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Report of Independent Auditors

The Board of Directors
Cebu Landmasters, Inc. and Subsidiary
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., Cebu IT Park
Brgy. Apas, Cebu City, Philippines

Opinion

We have audited the financial statements of Cebu Landmasters, Inc. and subsidiary (the Group), and of Cebu Landmasters, Inc. (the Parent Company), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the Parent Company's statement of financial position as at December 31, 2015, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2015 and 2014, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended, and the financial position of the Parent Company as at December 31, 2015, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements in the Philippines that are relevant to our audits of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed more fully in Note 2 to the financial statements, the Group started preparing consolidated financial statements in 2016 because of the incorporation of a wholly owned subsidiary in the same year.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 5908616, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-1 (until May 11, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-34-2014 (until Aug. 5, 2017)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 10, 2017

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Supplemental Statement of Independent Auditors

The Board of Directors
Cebu Landmasters, Inc.
(A Subsidiary of A B Soberano Holdings Corp.)
10th Floor, Park Centrale Tower
Jose Ma. Del Mar St., Cebu IT Park
Brgy. Apas, Cebu City, Philippines

We have audited the financial statements of Cebu Landmasters, Inc. for the year ended December 31, 2016, on which we have rendered the attached report dated February 10, 2017.

In compliance with the Securities Regulation Code Rule 68, we are stating that the Company has seven stockholders owning 100 or more shares of the Company's common stock as of December 31, 2016, as disclosed in Note 23 to the financial statements.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

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TIN 184-595-975
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February 10, 2017

CEBU LANDMASTERS, INC. AND SUBSIDIARY
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(With Corresponding Figures as of January 1, 2015)
(Amounts in Philippine Pesos)

	Notes	Consolidated December 31, 2016 (See Note 2)	Parent Company December 31, 2015 (As Restated - See Notes 2 and 23)	Parent Company January 1, 2015 (As Restated - See Notes 2 and 23)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	4	**P 90,617,743**	P 123,644,624	P 114,482,457
Receivables - net	5	**2,069,449,137**	1,206,274,995	794,796,047
Real estate inventory	6	**1,831,424,419**	1,439,841,508	1,473,711,694
Deposits on land for future development	7	**259,897,127**	77,559,615	45,000,000
Advances to related parties - net	22	**26,739,222**	171,583,998	188,388,936
Prepayments and other current assets	8	**102,631,805**	98,262,868	67,832,682
Total Current Assets		**4,380,759,453**	3,117,167,608	2,684,211,816
NON-CURRENT ASSETS				
Receivables - net	5	**184,374,872**	56,183,701	646,299
Available-for-sale financial assets	9	**54,133,275**	49,768,275	40,611,133
Investments in associates and joint ventures	12	**242,935,316**	12,680,055	-
Property and equipment - net	10	**164,166,429**	75,260,214	24,573,652
Investment properties - net	11	**297,664,109**	327,660,513	66,545,864
Other non-current assets - net	13	**22,878,048**	12,183,334	8,657,782
Total Non-current Assets		**966,152,049**	533,736,092	141,034,730
TOTAL ASSETS		**P 5,346,911,502**	P 3,650,903,700	P 2,825,246,546
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans	14	**P 787,980,146**	P 532,768,097	P 568,880,691
Trade and other payables	15	**487,447,566**	357,055,481	381,779,926
Customers' deposits	16	**456,968,051**	423,651,373	306,110,150
Reserve for property development	6	**327,236,408**	205,620,988	157,292,283
Total Current Liabilities		**2,059,632,171**	1,519,095,939	1,414,063,050
NON-CURRENT LIABILITIES				
Interest-bearing loans	14	**1,604,059,047**	801,653,906	431,047,896
Trade and other payables	15	**16,956,129**	21,810,990	43,486,402
Post-employment defined benefit obligation	20	**2,105,858**	5,023,696	2,737,398
Deferred tax liabilities - net	21	**125,919,779**	59,714,086	22,839,807
Total Non-current Liabilities		**1,749,040,813**	888,202,678	500,111,503
Total Liabilities		**3,808,672,984**	2,407,298,617	1,914,174,553
EQUITY	23			
Capital stock		**1,284,000,000**	837,690,000	537,690,000
Revaluation reserves		**(625,202)**	(2,718,140)	(80,998)
Retained earnings		**254,863,720**	408,633,223	373,462,991
Total Equity		**1,538,238,518**	1,243,605,083	911,071,993
TOTAL LIABILITIES AND EQUITY		**P 5,346,911,502**	P 3,650,903,700	P 2,825,246,546

