurement Gains (Loss)	**Deferred Tax**	**Net**
Balance as at January 1, 2015	**(₱82,487)**	**(₱24,746)**	**(₱57,741)**
Remeasurement gain	**1,497,503**	**449,251**	**1,048,252**
Balance as at December 31, 2015	**₱1,415,016**	**₱424,505**	**₱990,511**
Balance as at January 1, 2014	₱2,938,310	₱881,493	₱2,056,817
Remeasurement loss	(3,020,797)	(906,239)	(2,114,558)
Balance as at December 31, 2014	(₱82,487)	(₱24,746)	(₱57,741)

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

	2015	2014
Discount rate	**5.08%**	4.65%
Salary projection rate	**5.00%**	5.00%
Average remaining service years	**23.5**	23.3

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2015 and 2014 are presented below.

		Effect on PVRO	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2015	**+1%**	**(₱3,026,829)**	**₱3,401,705**
	-1%	**3,706,479**	**(2,845,531)**
December 31, 2014	+1%	(₱2,701,183)	₱3,057,354
	-1%	3,327,671	(2,546,452)

The expected future benefit payments are as follows:

Financial Year	Amount
2016	₱15,938,017
2017	3,285,903
2018	3,033,333
2019	4,166,938
2020	1,502,832
2021-2025	18,407,030

20. Lease Commitments

Operating Lease Commitments - Group as Lessee

The Parent Company is a lessee under non-cancellable operating leases where its office space is situated. The lease term for the office space is 3 years and 3 months, with renewal options and provisions for escalation. The lease for the land where its model unit is situated ended in 2014.

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

	2015
Within one year	₱9,255,935
After one year but not more than five years	29,784,662
	₱39,040,597

The total rental expense recognized from these operating leases amounted to ₱10.5 million, ₱19.7 million and ₱19.4 million in 2015, 2014 and 2013, respectively (see Note 16).

Operating Lease Commitments - Group as Lessor

The Parent Company was a lessor under cancellable operating leases with Ayala Property Management Corporation covering parking space. The lease agreement ended in 2014.

The rental is seventy percent (70%) of the net operating income from parking operations of the leased premise per one month period.

The total rental income recognized from this operating lease amounted to ₱1.1 million and ₱2.9 million in 2014 and 2013, respectively (see Note 18).

21. Income Taxes

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

	2015	2014	2013
Reported in Profit or Loss			
Current income tax:			
RCIT	**₱73,435,473**	₱12,845,924	₱38,439,933
Final taxes	**2,069,338**	2,427,515	1,808,898
	75,504,811	15,273,439	40,248,831
Deferred income tax	**12,463,680**	199,832,156	39,340,040
	₱87,968,491	₱215,105,595	₱79,588,871
Reported in Other Comprehensive Income			
Deferred tax expense (benefit) -			
Related to remeasurement gain (loss)	**₱449,251**	(₱906,239)	(₱595,851)

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

	2015	2014	2013
Income tax computed at statutory tax rate	**₱93,540,832**	₱125,658,081	₱108,782,619
Tax effects of:			
Nondeductible expenses	**1,912,700**	23,066,836	85,004,728
Change in fair value of real estate assets and investment properties	**(4,872,620)**	70,007,824	(56,689,332)
Interest income subjected to final tax	**(2,480,516)**	(1,978,187)	(915,371)
Unrealized gain on change in fair value of assets at FVPL	**(731,765)**	–	–
Expired NOLCO	**629,959**	1,156,598	1,546,968
Change in unrecognized deferred tax assets	**(30,099)**	(2,805,557)	(58,140,741)
	₱87,968,491	₱215,105,595	₱79,588,871

The components of the Group's net deferred tax assets (liability) as at December 31, 2015 and 2014, respectively, are as follows:

	2015	2014
Deferred tax assets:		
Retirement liability	**₱12,240,455**	₱10,101,639
Allowance for doubtful accounts	**110,488**	110,488
MCIT	**23,992**	183,728
NOLCO	**8,018**	1,443,717
	12,382,953	11,839,572
Deferred tax liabilities:		
Excess of financial over taxable gross profit on sale of real estate	**144,113,900**	166,300,235
"Day 1" difference on loan discounting	**25,349,735**	–
Debt issue cost	**9,752,333**	–
Unrealized foreign exchange gain	**1,448,266**	726,146
	180,664,234	167,026,381
Net deferred tax liabilities	**(₱168,281,281)**	(₱155,186,809)

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

NOLCO

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2015	₱–	₱1,999,531	₱–	₱–	₱1,999,531	2018
2014	950,266	–	45,820	–	904,446	2017
2013	4,192,418	–	2,750,219	–	1,442,199	2016
2012	4,089,486	–	1,989,625	2,099,861	–	2015
	₱9,232,170	₱1,999,531	₱4,785,664	₱2,099,861	₱4,346,176	

MCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Balance at the End of Year	Valid Until
2015	₱–	₱21,805	₱–	₱21,805	2018
2014	183,728	–	181,541	2,187	2017
	₱183,728	₱21,805	₱181,541	₱23,992	

The Group did not recognize the deferred tax assets on NOLCO amounting to ₱1.3 million as at December 31, 2015 and 2014 because management believes that these may not be realized in the future. The details of the Group's unrecognized deferred tax assets are as follows:

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Valid Until
2015	₱–	₱1,999,531	₱–	₱1,999,531	2018
2014	877,721	–	–	877,721	2017
2013	1,442,199	–	–	1,442,199	2016
2012	2,099,861	–	2,099,861	–	2015
	₱4,419,781	₱1,999,531	₱2,099,861	₱4,319,451	

22. **Earnings Per Share**

Basic and diluted earnings per share are computed as follows:

	2015	2014	2013
Net income	**₱223,834,283**	₱203,754,675	₱283,019,859
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
Earnings per share	**₱0.0421**	₱0.0383	₱0.0532

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

23. **Financial Risk Management Objectives and Policies**

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

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

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

Credit Risk
Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As at December 31, 2015 and 2014, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash and cash equivalents, financial assets at FVPL, trade and other receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

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

	2015	2014
Cash and cash equivalents*	**₱604,568,082**	₱834,688,453
Financial asset at FVPL	**732,635,225**	272,072,660
Trade and other receivables**	**1,447,845,587**	1,831,300,238
Investment in time deposits	**98,858,090**	76,054,495
Amounts held in escrow	**31,679,600**	28,537,903
Deposits	**36,954,924**	36,775,423
	₱2,952,541,508	₱3,079,429,172

**Excludes cash on hand amounting to ₱45,000 as at December 31, 2015 and 2014, respectively.*
***Excludes advances for project development and advances to employees amounting to ₱383,269,606 and ₱114,789,031 as at December 31, 2015 and 2014, respectively.*

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

	2015						
	Neither Past Due nor Impaired		**Past Due but not Impaired**				
	High Grade	**Standard Grade**	**Less than 1 year**	**1-2 years**	**2-3 years**	**over 3 years**	**Total**
Cash and cash equivalents*	**₱604,568,082**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱604,568,082**
Financial assets at FVPL	**732,635,225**	**–**	**–**	**–**	**–**	**–**	**732,635,225**
Trade and other receivables**	**1,447,845,587**	**–**	**–**	**–**	**–**	**368,292**	**1,448,213,879**
Investment in time deposits	**98,858,090**	**–**	**–**	**–**	**–**	**–**	**98,858,090**
Amounts held in escrow	**31,679,600**	**–**	**–**	**–**	**–**	**–**	**31,679,600**
Deposits	**36,954,924**	**–**	**–**	**–**	**–**	**–**	**36,954,924**
	₱2,952,541,508	**₱–**	**₱–**	**₱–**	**₱–**	**₱368,292**	**₱2,952,909,800**

**Excludes cash on hand amounting to ₱45,000.*
***Excludes advances for project development and advances to employees amounting to ₱383,269,606.*

	2014						
	Neither Past Due nor Impaired		Past Due but not Impaired				
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	₱834,688,453	₱–	₱–	₱–	₱–	₱–	₱834,688,453
Financial assets at FVPL	272,072,660	–	–	–	–	–	272,072,660
Trade and other receivables**	1,831,300,238	–	–	–	–	368,292	1,831,668,530
Investment in time deposits	76,054,495	–	–	–	–	–	76,054,495
Amounts held in escrow	28,537,903	–	–	–	–	–	28,537,903
Deposits	36,775,423	–	–	–	–	–	36,775,423
	₱3,079,429,172	₱–	₱–	₱–	₱–	₱368,292	₱3,079,797,464

**Excludes cash on hand amounting to ₱45,000.*
***Excludes advances for project development and advances to employees amounting to ₱114,789,031.*

Financial instruments classified as "high grade" are those cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms. Financial instruments classified as "standard grade" are those receivables from customers who need to be reminded of their dues. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible.

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

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2015 and 2014:

	2015					
	Due and Demandable	**Less than 1 year**	**1-2 years**	**2-3 years**	**Over 3 years**	**Total**
Loans payable	**₱–**	**₱169,723,970**	**₱1,113,549,024**	**₱1,721,475,810**	**₱236,534,775**	**₱3,241,283,579**
Accounts payable and other liabilities*	**627,503,790**	**242,880,000**	**242,880,000**	**–**	**–**	**1,113,263,790**
	₱627,503,790	**₱412,603,970**	**₱1,356,429,024**	**₱1,721,475,810**	**₱236,534,775**	**₱4,354,547,369**

**Excludes nonfinancial liabilities amounting to ₱255,097,648 as at December 31, 2015.*

	2014					
	Due and Demandable	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Loans payable	₱–	₱483,047,599	₱2,276,483,379	₱3,210,335	₱3,085,849	₱2,765,827,162
Accounts payable and other liabilities*	567,021,026	–	–	–	–	567,021,026
	₱567,021,026	₱483,047,599	₱2,276,483,379	₱3,210,335	₱3,085,849	₱3,332,848,188

**Excludes nonfinancial liabilities amounting to ₱313,763,501 as at December 31, 2014.*

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

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flow from operations. All financial liabilities of the Group, which consist of accounts payable and other liabilities (excluding statutory payables), are payable on demand.