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARY
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)	Parent Company 2014 (See Note 2)
REVENUES				
Sale of real estates	2	**P 2,139,479,877**	P 1,532,930,791	P 1,279,415,168
Rental	11	**38,870,444**	12,555,220	4,216,300
		2,178,350,321	1,545,486,011	1,283,631,468
COST OF SALES AND RENTAL	17	**1,010,348,131**	671,832,331	578,300,212
GROSS PROFIT		**1,168,002,190**	873,653,680	705,331,256
OPERATING EXPENSES	18	**(335,832,043)**	(268,561,092)	(235,351,833)
OTHER OPERATING INCOME	19	**17,525,070**	13,012,072	16,673,709
OPERATING PROFIT		**849,695,217**	618,104,660	486,653,132
FINANCE COSTS	19	**(16,572,078)**	(10,258,035)	(10,388,266)
OTHER LOSSES	12	**(11,897,711)**	-	-
OTHER GAINS	11	**6,353,291**	-	1,239,822
FINANCE INCOME	19	**477,973**	366,416	882,843
PROFIT BEFORE TAX		**828,056,692**	608,213,041	478,387,531
TAX EXPENSE	21	**125,732,738**	71,042,809	44,838,119
NET PROFIT		**P 702,323,954**	P 537,170,232	P 433,549,412
Earnings per Share:				
Basic and diluted	24	**P 0.82**	P 0.67	P 0.54

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARY
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)	Parent Company 2014 (See Note 2)
NET PROFIT		**P 702,323,954**	P 537,170,232	P 433,549,412
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Loss on remeasurements of post-employment defined benefit obligation	20	**(510,088)**	(7,267,345)	-
Tax income	21	**153,026**	2,180,203	-
		(357,062)	(5,087,142)	-
Item that will be reclassified subsequently to profit or loss				
Fair value gains on available-for-sale financial assets	9	**3,500,000**	3,500,000	522,000
Tax expense	21	**(1,050,000)**	(1,050,000)	(156,600)
		2,450,000	2,450,000	365,400
Other Comprehensive Income (Loss) - net of tax		**2,092,938**	(2,637,142)	365,400
TOTAL COMPREHENSIVE INCOME		**P 704,416,892**	P 534,533,090	P 433,914,812

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARY
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Note	Capital Stock	Revaluation Reserves	Retained Earnings	Total
Consolidated (see Note 2)					
Balance at January 1, 2016					
As previously reported		**P 837,690,000**	**(P 2,718,140)**	**P 373,543,487**	**P 1,208,515,347**
Prior period adjustment	23	**-**	**-**	**35,089,736**	**35,089,736**
As restated		**837,690,000**	**(2,718,140)**	**408,633,223**	**1,243,605,083**
Transactions with owners					
Issuance of capital stock	23	**400,000,000**	**-**	**-**	**400,000,000**
Collection of subscription receivable	23	**46,310,000**	**-**	**-**	**46,310,000**
Cash dividends	23	**-**	**-**	**(856,093,457)**	**(856,093,457)**
		446,310,000	**-**	**(856,093,457)**	**(409,783,457)**
Total comprehensive income for the year					
Net profit for the year		**-**	**-**	**702,323,954**	**702,323,954**
Other comprehensive income	23	**-**	**2,092,938**	**-**	**2,092,938**
		-	**2,092,938**	**702,323,954**	**704,416,892**
Balance at December 31, 2016		**P 1,284,000,000**	**(P 625,202)**	**P 254,863,720**	**P 1,538,238,518**
Parent Company (see Note 2)					
Balance at January 1, 2015					
As previously reported		P 537,690,000	(P 80,998)	P 338,373,255	P 875,982,257
Prior period adjustment	23	-	-	35,089,736	35,089,736
As restated		537,690,000	(80,998)	373,462,991	911,071,993
Transactions with owners					
Stock dividend	23	300,000,000	-	(300,000,000)	-
Cash dividend	23	-	-	(202,000,000)	(202,000,000)
		300,000,000	-	(502,000,000)	(202,000,000)
Total comprehensive income for the year					
Net profit for the year		-	-	537,170,232	537,170,232
Other comprehensive loss	23	-	(2,637,142)	-	(2,637,142)
		-	(2,637,142)	537,170,232	534,533,090
Balance at December 31, 2015		P 837,690,000	(P 2,718,140)	P 408,633,223	P 1,243,605,083
Balance at January 1, 2014					
As previously reported		P 300,000,000	(P 446,398)	P 152,823,843	P 452,377,445
Prior period adjustment	23	-	-	35,089,736	35,089,736
As restated		300,000,000	(446,398)	187,913,579	487,467,181
Transactions with owners					
Stock dividend	23	200,000,000	-	(200,000,000)	-
Collection of subscription receivable		37,690,000	-	-	37,690,000
Cash dividend	23	-	-	(48,000,000)	(48,000,000)
		237,690,000	-	(248,000,000)	(10,310,000)
Total comprehensive income for the year					
Net profit for the year		-	-	433,549,412	433,549,412
Other comprehensive loss	23	-	365,400	-	365,400
		-	365,400	433,549,412	433,914,812
Balance at December 31, 2014		P 537,690,000	(P 80,998)	P 373,462,991	P 911,071,993