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

The Group's loans payable to local banks subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of one to three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

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

24. **Fair Value Measurement**

The table below presents a comparison of the carrying amounts and fair values of all of the Group's financial instruments as at December 31, 2015 and 2014.

	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	**₱604,613,082**	**₱604,613,082**	₱834,733,453	₱834,733,453
Financial assets at FVPL	**732,635,225**	**732,635,225**	272,072,660	272,072,660
Trade and other receivables*	**1,447,845,587**	**1,447,845,587**	1,831,300,238	1,831,300,238
Investment in time deposits	**98,858,090**	**98,858,090**	76,054,495	76,054,495
Amounts held in escrow	**31,679,600**	**31,679,600**	28,537,903	28,537,903
Deposit	**36,954,924**	**36,954,924**	36,775,423	36,775,423
	₱2,952,586,508	**₱2,952,586,508**	₱3,079,474,172	₱3,079,474,172
Financial liabilities:				
Loans payable	**₱3,091,768,912**	**₱3,241,283,578**	₱2,765,827,162	₱2,770,709,962
Accounts payable and other liabilities**	**1,113,263,790**	**1,113,263,790**	567,021,026	567,021,026
	₱4,205,032,702	**₱4,354,547,368**	₱3,332,848,188	₱3,337,730,988

**Excludes advances for project development and advances to employees amounting to ₱383,269,605 and ₱114,789,031 as at December 31, 2015 and 2014, respectively.*
***Excludes nonfinancial liabilities amounting to ₱255,097,648 and ₱313,763,501 as at December 31, 2015 and 2014, respectively.*

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

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

25. Classification of Statement of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2015 and 2014 are as follows:

	Note	**2015**	2014
Current Assets			
Cash and cash equivalents	6	**₱604,613,082**	₱834,733,453
Financial asset at FVPL	7	**732,635,225**	272,072,660
Trade and other receivables	8	**1,831,115,193**	1,946,089,269
Real estate for sale	9	**1,550,936,177**	713,026,538
Other assets*	12	**266,911,188**	257,896,670
		₱4,986,210,865	₱4,023,818,590

**Excludes investments in time deposits, deposits and non-current portion of deferred input VAT amounting to ₱136.3 million and ₱114.2 million as at December 31, 2015 and 2014, respectively.*

	Note	**2015**	2014
Current Liabilities			
Loans payable-current portion	13	**₱169,723,970**	₱483,047,599
Accounts payable and other liabilities	14	**1,347,569,754**	628,659,996
		₱1,517,293,724	₱1,111,707,595

***Excludes non-current portion of retention payable amounting to ₱20.8 million and ₱252.1 million as at December 31, 2015 and 2014, respectively.*

26. Capital Management Objectives, Policies and Procedures

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

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

	2015	2014
Total liabilities	**₱4,681,596,102**	₱3,847,310,200
Total equity	**1,861,820,478**	1,698,605,085
Debt-to-equity ratio	**2.51:1.00**	2.26:1.00

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

27. **Segment Reporting**

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

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2015

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

	2015	2014
Current/Liquidity Ratio	**3.24**	2.95
Current assets	**₱4,986,694,694**	₱4,025,149,902
Current liabilities	**1,538,085,408**	1,363,832,126
Solvency Ratio	**0.05**	0.06
Net income before depreciation	**243,116,780**	231,073,708
Total liabilities	**4,681,596,102**	3,847,310,200
Debt-to-equity Ratio	**2.51**	2.26
Total liabilities	**4,681,596,102**	3,847,310,200
Total equity	**1,861,820,478**	1,698,605,085
Debt-to-equity (Interest-bearing) Ratio	**1.27**	1.63
Interest-bearing liabilities	**2,361,852,743**	2,765,827,162
Total equity	**1,861,820,478**	1,698,605,085
Asset-to-equity Ratio	**3.51**	3.26
Total assets	**6,543,416,580**	5,545,915,285
Total equity	**1,861,820,478**	1,698,605,085
Interest rate coverage Ratio	**8.69**	6.52
Pretax income before interest	**352,369,353**	494,775,104
Interest expense	**40,566,579**	75,914,834
Profitability Ratio	**0.12**	0.12
Net income	**223,834,283**	203,754,675
Total equity	**1,861,820,478**	1,698,605,085

ARTHALAND CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2015

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

Philippine Financial Reporting Standards (PFRSs)

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

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Operating Segments-Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets		✓	
	Financial Instruments: Classification and Measurement of Financial Liabilities		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓

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

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property – Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		
PAS 41	Agriculture			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members’ Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

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

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

Table of Contents

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTES)
DECEMBER 31, 2015

There are no receivables which are considered outside of the Company’s ordinary course of business.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015

			Deductions		Ending Balance		
Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off/sold	Current	Not current	Balance at end of period
Advances to (from) subsidiaries:							
Urban Property Holdings, Inc. (UPHI) (net of allowance for impairment amounting to ₱3,261,249)	₱58,909,030	₱899,588	₱–	₱–	₱ 59,808,618	₱–	**₱59,808,618**
Cebu Lavana Land Corp.	–	386,783,936	–	–	386,783,936	–	**386,783,936**
Emera Property Management, Inc.	962,272	910,222	–	–	1,872,494	–	**1,872,494**
Cazneau, Inc.	181,040	157,905	–	–	338,945	–	**338,945**
Manchesterland Properties, Inc.	(48,500)	–	(48,500)	–	–	–	**–**
	₱60,003,842	₱388,751,651	(₱48,500)	₱–	₱448,803,993	₱–	**₱448,803,993**

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2015

			Amount shown under caption "Long-Term Debt" in related statement of financial position			
Title of issue and type of obligation	**Amount authorized by indenture**	**Amount shown under caption "Current portion of long-term debt" related balance sheet**	**Face Amount**	**Interest Rate(s)**	**Number of Periodic Payments**	**Maturity Dates**
Bank Loans						
Bank 1 – A	₱520,000,000	₱–	₱360,000,000	5.85%	At end of term	2/29/2016
Bank 1 – B	1,494,152,162	–	1,302,604,421	6%	At end of term	2016,2017,2018
Bank 1 – C	22,701,748	–	11,674,379	25.28%-26.02%, 8.3425%-9.86%	Monthly	2016,2017,2018
Bank 1 – D	2,000,000,000	–	171,519,225	6%	At end of term	7/8/2025, 7/31/2025, 8/25/2025
Bank 2 – A	277,042,094	–	52,565,166	5.50%	At end of term	8/28/2016
Bank 2 – B	120,000,000	120,000,000	–	6%	At end of term	11/24/2015
Bank 3 – A	600,000,000	–	282,000,000	6.50%	At end of term	1/26/2016
Bank 4 – A	200,000,000	–	858,979	7.50%	At end of term	
Various Loan from private funders	49,723,970	49,723,970	–	3.5% ,3.80%	renewable on maturity	1/25/2016, 4/4/2016
Centrobless Corporation	1,650,643,779	–	740,822,772	interest-free	Monthly	12/31/2018
	₱6,934,263,753	**₱169,723,970**	**₱2,922,044,942**			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2015

Name of related party	Balance at beginning of the period	Balance at end of the period
Centrobless Corporation	₱–	₱740,822,772

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2015

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by: Related parties	Number of shares held by: Directors, officers and employees	Number of shares held by: Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	–	–	9	5,318,095,190