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARY
(A Subsidiary of A B Soberano Holdings Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)	Parent Company 2014 (See Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 828,056,692**	P 608,213,041	P 478,387,531
Adjustments for:				
Depreciation and amortization	10, 11, 13	**31,307,074**	12,546,762	11,549,153
Interest expense on loans	19	**13,757,757**	7,431,405	9,898,810
Share in net losses of associates and joint ventures	12	**10,307,539**	-	-
Net gains on sale of investment properties	11	**(4,762,807)**	-	(1,239,822)
Day one loss net of amortization	19	**2,319,730**	2,381,803	-
Interest income	19	**(477,973)**	(366,416)	(882,843)
Operating profit before working capital changes		**880,508,012**	630,206,595	497,712,829
Increase in receivables		**(993,685,043)**	(471,037,851)	(337,883,694)
Increase in real estate inventory		**(393,606,660)**	(270,191,077)	(606,359,624)
Increase in deposits on land for future development		**(182,337,512)**	(32,559,615)	(45,000,000)
Increase in prepayments and other current assets		**(4,368,937)**	(33,291,799)	(42,070,546)
Decrease (increase) in other non-current assets		**(10,749,667)**	(3,917,169)	32,348
Increase (decrease) in trade and other payables		**65,166,170**	(46,708,909)	277,621,081
Increase (decrease) in customers' deposits		**33,316,678**	117,541,223	(72,440,829)
Increase in reserve for property development		**121,615,420**	48,328,705	117,885,803
Increase (decrease) in post-employment defined benefit obligation		**(3,427,926)**	(4,981,047)	410,705
Cash used in operations		**(487,569,465)**	(66,610,944)	(210,091,927)
Cash paid for taxes		**(52,965)**	(30,176,714)	(32,415,194)
Net Cash Used in Operating Activities		**(487,622,430)**	(96,787,658)	(242,507,121)
CASH FLOWS FROM INVESTING ACTIVITIES				
Collections of advances to related parties	22	**260,494,232**	185,365,657	68,217,069
Acquisitions of equity interest in associates and joint ventures	12	**(240,562,800)**	(1,620,124)	-
Advances to related parties	22	**(112,515,599)**	(176,050,124)	(219,882,405)
Acquisitions of property and equipment	10	**(108,088,253)**	(17,562,058)	(11,062,896)
Proceeds from sale and disposal of investment properties	11	**32,272,233**	-	5,571,427
Acquisitions of investment properties	11	**(6,782,161)**	-	(7,832,298)
Acquisitions of available-for-sale financial assets	9	**(865,000)**	(5,657,142)	(35,560,000)
Acquisitions of computer software	13	**(777,195)**	(384,285)	(627,384)
Interest received	19	**477,973**	366,416	882,843
Net Cash Used in Investing Activities		**(176,346,570)**	(15,541,660)	(200,293,644)

Forward

	Notes	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)	Parent Company 2014 (See Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of interest-bearing loans	14	**P 1,603,789,687**	P 1,578,575,935	P 773,488,110
Cash dividends paid	23	**(856,093,457)**	(202,000,000)	(48,000,000)
Repayments of interest-bearing loans	14	**(546,172,497)**	(1,244,082,519)	(312,236,589)
Proceeds from share issuance	23	**400,000,000**	-	-
Collection of subscriptions receivable	23	**46,310,000**	-	37,690,000
Interest paid	19	**(13,757,757)**	(7,431,405)	(9,898,810)
Repayments of advances from related parties	22	**(3,133,857)**	(4,689,776)	(7,717,393)
Advances from related parties	22	**-**	1,119,250	14,421,776
Net Cash From Financing Activities		**630,942,119**	121,491,485	447,747,094
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(33,026,881)**	9,162,167	4,946,329
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**123,644,624**	114,482,457	109,536,128
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 90,617,743**	P 123,644,624	P 114,482,457

Supplemental Information for Non-cash Investing and Financing Activities:

1) The Parent Company reclassified condominium units amounting to P4.6 million from the Property and Equipment account to the Investment Property account (see Notes 10 and 11) and condominium units amounting to P2.0 million from the Real Estate Inventory account to the Investment Property account in 2016 (see Notes 6 and 11), and real estate inventories amounting to P41.4 million and P264.6 million to Property and Equipment and Investment Properties accounts, respectively, in 2015 (see Notes 10 and 11).

2) Certain investment in associates amounting to P11.0 million were acquired in 2015 through offsetting of account with a related party (see Note 12).

3) In 2015 and 2014, the Company issued P300.0 million and P200.0 million stock dividends, respectively (see Note 23).

See Notes to Financial Statements.

CEBU LANDMASTERS, INC. AND SUBSIDIARY
(A Subsidiary of A B Soberano Holdings Corp.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General

Cebu Landmasters, Inc. (CLI or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 2003. It is presently engaged in real estate development, sales and leasing.

In 2016, CLI Premier Hotels Int'l. Inc. (the Subsidiary or CPH) was incorporated as a wholly owned subsidiary of CLI. CLI and CPH (collectively referred to herein as the Group) are in the same line of business. In the same year, A B Soberano Holdings Corp. (ABS), formerly A B Soberano International Corporation, one of CLI's stockholders, assumed control of CLI by acquiring additional 400,000,000 shares of CLI and became the ultimate parent company of the Group.

ABS is a holding company and is incorporated and domiciled in the Philippines. The registered office and principal place of business of ABS is located at 2nd Street, Villa San Lorenzo, Quijada Street, Barangay Guadalupe, Cebu City.

The Subsidiary, which has not yet started commercial operations, is incorporated and domiciled in the Philippines. Its registered office and principal place of business is located at 10th Floor, Park Centrale Tower, J.M. del Mar Street, Cebu I.T. Park, Brgy. Apas, Cebu City.

In July 2016, the Parent Company applied for a change in office address with the SEC and it was granted approval on October 24, 2016. CLI's new registered office address, which is also its principal place of business, is located at 10th Floor, Park Centrale Tower, Jose Ma. Del Mar St., Cebu IT Park, Brgy. Apas, Cebu City, Philippines. Its former registered office address was Salvador Street, Labangon, Cebu City.

1.2 Significant Milestones

In over 12 years, CLI has become a leading homegrown developer in Cebu with its growing mix of residential, commercial, hospitality, industrial and mixed-use product offerings. This is enabled by its fully-integrated real estate set-up encompassing acquisitions, business development, technical planning, engineering and project management, sales and marketing, documentation and licensing, accounting and finance, legal, human resource and administration, customer care and property management. CLI prides itself on its hands-on and personalized approach which allows itself to respond effectively to its clients and industry partners.

CLI has shown robust growth in the last six years, when it has recorded over 50% revenue growth per year. It has seen its revenue grow from P293.2 million in 2011 to P2.2 billion for the year ended December 31, 2016. Its net income has increased from P24.7 million in 2011 to P702.3 million in 2016. These results coincide with the latest market standing of CLI, where a recent report by C.B. Richard Ellis Philippines, Incorporated highlighted that it commands the 2nd highest market share in the condominium market in Cebu (trailing a national developer), thus rendering it as the leading homegrown condominium developer in Cebu.