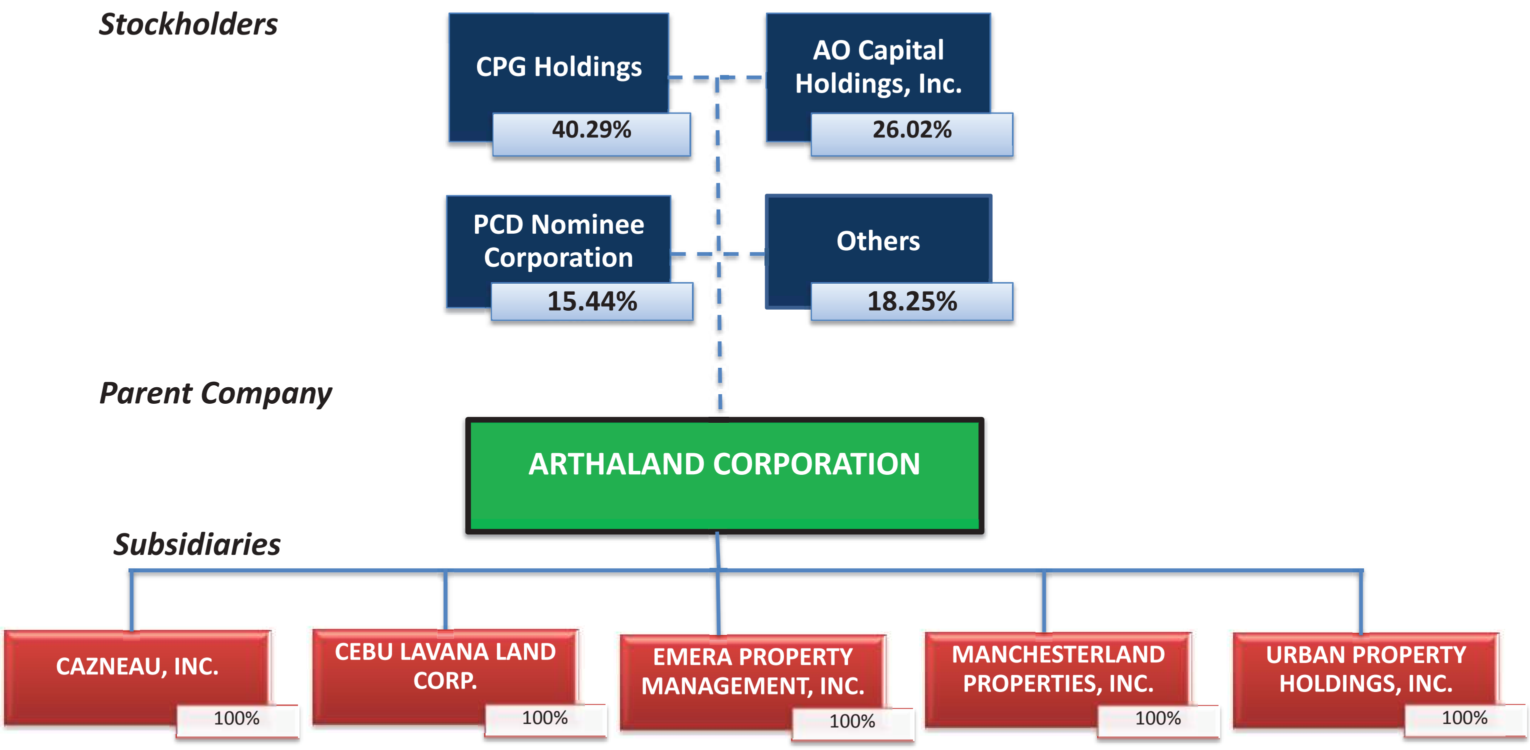
ARTHALAND CORPORATION

RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS

DECEMBER 31, 2015

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		₱525,103,979
Add: Net income actually earned/realized during the period		
Net Income during the period closed to Retained Earnings	223,834,283	
Less: Non-actual/unrealized net income net of tax		
Equity in net income of Associate	–	
Unrealized foreign exchange gain	(2,407,067)	
Fair value adjustment (M2M gains)	–	
Adjustment due deviation from PFRS/GAAP	–	
Unrealized holding gains	(635,227)	
Sub-total		220,791,989
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net Income actually earned during the period		745,895,968
Less:Dividend declarations during the period		(63,817,142)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**₱682,078,826**

CONGLOMERATE MAP



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

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

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at and for the year ended December 31, 2015, on which we have rendered our report dated March 15, 2016.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 2,013 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 5321844
Issued January 5, 2016, Makati City

March 15, 2016
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 982 9100
Fax : +632 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2015, included in this Form 17-A and have issued our report thereon dated March 15, 2016. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. These supplementary schedules include the following:

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

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

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 5321844
Issued January 5, 2016, Makati City

March 15, 2016
Makati City, Metro Manila

ARTHALAND
FUTURE PROOF BY DESIGN

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ARTHALAND CORPORATION** and its Subsidiaries (collectively, the "Group") is responsible for the preparation and fair presentation of their consolidated financial statements for the years ended 31 December **2014**, **2013** and **2012**, including the additional components thereof as attached thereto, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the period 31 December **2014**, **2013** and **2012**, have examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

04 March 2015.

ERNEST K. CUYEGKENG
Chairman of the Board
Passport No. EB4390925
Issued on 06 January 2012 in Manila

ANGELA DE VILLA LACSON
President and CEO
Passport No. EB7803963
Issued on 04 April 2013 in Manila

PONCIANO S. CARREON, JR.
Chief Finance Officer
Passport No. EB3824128
Issued on 07 October 2011 in Manila

8th Floor, Picadilly Star Building, 4th Avenue cor. 27th Street, Bonifacio Global City, Taguig 1634, Philippines TEL: (632) 403-6910 • FAX: (632) 403-6908

OATH

Republic of the Philippines)
Taguig City) SS.

I certify that on this 4th day of **March 2015**, before me, a notary public duly authorized in the city above-named to take acknowledgments, personally appeared **ERNEST K. CUYEGKENG**, **ANGELA DE VILLA LACSON** and **PONCIANO S. CARREON, JR.** (i) whom I identified through their respective **Passports**, a competent evidence of identity, to be the same persons described in the foregoing instrument, (ii) who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and (iii) who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal.

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

Doc. No. 43
Page No. 10
Book No. 2
Series of 2015.

GAUDENCIO A. BARBOZA, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR No. 4748970/1-05 15 MKT
IBP No. 979552 / 12-19-14 RSM
ROLL No. 41969
MCLE COMP. IV No 0020663
APP. No. 95/2015-2016

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

26th Floor Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Arthaland Corporation and Subsidiaries as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 4748327
Issued January 5, 2015, Makati City

March 4, 2015
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2014**	2013
ASSETS			
Cash and cash equivalents	6	**₱834,733,453**	₱574,608,266
Financial assets at fair value through profit or loss (FVPL)	7	**272,072,660**	–
Trade and other receivables	8	**1,946,089,269**	1,416,114,777
Real estate for sale	9	**713,026,538**	1,388,489,169
Investment properties	10	**1,367,498,286**	681,139,343
Property and equipment	11	**28,597,607**	45,536,253
Net deferred tax assets	21	**1,627,446**	43,739,108
Other assets	12	**372,057,900**	204,693,708
		₱5,535,703,159	₱4,354,320,624
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	13	**₱2,765,827,162**	₱1,769,861,911
Accounts payable and other liabilities	14	**880,784,527**	997,255,035
Retirement liability	19	**33,672,130**	23,532,523
Net deferred tax liabilities	21	**156,814,255**	–
Total Liabilities		**3,837,098,074**	2,790,649,469
Equity			
Capital stock	15	**₱955,107,136**	850,786,496
Additional paid-in capital		**75,000,000**	54,575,400
Retained earnings		**668,555,690**	656,252,442
Cumulative remeasurement gains (losses) on retirement liability - net of tax	19	**(57,741)**	2,056,817
Total Equity		**1,698,605,085**	1,563,671,155
		₱5,535,703,159	₱4,354,320,624

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	**2014**	2013	2012
		Years Ended December 31		
REVENUE FROM REAL ESTATE SALES		**₱2,053,012,855**	₱2,332,118,300	₱1,453,263,809
COST OF REAL ESTATE SOLD		**1,216,469,030**	1,540,944,865	1,167,802,556
GROSS INCOME		**836,543,825**	791,173,435	285,461,253
OPERATING EXPENSES	16	**365,837,703**	368,607,053	303,879,116
INCOME (LOSS) FROM OPERATIONS		**470,706,122**	422,566,382	(18,417,863)
FINANCE COSTS	17	**(75,914,834)**	(78,299,685)	(71,275,593)
OTHER INCOME - Net	18	**24,068,982**	18,342,033	413,027,859
INCOME BEFORE INCOME TAX		**418,860,270**	362,608,730	323,334,403
INCOME TAX EXPENSE	21	**215,105,595**	79,588,871	57,340,446
NET INCOME		**203,754,675**	283,019,859	265,993,957
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss -				
Remeasurement gain (loss) on retirement liability	19	**(3,020,797)**	(1,986,170)	4,429,319
Income tax expense (benefit) relating to item that will not be reclassified	21	**906,239**	595,851	(1,328,796)
		(2,114,558)	(1,390,319)	3,100,523
TOTAL COMPREHENSIVE INCOME		**₱201,640,117**	₱281,629,540	₱269,094,480
EARNINGS PER SHARE - Basic and Diluted	22	**₱0.0383**	₱0.0532	₱0.0500

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2014**	2013	2012
CAPITAL STOCK	15			
Issued and outstanding		**₱950,507,136**	₱773,435,736	₱773,435,736
Subscribed capital - net of subscriptions receivable		**4,600,000**	77,350,760	56,746,000
		955,107,136	850,786,496	830,181,736
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**54,575,400**	54,575,400	54,575,400
Collection of subscription receivable	15	**20,424,600**	–	–
Balance at end of year		**75,000,000**	54,575,400	54,575,400
RETAINED EARNINGS				
Balance at beginning of year		**656,252,442**	437,049,725	171,055,768
Net income for the year		**203,754,675**	283,019,859	265,993,957
Dividends declared during the year	15	**(191,451,427)**	(63,817,142)	–
Balance at end of year		**668,555,690**	656,252,442	437,049,725
CUMMULATIVE REMEASUREMENT GAINS (LOSSES) ON RETIREMENT LIABILITY				
Balance at beginning of year		**2,056,817**	3,447,136	346,613
Remeasurement gain (loss) on retirement liability	19	**(3,020,797)**	(1,986,170)	4,429,319
Income tax benefit (expense) relating to OCI for the year	21	**906,239**	595,851	(1,328,796)
Balance at end of year		**(57,741)**	2,056,817	3,447,136
		₱1,698,605,085	₱1,563,671,155	₱1,325,253,997

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 **2014**	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		**₱418,860,270**	₱362,608,730	₱323,334,403
Adjustments for:				
Interest expense	17	**54,185,972**	72,543,240	69,392,720
Depreciation and amortization	16	**27,319,033**	37,082,990	17,767,283
Discount on receivables financing	17	**20,913,653**	5,461,787	–
Interest income	6	**(11,967,089)**	(9,080,891)	(9,094,934)
Retirement expense	19	**7,118,810**	6,559,751	5,273,839
Unrealized holding gains on financial assets at FVPL	7	**(2,072,660)**	–	–
Unrealized foreign exchange gain - net	18	**(645,307)**	(1,775,181)	–
Loss on write-off of real estate asset		**–**	548,011	–
Provision for impairment of trade and other receivables	8	**–**	–	368,292
Gain on sale of:				
Property and equipment		**–**	(118,278)	–
Receivables	18	**–**	–	(81,310,717)
Subsidiary	18	**–**	–	(332,609,899)
Operating income (loss) before working capital changes		**513,712,682**	473,830,159	(6,879,013)
Decrease (increase) in:				
Trade and other receivables		**(550,888,145)**	(645,625,465)	(688,669,589)
Real estate for sale		**351,053,587**	144,563,815	235,173,817
Other assets		**(166,714,697)**	(8,469,637)	(56,847,626)
Increase (decrease) in accounts payable and other liabilities		**(119,206,892)**	190,539,645	344,128,079
Net cash generated from (used for) operations		**27,956,535**	154,838,517	(173,094,332)
Interest paid		**(54,185,972)**	(72,543,240)	(56,366,021)
Income taxes paid		**(15,273,439)**	(40,248,831)	(44,629,398)
Interest received		**11,967,089**	9,080,891	8,786,221
Net cash provided by (used in) operating activities		**(29,535,787)**	51,127,337	(265,303,530)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of financial assets at FVPL		**(375,000,000)**	–	–
Proceeds from disposal of financial assets at FVPL		**105,000,000**		
Additions in investment properties		**(362,664,186)**	–	–
Acquisitions of property and equipment	11	**(9,730,387)**	(38,480,316)	(11,738,651)

(Forward)

	Note	Years Ended December 31 2014	2013	2012
Proceeds from disposal of property and equipment		**₱64,287**	₱1,020,009	₱979,361
Proceeds from disposal of subsidiary		**–**	–	587,423,969
Net cash provided by (used in) investing activities		**(642,330,286)**	(37,460,307)	576,664,679
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	13	**2,068,452,944**	547,764,526	361,266,407
Settlement of loan and other interest-bearing liabilities	13	**(1,072,487,693)**	(281,113,131)	(497,821,101)
Payment of dividends		**(137,550,763)**	(43,212,382)	–
Net proceeds from issuance of capital stock	15	**73,580,960**	–	–
Net cash generated from (used in) financing activities		**931,995,448**	223,439,013	(136,554,694)
NET EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS		**(4,188)**	1,775,181	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		**260,125,187**	238,881,224	174,806,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	**574,608,266**	335,727,042	160,920,587
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱834,733,453**	₱574,608,266	₱335,727,042

NONCASH FINANCIAL INFORMATION:

Reclassification of unsubdivided land and related development costs from "Real estate for sale" account to "Investment properties" account	**₱323,702,142**	₱–	₱495,740,367
Offsetting of subscription receivable against dividends payable	**51,164,280**	–	–
Reclassification of leasehold improvements from "Real estate for sale" account to "Property and equipment" account	**714,287**	20,788,861	–
Reclassification of advances for project development from "Trade and other receivables" account to "Investment properties" account	**–**	48,971,038	–

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Matters**

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

ALCO's first major developments project is Arya Residences Towers 1 and 2 (the Project) located and currently rising in Bonifacio Global City (BGC), Taguig. The Project is the first residential high-rise in the Philippines to be registered with US Green Building Council's Leadership in Energy and Environmental Design (LEED) program with the certification goal of Gold. In 2014, the Company started the construction of Arthaland Tower, a 30-storey office tower also in BGC. The tower is a Philippine Economic Zone Accredited and is aiming for LEED Gold and BERDE (Building for Ecologically Responsive Design Excellence) certification.

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

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

Subsidiary	Place of Incorporation	Effective % of Ownership 2014	2013
Cazneau, Inc. (Cazneau)	Philippines	**100%**	100%
Manchesterland Properties, Inc. (MPI)	Philippines	**100%**	100%
Emera Property Management, Inc. (Emera)	Philippines	**100%**	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	**100%**	100%

All of the subsidiaries are established to engage primarily in real estate development and presently hold parcels of land for future development, except Emera which is a property management company.

On April 23, 2012, the Parent Company sold its 100% interest in IRMO, Inc. (IRMO) to Future State Myspace, Inc. (Myspace) for ₱345.8 million. The disposal of the interest in IRMO resulted to a net gain of ₱332.6 million (see Note 18). As a result, the assets and liabilities of IRMO were deconsolidated from the time of its disposal.

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.

The consolidated financial statements of the Group as at and for the year ended December 31, 2014, were approved and authorized for issue by the Board of Directors (BOD) on March 4, 2015.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVPL which are carried at fair value and are presented in Philippine Peso, the Group's functional currency. All values are stated in absolute amounts, unless otherwise indicated.

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

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS, which became effective for annual periods beginning on or after January 1, 2014. These are summarized below.

- PAS 39, *Financial Instruments: Recognition and Measurement* (Amendment) - The narrow-scope amendments to PAS 39 will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a certain counterparty as a result of laws or regulations, if specific conditions are met such as replacement of original counterparty with a new one.

- PAS 36, *Impairment of Assets* (Amendment) - The amendments clarify the scope of the disclosures about the recoverable amount of impaired assets is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

- Amendments to PFRS 10, PFRS 12 and PAS 27: *Investment Entities* - The amendments provide an exception from the requirements of consolidation for investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

- Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities* - The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of offset'; and (2) that some gross settlement systems may be considered equivalent to net settlement.

- Philippine Interpretations IFRIC 21, *Levies* - The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and those where timing and amount of the levy is certain.

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

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2014 and have not been applied in preparing the consolidated financial statements are summarized below:

Effective for annual periods beginning on or after July 1, 2014:

- PAS 19, *Employee Benefits* (Amendment) - The amendments simplifies the accounting for contributions from employees or third parties to defined benefit plans that are independent of the number of years of employee service such as employee contributions based on a fixed percentage of salary.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* - This standard is the first phase in replacing PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39.

Effective for annual periods beginning on or after January 1, 2016:

- PFRS 11, *Joint Arrangements* (Amendment) - The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business and requires entities to apply PFRS 3 and other PFRSs for such acquisitions, except for those principles that conflict with the guidance in PFRS 11.

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

- PFRS 15, *Revenue from Contracts with Customers* - PFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of PFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To achieve that core principle, an entity would apply all of the following five steps: identify the contract with a customer; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations in the contract; and recognize revenue when or as the entity satisfies a performance obligation.

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

- PFRS 9, *Financial Instruments* - A finalized version of PFRS 9 which contains accounting requirements for financial instruments, replacing PAS 39. The standard contains requirements on classification and measurement, impairment, hedge accounting and derecognition.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements.

4. **Summary of Significant Accounting Policies**

The significant accounting and reporting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Consolidation

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

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

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

Transactions Eliminated on Consolidation. All intragroup balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Financial Assets and Liabilities

Date of Recognition. Financial instruments are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the 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 fair value through profit or loss (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 Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

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

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

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

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

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. Gains and losses are recognized in consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents and trade and other receivables are classified under this category.

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

The Group's loans payable and accounts payable and other liabilities (except statutory liabilities) are classified as other financial liabilities.

<u>Derecognition of Financial Assets and Liabilities</u>

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 rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

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

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or 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 the consolidated statements of comprehensive income.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial or group of financial assets is impaired. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, 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 the consolidated statements of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

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

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Fair Value Measurement

The Group uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

- Note 7 - Financial asset at FVPL
- Note 10 - Investment properties
- Note 24 - Fair value measurement

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 of sale. 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 construction and less an estimate of the time value of money to the date of completion.

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 (except for land which is stated at cost less any impairment in value) are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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

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.

Property and Equipment

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

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	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 the consolidated statements of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

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

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

Value-Added Tax (VAT)

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

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

Deferred Input VAT

In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT 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.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The acquisition cost is measured as the sum of the considerations transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration payable by the acquirer is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Otherwise, subsequent changes to the fair value of contingent consideration within the remeasurement period of one (1) year are recognized either in profit or loss or as a change to other comprehensive income.

When the business combination is achieved in stages, any previously held non-controlling interest is remeasured to its fair value at the date of obtaining control, and a gain or loss is recognized in profit or loss.

Goodwill is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interest in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain purchase gain is recognized directly in consolidated statements of comprehensive income. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity, are expensed as incurred.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the acquisition in which goodwill arose. The Group assesses the carrying amount of goodwill annually or more frequently if events or changes in circumstances indicate that such carrying amount may not be recoverable.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

Creditable Withholding Tax

Creditable withholding taxes are deducted from income tax payable on the same year the revenue was recognized. Creditable withholding taxes are included as part of "Other assets" account in the consolidated statements of financial position.

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 consolidated statements of comprehensive income when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent assets.

Capital Stock

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred that are directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax.

Subscription Receivable

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

Retained Earnings

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

Basic and Diluted Earnings/Loss Per Share (EPS)

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

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

Revenue and Cost Recognition
Revenue is recognized to the extent that revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

Revenue from Real Estate Sales. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability 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. Collectability 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 method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Pending recognition of sale, cash received from buyers and any excess of collections over the recognized receivables are included in the payable to buyers account under "Accounts payable and other liabilities" in the consolidated statements of financial position. If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

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

Rental Income. Revenue is recognized on a straight-line basis over the lease term.

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

Operating Expense Recognition
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.

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 fulfillment 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).

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

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

Employee Benefits

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

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

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income 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 defined benefit obligation (DBO) on which the obligations are to be settled directly. The present value of the defined benefit obligation (DBO) is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when all such activities are substantially complete.

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 the consolidated statements of comprehensive income.

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 rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

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

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

Deferred tax assets and liabilities are measured at the tax rate that are applicable to the year when the asset is realized or the liability is settled, based on tax rate 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 taxation authority.

Related Party Transactions

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

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

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Provisions and Contingencies

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Revenue Recognition. 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. Completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage.

Revenue from real estate sale amounted to ₱2,053.0 million, ₱2,332.1 million and ₱1,453.3 million in 2014, 2013 and 2012, respectively.

Operating Lease Commitments – Group as Lessor. The Group has entered into parking rental agreement for its unsubdivided land. Considering that there will be no transfer of ownership of the leased properties to the lessee, the Group has determined that it retains all the significant risks and benefits of ownership of these properties. Accordingly, the leases are accounted for as operating leases.

Rental income amounted to ₱1.1 million, ₱2.9 million and ₱3.8 million in 2104, 2013 and 2012, respectively (see Note 20).

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

Rental expense amounted to ₱19.7 million, ₱19.4 million and ₱13.1 million in 2014, 2013 and 2012, respectively (see Note 20).

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:

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

Trade and other receivables amounted to ₱1,946.1 million and ₱1,416.1 million as at December 31, 2014 and 2013, respectively (see Note 8). Impairment loss charged under "Operating expenses" account in the consolidated statements of comprehensive income amounted to nil in 2014 and 2013 and ₱0.4 million in 2012.

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

The carrying amount of real estate for sale as at December 31, 2014 and 2013 amounted to ₱713.0 million and ₱1,388.5 million, respectively. Considering the pricing policies of the Group, cost is considerably lower than the NRV (see Note 9).

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

There were no changes in the estimated useful lives of property and equipment and investment properties as at December 31, 2014 and 2013. The carrying amount of property and equipment as at December 31, 2014 and 2013 amounted to ₱28.6 million and ₱45.5 million, respectively (see Note 11). Investment properties as at December 31, 2014 and 2013 amounted to ₱1,367.5 million and ₱681.1 million, respectively (see Note 10).

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

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

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

The carrying amount of property and equipment as at December 31, 2014 and 2013 amounted to ₱28.6 million and ₱45.5 million, respectively (see Note 11). Investment properties as at December 31, 2014 and 2013 amounted to ₱1,367.5 million and ₱681.1 million, respectively (see Note 10).

Retirement Benefit Costs. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19 and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement liability.

The estimated retirement liability amounted to ₱33.7 million and ₱23.5 million as at December 31, 2014 and 2013, respectively (see Note 19).

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

The carrying amount of deferred tax assets amounted to ₱11.8 million and ₱57.9 million as at December 31, 2014 and 2013, respectively (see Note 21).

6. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand	**₱45,000**	₱30,000
Cash in banks	**86,819,635**	237,069,473
Short-term placements	**747,868,818**	337,508,793
	₱834,733,453	₱574,608,266

Cash in bank earns interest at the 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 earned pertains to the following:

	Note	2014	2013	2012
Interest income earned on cash in banks and short-term placements		**₱11,259,587**	₱9,080,891	9,094,934
Interest income earned on long-term time deposits	12	**707,502**	–	–
Interest Income	18	**₱11,967,089**	₱9,080,891	₱9,094,934

7. Financial Assets at FVPL

Financial assets at FVPL amounting to ₱272.1 million as at December 31, 2014 represent units of participation in a money market fund held by the Group for short-term use and working capital purposes.

Financial assets at FVPL include unrealized gains amounting to ₱2.1 million in 2014 and included as part of "Other income (expense)" account in the consolidated statements of comprehensive income (see Note 18). Realized gain on sale of financial assets at FVPL amounted to ₱0.6 million in 2014 (see Note 18).

8. Trade and Other Receivables

This account consists of:

	2014	2013
Sale of real estate	**₱1,788,164,625**	₱1,194,335,881
Advances for project development	**107,538,787**	171,871,389
Advances to employees	**7,250,244**	6,014,591
Other receivables	**43,503,905**	44,261,208
	1,946,457,561	1,416,483,069
Allowance for impairment losses	**(368,292)**	(368,292)
	₱1,946,089,269	₱1,416,114,777

Receivables from sale of real estate pertain to receivables from sale of condominium units. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Receivables from sale of real estate aggregating ₱800.0 million were used as collateral for loans obtained from certain local banks in 2014 and 2013 (see Note 13).

In 2014 and 2013, the Parent Company sold receivables from sale of real estate amounting to ₱1,623.7 million and ₱425.9 million, respectively, to certain local banks on a with recourse basis and receivables amounting to ₱202.1 million and ₱129.2 million, respectively, on a without recourse basis. A discount amounting to ₱20.9 million and ₱5.5 million was recognized on the sale of receivables on a without recourse basis as at December 31, 2014 and 2013, respectively. The discount was included under "Finance costs" account in the consolidated statements of comprehensive income (see Note 17).

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

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

Other receivables as at December 31, 2013 include receivable from CPG, amounting to ₱36.1 million arising from the share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

9. Real Estate for Sale

This account consists of:

	2014	2013
Condominium units held for sale	**₱385,963,886**	₱–
Assets under construction	**282,042,717**	1,343,469,234
Raw land inventory	**45,019,935**	45,019,935
	₱713,026,538	₱1,388,489,169

Condominium units held for sale pertain to the construction and development costs of unsold saleable condominium units and parking slots after development stage.

Assets under construction consist of project development costs incurred by the Parent Company for the construction of the Project. Estimated cost to complete for Tower 1 amounted to nil and ₱41.7 million as at December 31, 2014 and 2013, respectively. Estimated cost to complete for Tower 2 amounted to ₱336.5 million and ₱1,440.2 million as at December 31, 2014 and 2013, respectively.

Percentage of completion (POC) as at December 31, 2014 is 100% and 89.05% for Arya Residences Tower 1 and Tower 2, respectively.

The Parent Company partially finances its project developments through availment of loans. Accumulated capitalized borrowing cost amounted to ₱231.3 million and ₱145.0 million as at December 31, 2014 and 2013, respectively (see Note 13). Raw land inventory pertains to parcels of land for future development.

Raw land inventory pertains to parcels of land for future development.

On April 23, 2012, the Parent Company sold its 33.61% *pro indiviso* interest in a parcel of land located at Bonifacio Global City, Taguig to IRMO for ₱150.0 million. Prior to the sale, IRMO owned 66.39% *pro indviso* interest in the parcel of land. The disposal of interest in the parcel of land resulted to a gain of ₱25.0 million.

Raw land inventory and assets under construction are stated at cost as at December 31, 2014 and 2013, respectively.

In 2014, real estate for sale amounting to ₱323.7 million was reclassified to "Investment properties" account in the consolidated statements of financial position (see Note 10).

10. Investment Properties

The balances and movements of this account as at and for the years ended December 31, 2014 and 2013 consist of:

				2014	
	Note	**Land**	**Commercial Units**	**Assets Under Construction**	**Total**
Balance at beginning of year		**₱621,913,060**	**₱–**	**₱59,226,283**	**₱681,139,343**
Additions		**–**	**125,796,351**	**236,867,835**	**362,664,186**
Reclassification	9	**–**	**141,199,986**	**182,494,771**	**323,694,757**
Balance at end of year		**₱621,913,060**	**₱266,996,337**	**₱478,588,888**	**₱1,367,498,286**

			2013	
	Land	Commercial Units	Assets Under Construction	Total
Balance at beginning of year	₱621,913,060	₱–	₱–	₱621,913,060
Additions	–	–	10,255,245	10,255,245
Reclassification	–	–	48,971,038	48,971,038
Balance at end of year	₱621,913,060	₱–	₱59,226,283	₱681,139,343

Unsubdivided land
The Group's investment properties include UPHI's residential land with an area of 33 hectares located at Barangay Gonzalo-Bontog, Calamba City and Barangay Calabuso, Tagaytay City.

Portion of the UPHI's residential land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. NAPOCOR built a tower on the residential land owned by UPHI covering an area of one (1) hectare, the tower forms part of the Tayabas - Dasmarinas Line Project. The covered area is about 3% of the total land area owned by UPHI. As at December 31, 2014 and 2013, management believes that the effect of the expropriation on the Group's consolidated financial statements is not significant.

A complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at December 31, 2014 and 2013, management believes that the potential effect of the case on the Group's consolidated financial statements is not significant.

Unsubdivided land amounting to ₱472.1 million as at December 31, 2014 and 2013, pertain to raw land located at Taguig City that was temporarily leased out as a parking area. This raw land was mortgaged in favor of certain creditor banks as collaterals for the Group's loans (see Note 13).

Rental income from this lease amounted to ₱1.1 million, ₱2.9 million and ₱3.8 million in 2014, 2013 and 2012, respectively (see Note 18). Direct operating expenses incurred on the unsubdivided land which consist of real property tax and association dues amounted to ₱0.7 million in 2014, 2013 and 2012.

The aggregate fair value of the unsubdivided land amounted to ₱1,187.2 million as at December 31, 2014, which was determined based on the last valuation report issued by an independent professionally qualified appraiser. Fair value was determined using market approach.

The fair value of investment properties is measured using Level 2 of the fair value hierarchy with significant directly observable inputs.

Development cost
Development cost pertains to costs incurred for Arthaland Tower and commercial units of Arya Residences Tower 2 which are still under construction. The construction of Arthaland Tower commenced in July 2014 and is slated to be completed in 2017 and is intended to serve as corporate headquarters for large-scale companies.

Commercial units
Commercial units pertain to the construction and development costs of unsold leasable retail units and parking slots after development stage.

The fair value of the commercial units amounted to ₱367.8 million as at December 31, 2014, which was determined based on prevailing market prices.

11. Property and Equipment

The balances and movements of this account as at and for the years ended December 31, 2014 and 2013 consist of:

		2014				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱34,663,437	7,456,983	68,715,830	24,525,419	135,361,669
Additions		1,275,606	26,656	714,287	8,428,125	10,444,674
Disposals		–	–	–	(1,209,322)	(1,209,322)
Balance at end of year		35,939,043	7,483,639	69,430,117	31,744,222	144,597,021
Accumulated Depreciation and Amortization						
Balance at beginning of year		17,189,450	6,381,049	56,821,333	9,433,584	89,825,416
Depreciation and amortization	16	9,273,732	544,200	11,149,278	6,351,823	27,319,033
Disposals		–	–	–	(1,145,035)	(1,145,035)
Balance at end of year		26,463,182	6,925,249	67,970,611	14,640,372	115,999,414
Carrying Amount		9,475,861	558,390	1,459,506	17,103,850	28,597,607

		2013				
	Note	Office Equipment	Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Total
Cost						
Balance at beginning of year		₱11,423,153	₱6,496,740	₱43,844,266	₱16,890,500	₱78,654,659
Additions		23,240,284	960,243	24,871,564	10,197,086	59,269,177
Disposals		–	–	–	(2,562,167)	(2,562,167)
Balance at end of year		34,663,437	7,456,983	68,715,830	24,525,419	135,361,669
Accumulated Depreciation and Amortization						
Balance at beginning of year		7,864,769	5,773,609	33,739,069	7,025,415	54,402,862
Depreciation and amortization	16	9,324,681	607,440	23,082,264	4,068,605	37,082,990
Disposals		–	–	–	(1,660,436)	(1,660,436)
Balance at end of year		17,189,450	6,381,049	56,821,333	9,433,584	89,825,416
Carrying Amount		₱17,473,987	₱1,075,934	₱11,894,497	₱15,091,835	₱45,536,253

As at December 31, 2014 and 2013, fully depreciated property and equipment that are still being used by the Group amounted to ₱4.0 million and ₱2.5 million, respectively.

Additions in 2014 and 2013 include reclassification of leasehold improvements from "Real estate for sale" account amounting to ₱0.7 million and ₱20.8 million, respectively.

Depreciation and amortization on property and equipment were included as part of "Operating expenses" account in the consolidated statements of comprehensive income (see Note 16).

12. Other Assets

This account consists of:

	2014	2013
Creditable withholding taxes	**₱193,727,220**	₱135,098,835
Investment in time deposits	**76,054,495**	–
Deposits	**36,775,423**	26,716,979
Amounts held in escrow	**28,537,903**	28,383,938
Input VAT	**17,609,235**	303,188
Prepayments	**17,052,447**	3,356,560
Deferred input VAT	**2,301,177**	10,834,208
	₱372,057,900	₱204,693,708

Investment in time deposits pertains to eight (8) US Dollar-denominated time deposits with a term of 2 years and a fixed interest rate of 1.75% per annum. These time deposits are subject to holding period of 6 months from the date of issuance. In case of early retirement, the investment will earn interest based on regular deposit rates. Interest income earned from investment in time-deposits amounted to ₱0.7 million in 2014 (see Note 6).

Deposits pertain to guarantee deposits for the construction of the Project. Deposits are refundable to the Group upon completion of the Project.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank the amount of which is equivalent to a quarterly principal and interest amortization.

Input VAT represents VAT paid to suppliers that can be claimed as credit against the Group's future output VAT liabilities.

Prepayments consist of prepaid rent, taxes, insurance and other expenses.

Deferred input VAT pertains to unamortized input VAT on property and equipment acquired whose aggregate amount exceeds ₱1.0 million in any one month, excluding VAT.

13. Loans Payable

This account consists of:

	2014	2013
Local creditor banks	**₱2,707,686,963**	₱1,689,116,844
Private funders	**58,140,199**	80,745,067
	₱2,765,827,162	₱1,769,861,911

The summary of loans payable follows:

	2014	2013
Balance at beginning of year - net of cumulative payments	**₱1,769,861,911**	₱1,503,210,516
Availments	**2,068,452,944**	547,764,526
Payments	**(1,072,487,693)**	(281,113,131)
Balance at end of year	**2,765,827,162**	1,769,861,911
Less: Current portion of loans payable	**(483,047,599)**	(828,491,467)
Long term portion of loans payable	**₱2,282,779,563**	₱941,370,444

Local creditor banks

Loans from local banks consist of interest-bearing secured loans obtained to finance the Parent Company's working capital requirements, project development and acquisition of property. These loans have interest rates ranging from 5.5% to 6.5% in 2014 and 2013.

Loans obtained to finance the Parent Company's working capital requirements is secured by receivables from real estate sales aggregating ₱200.0 million and ₱625.9 million as at December 31, 2014 and 2013, respectively (see Note 8). Loans obtained to finance the Parent Company's acquisition of property is secured by receivables from real estate sales aggregating ₱600.0 million as at December 31, 2014 and 2013 and all the outstanding shares of stock of MPI. Loans obtained to finance the Parent Company's project developments are secured by receivables amounting to ₱1,623.7 million as at December 31, 2014 and investment property amounting to ₱472.1 million as at December 31, 2014 and 2013 (see Note 8 and 10).

Private funders

Loans from private funders represent unsecured borrowings with maturities of 30 to 180 days from the financial position date. These loans have interest rates ranging from 3.5% to 6.0% and 5.0% to 6.5% in 2014 and 2013, respectively.

Accumulated borrowing costs already capitalized as part of "Real estate for sale" account in the consolidated statements of financial position amounted to ₱231.3 million and ₱145.0 million as at December 31, 2014 and 2013, respectively (see Note 9). The range of rates used to determine the amount of capitalized borrowing costs is 3.5% to 6.5% in 2014 and 5.0% to 6.5% in 2013.

Total interest expense charged under "Finance costs" account in the consolidated statements of comprehensive income amounted to ₱54.2 million, ₱72.5 million and ₱69.4 million in 2014, 2013 and 2012, respectively (see Note 17).

14. **Accounts Payable and Other Liabilities**

This account consists of:

	2014	2013
Retention payable	**₱324,398,535**	₱231,150,690
Deferred output VAT	**193,862,302**	199,226,041
Accounts payable	**134,700,469**	154,047,965
Accrued expenses	**107,922,022**	40,328,173
Payable to buyers	**89,186,686**	345,777,154
Withholding taxes payable	**4,174,712**	5,008,311
Output VAT	**–**	18,939,081
Others	**26,539,801**	2,777,620
	₱880,784,527	₱997,255,035

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

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

Accounts payable consist mainly of liabilities to contractors and suppliers, which are noninterest-bearing and are normally settled on a 30-day term.

Accrued expenses are the accruals for interest, utilities, salaries and wages and other employee benefits which are expected to be settled within the next 12 months.

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

15. Equity

Capital Stock

	Shares	
	2014	2013
Authorized capital stock - ₱0.18 Par Value	**16,368,095,199**	16,368,095,199
Issued		
Balance at beginning of year	**4,296,865,199**	4,296,865,199
Issuances during the year	**983,730,000**	–
Balance at end of year	**5,280,595,199**	4,296,865,199
Subscribed		
Balance at beginning of year	**1,021,230,000**	1,021,230,000
Issuances during the year	**(983,730,000)**	–
Balance at end of year	**37,500,000**	1,021,230,000
Total number of shares	**5,318,095,199**	5,318,095,199

	Amounts	
	2014	2013
Issued		
Balance at beginning of year	**₱773,435,736**	₱773,435,736
Issuances during the year	**177,071,400**	–
Balance at end of year	**950,507,136**	773,435,736
Subscribed		
Balance at beginning of year	**183,821,400**	183,821,400
Issuances during the year	**(177,071,400)**	–
Balance at end of year	**6,750,000**	183,821,400
Subscription receivable		
Balance at beginning of year	**(106,470,640)**	(127,075,400)
Collections during the year	**104,320,640**	20,604,760
Balance at end of year	**(2,150,000)**	(106,470,640)
Subscribed - net	**4,600,000**	77,350,760
Capital stock	**₱955,107,136**	₱850,786,496

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

The total number of shareholders is 2,059 and 2,070 as at December 31, 2014 and 2013, respectively.

In 2014, the Company collected subscription receivable amounting to ₱104.3 million representing the balance of total subscription price amounting to ₱197.5 million for 983.7 million shares. Additional paid-in capital amounting to ₱20.4 million was recognized upon issuance of the subscribed shares.

On March 10, 2014, the Parent's Company's BOD approved the declaration of cash dividends to all stockholders of record as of March 28, 2014 in the amount of ₱0.036 per common share, or the total amount of ₱191.5 million. Payment date was set on April 22, 2014. Cash dividends pertaining to subscribed capital stock were applied to the related subscription receivable amounting to ₱51.2 million.

On June 28, 2013, the Company's BOD approved the declaration of cash dividends to all stockholders of record as of July 26, 2013 in the amount of ₱0.01 per common share, or the total amount of ₱63.8 million. The cash dividends were paid on August 22, 2013. Cash dividends pertaining to subscribed capital stock were applied to the related subscription receivable amounting to ₱20.6 million.

16. Operating Expenses

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

	2014	2013	2012
Administrative	**₱289,460,170**	₱236,860,488	₱203,410,797
Selling and marketing	**76,377,533**	131,746,565	100,468,319
	₱365,837,703	₱368,607,053	₱303,879,116

Details of operating expenses by nature are as follows:

	Note	2014	2013	2012
Personnel costs		**₱122,065,916**	₱96,438,303	₱84,759,787
Brokers' commissions		**56,095,451**	91,811,827	43,696,459
Taxes and licenses		**50,723,829**	15,760,489	11,960,315
Depreciation and amortization	11	**27,319,033**	37,082,990	17,767,283
Communication and office expenses		**23,549,967**	16,855,293	13,161,335
Advertising		**20,282,082**	39,934,738	56,771,860
Rental	20	**19,683,565**	19,398,398	13,055,116
Management and professional fees		**12,098,215**	11,116,250	14,944,743
Insurance		**9,613,177**	7,229,166	6,429,987
Representation		**7,441,152**	3,960,687	2,349,749
Transportation and travel		**7,153,507**	12,592,431	14,198,696
Utilities		**6,522,687**	3,315,367	3,032,874
Repairs and maintenance		**1,883,766**	4,590,034	5,922,914
Others		**1,405,356**	8,521,080	15,827,998
		₱365,837,703	₱368,607,053	₱303,879,116

Personnel costs consist of the following:

	Note	2014	2013	2012
Salaries and other employee benefits		**₱114,947,106**	₱89,878,552	₱79,485,948
Retirement expense	19	**7,118,810**	6,559,751	5,273,839
		₱122,065,916	₱96,438,303	₱84,759,787

17. **Finance Costs**

This account arises from:

	Note	2014	2013	2012
Interest-bearing loans	13	**₱54,185,972**	₱72,543,240	₱69,392,720
Discount on receivables financing	8	**20,913,653**	5,461,787	–
Bank charges		**815,209**	294,658	1,882,873
		₱75,914,834	₱78,299,685	₱71,275,593

18. Other Income (Expense)

This account consists of:

	Note	2014	2013	2012
Interest income on cash in banks	6	**₱11,967,089**	₱9,080,891	₱9,094,934
Unrealized gain of change in fair value of financial asset at FVPL	7	**2,072,660**	–	–
Rental income	20	**1,142,908**	2,877,359	3,750,832
Realized gain on disposal of financial asset at FVPL	7	**645,922**	–	–
Foreign exchange gain - Net		**645,307**	1,828,415	–
Gain on sale of subsidiary	1	–	–	332,609,899
Gain on sale of receivables		–	–	81,310,717
Others		**7,595,096**	4,555,368	(13,738,523)
		₱24,068,982	₱18,342,033	₱413,027,859

On April 23, 2012, the Parent Company assigned its receivables from IRMO amounting to ₱174.1 million to Myspace for ₱265.0 million inclusive of accumulated uncollected interest income amounting to ₱81.3 million.

Gain on sale of subsidiary is net of commission paid to broker amounting to ₱13.7 million in 2012.

Others include gain on sale of property and equipment and forfeited collections from buyers.

19. Retirement Liability

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

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

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated February 26, 2015):

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

	2014	2013
Balance at beginning of year	**₱23,532,523**	₱14,986,602
Current service cost	**5,953,950**	5,711,509
Interest cost	**1,164,860**	848,242
Actuarial loss - changes in financial assumptions	**869,338**	1,356,826
Actuarial loss - experience adjustment	**2,151,459**	629,344
Balance at end of year	**₱33,672,130**	₱23,532,523

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

	2014	2013
Balance at beginning of year	**₱23,532,523**	₱14,986,602
Retirement expense	**7,118,810**	6,559,751
Actuarial loss	**3,020,797**	1,986,170
Balance at end of year	**₱33,672,130**	₱23,532,523

The cumulative remeasurement gains (losses) on retirement liability recognized in other comprehensive income as at December 31 follows:

	Accumulated Unrealized Actuarial gains (losses)	Deferred Tax	Net
Balance as at January 1, 2014	**₱2,938,310**	**₱881,493**	**₱2,056,817**
Actuarial loss	**(3,020,797)**	**(906,239)**	**(2,114,558)**
Balance as at December 31, 2014	**(₱82,487)**	**(₱24,746)**	**(₱57,741)**
Balance as at January 1, 2013	₱4,924,480	₱1,477,344	₱3,447,136
Actuarial loss	(1,986,170)	(595,851)	(1,390,319)
Balance as at December 31, 2013	₱2,938,310	₱881,493	₱2,056,817

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

	2014	2013
Discount rate	**4.65%**	4.95%
Salary projection rate	**5.00%**	5.00%
Average remaining service years	**23.3**	22.3

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2014 are presented below.

		Effect on PVRO	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2014	**+1%**	**(₱2,701,183)**	**₱3,057,354**
	-1%	**3,327,671**	**(2,546,452)**
December 31, 2013	+1%	(₱1,856,606)	₱2,115,818
	-1%	2,289,304	(1,760,466)

The expected future benefit payments are as follows:

Financial Year	Amount
2015	₱14,702,446
2017	2,908,808
2018	2,915,760
2019	3,820,597
2020-2024	4,073,263

20. Lease Commitments

Operating Lease Commitments - Group as Lessee

The Parent Company is a lessee under non-cancellable operating leases covering office space and land where its model unit is situated. The leases have terms ranging from three to five years, with renewal options, and provisions for escalation.

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

	2014
Within one year	₱8,050,091
After one year but not more than five years	683,332
	₱8,733,423

The total rental expense recognized from these operating leases amounted to ₱19.7 million, ₱19.4 million and ₱13.1 million in 2014, 2013 and 2012, respectively (see Note 16).

Operating Lease Commitments - Group as Lessor

The Parent Company is a lessor under cancellable operating leases with Ayala Property Management Corporation covering parking space. The lease term shall be for indefinite period of time until either party terminates the agreement by giving at least thirty (30) days prior written notice to the other party.

The rental shall be seventy percent (70%) of the net operating income from parking operations of the leased premise per one month period.

The total rental income recognized from this operating lease amounted to ₱1.1 million, ₱2.9 million and ₱3.8 million in 2014, 2013 and 2012, respectively (see Note 18).

21. Income Taxes

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

	2014	2013	2012
Reported in Profit or Loss			
Current income tax:			
RCIT	**₱12,845,924**	₱38,439,933	₱–
Final taxes	**2,427,515**	1,808,898	36,393,987
MCIT	**–**	–	8,235,412
	15,273,439	40,248,831	44,629,399
Deferred income tax	**199,832,156**	39,340,040	12,711,047
	₱215,105,595	₱79,588,871	₱57,340,446
Reported in Other Comprehensive Income			
Deferred tax expense (benefit) - Related to accumulated unrealized actuarial gain (loss)	**₱906,239**	₱595,851	(₱1,328,796)

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

	2014	2013	2012
Income tax computed at statutory tax rate	**₱125,658,081**	₱108,782,619	₱97,000,321
Tax effects of:			
Non-deductible expenses	**93,074,660**	28,315,396	–
Interest income subjected to final tax	**(1,978,187)**	(915,371)	(909,493)
Expired NOLCO	**1,156,598**	1,546,968	20,489,396
Change in unrecognized deferred tax assets	**(2,805,557)**	(58,140,741)	(36,770,331)
Non-taxable income	–	–	(22,483,297)
Expired MCIT	–	–	13,850
	₱215,105,595	₱79,588,871	₱57,340,446

The components of the Group's net deferred tax assets as at December 31, 2014 and 2013, respectively are as follows:

	2014	2013
Deferred tax assets:		
Retirement liability	**₱10,101,639**	₱7,059,757
NOLCO	**1,443,717**	50,701,349
MCIT	**183,728**	–
Allowance for doubtful accounts	**110,488**	110,488
	11,839,572	57,871,594
Deferred tax liabilities:		
Excess of financial over taxable gross profit on sale of real estate	**166,300,235**	13,423,700
Unrealized foreign exchange gain	**726,146**	532,554
Prepaid rent	–	176,232
	167,026,381	14,132,486
Net deferred tax assets (liabilities)	**(₱155,186,809)**	₱43,739,108

The recognized deferred tax asset as at December 31, 2014 amounting to ₱1,627,446 pertains to deferred tax assets of the subsidiaries' temporary differences

The details of the Company's NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2014	₱–	₱950,266	₱–	₱950,266	₱950,266	2017
2013	4,192,418	–	–	–	4,192,418	2016
2012	4,245,624	–	156,138	–	4,089,486	2015
2011	174,338,093	–	170,482,768	3,855,325	–	2014
	₱182,776,135	₱950,266	₱170,638,906	₱4,805,591	₱9,232,170	

The Group did not recognize the deferred tax assets on NOLCO amounting to ₱1,325,935 and ₱4,131,492 as at December 31, 2014 and 2013, respectively, since management believes that these may not be realized in the future.

MCIT
During the year, the Group incurred MCIT amounting to ₱183,728. MCIT can be applied against RCIT until 2017.

22. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2014	2013	2012
Net income	**₱203,754,675**	₱283,019,859	₱265,993,957
Divided by weighted average number of outstanding common shares	**5,318,095,199**	5,318,095,199	5,318,095,199
Earnings per share	**₱0.0383**	₱0.0532	₱0.0500

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

23. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, financial assets at fair value through profit or loss, trade and other receivables, deposits, accounts and other liabilities (except statutory liabilities) and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

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

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

Credit Risk
Credit risk is the risk that the Group will incur a loss because its counterparties fail to discharge their contractual obligations. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. As of December 31, 2014 and 2013, there were no significant credit concentrations.

With respect to credit risk arising from the other financial assets of the Group, which are composed of cash, receivables and deposits, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amounts of the instruments.

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

	2014	2013
Cash and cash equivalents*	**₱834,688,453**	₱574,578,266
Financial asset at fair value through profit or loss	**272,072,660**	–
Trade and other receivables**	**1,831,300,238**	1,238,228,797
Amounts held in escrow	**28,537,903**	28,383,938
Deposits	**36,775,423**	26,716,979
	₱3,003,374,677	₱1,867,907,980

**Excludes cash on hand amounting to ₱45,000 and ₱30,000 as at December 31, 2014 and 2013, respectively.*
***Excludes advances for project development and advances to employees amounting to ₱114,789,031 and ₱177,885,980 as at December 31, 2014 and 2013, respectively.*

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

	2014						
	Neither Past Due nor Impaired		**Past Due but not Impaired**				
	High Grade	**Standard Grade**	**Less than 1 year**	**1-2 years**	**2-3 years**	**over 3 years**	**Total**
Cash and cash equivalents*	**₱834,688,453**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱834,688,453**
Financial asset at fair value through profit or loss	**272,072,660**	**–**	**–**	**–**	**–**	**–**	**272,072,660**
Trade and other receivables**	**1,830,931,946**	**–**	**–**	**–**	**–**	**368,292**	**1,831,300,238**
Amounts held in escrow	**28,537,903**	**–**	**–**	**–**	**–**	**–**	**28,537,903**
Deposits	**36,775,423**	**–**	**–**	**–**	**–**	**–**	**36,775,423**
	₱3,003,006,385	**₱–**	**₱–**	**₱–**	**₱–**	**₱368,292**	**₱3,003,374,677**

**Excludes cash on hand amounting to ₱45,000.*
***Excludes advances for project development and advances to employees amounting to ₱114,789,031.*

	2013						
	Neither Past Due nor Impaired		Past Due but not Impaired				
	High Grade	Standard Grade	Less than 1 year	1-2 years	2-3 years	over 3 years	Total
Cash and cash equivalents*	₱574,578,266	₱–	₱–	₱–	₱–	₱–	₱574,578,266
Trade and other receivables**	1,237,860,505	–	–	–	–	368,292	1,238,228,797
Amounts held in escrow	28,383,938	–	–	–	–	–	28,383,938
Deposits	26,716,979	–	–	–	–	–	26,716,979
	₱1,867,539,688	₱–	₱–	₱–	₱–	₱368,292	₱1,867,907,980

**Excludes cash on hand amounting to ₱30,000.*
***Excludes advances for project development and advances to employees amounting to ₱177,885,980.*

Financial instruments classified as "high grade" are those cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms. Financial instruments classified as "standard grade" are those receivables from customers who need to be reminded of their dues. Past due but not impaired are items with history of frequent default, nevertheless, the amounts are still collectible.

Liquidity Risk

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

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2014 and 2013:

	2014					
	Due and Demandable	**Less than 1 year**	**1-2 years**	**2-3 years**	**Over 3 years**	**Total**
Loans payable	₱–	₱483,047,599	₱2,276,483,379	₱3,210,335	₱3,085,849	₱2,765,827,162
Accounts payable and other liabilities*	567,021,026	–	–	–	–	567,021,026
	₱567,021,026	₱483,047,599	₱2,276,483,379	₱3,210,335	₱3,085,849	₱3,332,848,188

**Excludes nonfinancial liabilities amounting to ₱313,763,501 as at December 31, 2014.*

	2013					
	Due and Demandable	Less than 1 year	1-2 years	2-3 years	Over 3 years	Total
Loans payable	₱–	₱828,491,467	₱511,174,359	₱421,239,923	₱8,956,162	₱1,769,861,911
Accounts payable and other liabilities*	425,526,828	–	–	–	–	425,526,828
	₱425,526,828	₱828,491,467	₱511,174,359	₱421,239,923	₱8,956,162	₱2,195,388,739

**Excludes nonfinancial liabilities amounting to ₱571,728,207 as at December 31, 2013.*

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

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flow from operations. All financial liabilities of the Group, which consist of loans payable, accounts payable and other liabilities (excluding taxes payable to government agencies), are payable on demand.

Interest Rate Risk

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

The Group's loans payable to local banks subject to floating interest rates are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of one to three months. On the other hand, the Group's other loans payable to local banks and financing institutions subject to fixed interest rate are exposed to fair value interest rate risk.

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

24. Fair Value Measurement

The table below presents a comparison of the carrying amounts and fair values of all of the Group's financial instruments as at December 31, 2014 and 2013.

	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	**₱834,733,453**	**₱834,733,453**	₱574,608,266	₱574,608,266
Financial asset at fair value through profit or loss	**272,072,660**	**272,072,660**	–	–
Trade and other receivables	**1,831,300,238**	**1,831,300,238**	1,238,228,797	1,238,228,797
Amounts held in escrow	**28,537,903**	**28,537,903**	28,383,938	28,383,938
Deposit	**36,775,423**	**36,775,423**	26,716,979	26,716,979
	₱3,003,419,677	**₱3,003,419,677**	₱1,867,937,980	₱1,867,937,980
Financial liabilities:				
Loans payable	**₱2,765,827,162**	**₱2,770,709,962**	₱1,769,861,911	₱1,776,956,808
Accounts payable and other liabilities	**567,021,026**	**567,021,026**	425,526,828	425,526,828
	₱3,332,848,188	**₱3,337,730,988**	₱2,195,388,739	₱2,202,483,636

The carrying amounts of financial assets and accounts payable and other liabilities approximate their fair values due to the short-term nature of these financial instruments. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

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

25. Classification of Statement of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2014 and 2013 are as follows:

	Note	**2014**	2013
Current Assets			
Cash and cash equivalents	6	**₱834,733,453**	₱574,608,266
Financial asset at fair value through profit or loss	7	**272,072,660**	–
Trade and other receivables	8	**1,946,089,269**	1,416,114,777
Real estate for sale	9	**713,026,538**	1,388,489,169
Other assets*	12	**259,227,982**	177,976,729
		₱4,025,149,902	₱3,557,188,941

**Includes creditable withholding taxes, amounts held in escrow, input VAT, deferred input VAT and prepayments.*

	Note	**2014**	2013
Current Liabilities			
Loans payable-current portion	13	**₱483,047,599**	₱828,491,467
Accounts payable and other liabilities	14	**880,784,527**	997,255,035
		₱1,363,832,126	₱1,825,746,502

26. Capital Management Objectives, Policies and Procedures

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

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

	2014	2013
Total liabilities	**₱3,837,098,074**	₱2,790,649,469
Total equity	**1,698,605,085**	1,563,671,155
Debt-to-equity ratio	**2.26:1.00**	1.78:1.00

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

27. Segment Reporting

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

26th Floor Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2014, included in this Form 17-A and have issued our report thereon dated March 4, 2015. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Company's management. These supplementary schedules include the following:

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

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

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 4748327
Issued January 5, 2015, Makati City

March 4, 2015
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

26th Floor Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
www.reyestacandong.com
Phone: +632 982 9100
Fax : +632 982 9111
BOA/PRC Accreditation No. 4782
November 12, 2012, valid until December 31, 2015
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

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

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

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at and for the year ended December 31, 2014, on which we have rendered our report dated March 4, 2015.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 2,059 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2015
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2013
Valid until November 26, 2016
PTR No. 4748327
Issued January 5, 2015, Makati City

March 4, 2015
Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2014

Below is a schedule showing financial soundness indicators in the years 2014 and 2013.

	2014	2013
Current/Liquidity Ratio	**2.95**	1.95
Current assets	**₱4,025,149,902**	₱3,557,188,941
Current liabilities	**1,363,832,126**	1,825,746,502
Solvency Ratio	**0.06**	0.11
Net income before depreciation	**231,073,708**	320,102,849
Total liabilities	**3,837,098,074**	2,790,649,469
Debt-to-equity Ratio	**2.26**	1.78
Total liabilities	**3,837,098,074**	2,790,649,469
Total equity	**1,698,605,085**	1,563,671,155
Debt-to-equity (Interest-bearing) Ratio	**1.63**	1.13
Interest-bearing liabilities	**2,765,827,162**	1,769,861,911
Total equity	**1,698,605,085**	1,563,671,155
Asset-to-equity Ratio	**3.26**	2.78
Total assets	**5,535,703,159**	4,354,320,624
Total equity	**1,698,605,085**	1,563,671,155
Interest rate coverage Ratio	**6.52**	5.63
Pretax income before interest	**494,775,104**	440,908,415
Interest expense	**75,914,834**	78,299,685
Profitability Ratio	**0.12**	0.18
Net income	**203,754,675**	283,019,859
Total equity	**1,698,605,085**	1,563,671,155

ARTHALAND CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2014

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

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards [superseded by PFRS 1 (Revised)]	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	based Payment Transactions			
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE INTERPRETATIONS

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		

No.	Title	Adopted	Not Adopted	Not Applicable
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

PHILIPPINE INTERPRETATIONS - SIC

SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68 AS AMENDED
DECEMBER 31, 2014

Table of Contents

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTES)
DECEMBER 31, 2014

There are no receivables which are considered outside of the Company's ordinary course of business.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2014

			Deductions		Ending Balance		
Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off/sold	Current	Not current	Balance at end of period
Advances to (from) subsidiaries:							
Urban Property Holdings, Inc. (UPHI) (net of allowance for impairment amounting to ₱3,261,249)*	₱58,450,877	₱458,153	₱–	₱–	₱58,909,030	₱–	**₱58,909,030**
Manchesterland Properties, Inc. **	23,027,018	–	23,075,518	–	(48,500)	–	**(48,500)**
Cazneau, Inc.***	79,731	101,309	–	–	181,040	–	**181,040**
Emera Property Management, Inc.***	80,875	881,397	–	–	962,272	–	**962,272**
	₱81,638,501	₱1,440,859	₱23,075,518	₱–	₱60,003,842	₱–	**₱60,003,842**

*The Company has subscribed additional 200,000 common shares from UPHI at ₱329 per share which shall be paid by applying ₱65.8 million of the outstanding advances as at December 31, 2014. The Company has collected ₱1.0 million of the outstanding advances as at December 31, 2014.
**The Company has collected ₱1.0 million of the outstanding advances as at December 31, 2014.
***Advances to Cazneau and Emera were applied to subscriptions payable to the respective subsidiaries representing 1,479 shares and 1,472 share at ₱100 par value

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2014

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Face Amount	Interest Rate(s)	Number of Periodic Payments	Maturity Dates
Bank Loans						
Bank 1	₱376,000,000	₱	₱600,000,000	6.500%	5 quarterly	26-Jan-16
Bank 2 – A	520,000,000	–	600,000,000	5.5125%	5 quarterly	29-Feb-16
Bank 2 – B	57,822,158	–	401,634,627	6.0%	one-time lumpsum	22-Feb-16
Bank 2 – C	1,292,603,078	–	1,418,985,656	6%	one-time lumpsum	30-Jan-17
Bank 2 – D	17,263,712	–	27,788,363	9% - 11.5%	36-60 monthly	
Bank 3 – A	150,000,000	150,000,000	150,000,000	5.6000%	one-time lumpsum	11-May-15
Bank 3 – B	32,623,550	32,623,550	32,623,550	5.6000%	one-time lumpsum	16-Feb-15
Bank 3 – C	250,962,752	242,283,850	458,885,976	5.5000%	one-time lumpsum	30-Dec-15
Bank 4 – A	10,411,713		10,411,713	6.5000%	one-time lumpsum	26-Dec-15
Various Loan from private funders	58,140,199	58,140,199	80,672,429	3.5% - 4%	renewable on maturity	9-Jan-15
	₱2,765,827,162	**₱483,047,599**	**₱3,781,002,314**			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2014

The Company has no outstanding loans from related parties.

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2014

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	–	–	9	5,318,095,190

ARTHALAND CORPORATION

RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS

DECEMBER 31, 2014

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		₱515,325,106
Add: Net income actually earned/realized during the period		
Net Income during the period closed to Retained Earnings	₱203,754,675	
Less: Non-actual/unrealized net income net of tax		
Equity in net income of Associate	–	
Unrealized foreign exchange gain	(451,715)	
Fair value adjustment (M2M gains)	–	
Adjustment due deviation from PFRS/GAAP	–	
Unrealized holding gains	(2,072,660)	
Sub-total	201,230,300	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net Income actually earned during the period		201,230,300
Add (Less):		
Dividend declarations during the period		(191,451,427)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**₱525,103,979**

CONGLOMERATE MAP