Across its portfolio of over 28 developments, the Parent Company has over 18,080 housing, condominium and commercial units in various stages of development. Aside from growing its portfolio, it has diversified to cater to the various spectrums of the market, including the economic, mid-cost and high-end segments. In addition, the Parent Company has around 6,211.93 square meters in area under residential and commercial leases, that is 10% for residential and 90% for commercial leasing.

The year 2016 has delivered several important milestones for the Parent Company. In line with its regional expansion, the Parent Company announced its arrival in Davao City. CLI has partnered with Yuson Commercial Investments, Inc. to develop three major projects over the next five years. It has also formed a joint venture with the Borromeo Bros. Estate Inc. to develop a prime 3,000 square meters property in the Cebu Business Park. On the site will rise a Grade-A office development called Latitude Corporate Center. In Cebu I.T. Park, where CLI has developed already two successful projects, the Parent Company has set-up a formidable collaboration with El Camino Developers Cebu, Inc. (El Camino), a newly acquired associate (see Note 12), in the acquisition development of a prime 1.17-hectare property. Another major new development is the launch of its largest subdivision project to date, Casa Mira South, a 30-hectare site that will deliver over 3,200 homes.

As the Group gears up for major project launches, it remains committed to its newly launched tagline "We build with you in mind." This will push the Group to sustain its robust financial and operational growth, while maintaining its customer-first approach in delivering its projects in a timely and quality manner.

Currently, the Group's main operation is concentrated in the province of Cebu and is just starting to expand its reach to Visayas and Mindanao. Accordingly, it has no other reportable segments other than its real estate operations in Cebu.

1.3 Plan of Listing Shares of Stock in the Philippine Stock Exchange

The Parent Company plans to list for trading its shares of stock in the Philippine Stock Exchange. Accordingly, the requirements of Securities Regulations Code No. 68, As Amended, have been considered in the preparation of the financial statements as at and for the year ended December 31, 2016.

1.4 Approval of Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2016 (including the comparative financial statements of the Parent Company as at and for the year ended December 31, 2015 and the corresponding figures as at January 1, 2015) were authorized for issue by the Parent Company's President on February 10, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Group and the Parent Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

As discussed in Note 1, CPH became a subsidiary of CLI in 2016. Accordingly, in 2016, the Group started preparing consolidated financial statements. The financial statements as at and for the year ended December 31, 2016 is the first consolidated financial statements of the Group. Because the Parent Company has no subsidiary prior to 2016, the statements of financial position as at December 31, 2015 and January 1, 2015 and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2015 and 2014 are that of the Parent Company only.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents statement of comprehensive income separate from the statement of profit or loss.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

The Group recorded prior period adjustments, including a reclassification of an asset, that resulted in material retrospective restatements of certain accounts in the comparative statements of financial condition of the Parent Company as at December 31, 2015 and in the corresponding figures as at January 1, 2015 (see Note 23). Accordingly, the Group presents a third statement of financial position of CLI as at January 1, 2015 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Group and of the Parent Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2016 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below and in the succeeding pages are the relevant information about these amendments and improvement. The amendments did not have any material impact on the Group's financial statements.

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative*. The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, they clarify that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share in other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. They further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment*, and PAS 38 (Amendments), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments in PAS 16 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendments to PAS 38 introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendments also provide guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements*. These amendments introduce a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12 (Amendments), *Disclosure of Interests in Other Entities*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception*. These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 11 (Amendments), *Joint Arrangements*. These amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations*, to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vi) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PFRS 5 (Amendments), *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*. The amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. They also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) Effective in 2016 that are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PFRS 14	:	Regulatory Deferral Accounts
PAS 16 and PAS 41 (Amendments)	:	Property, Plant and Equipment and Agriculture – Bearer Plants
Annual Improvements to PFRS (2012-2014 Cycle)		
PFRS 7 (Amendments)	:	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
PAS 34 (Amendments)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"

(c) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(iv) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018.

This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee Question & Answer No. 2016-04, Application of PFRS 15, *"Revenue from Contracts with Customers," on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

(v) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for in a manner similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting remains the same as PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale* or *Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiary after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investment in a subsidiary, associates, joint ventures and non-controlling interests as follows:

(a) Investments in a Subsidiary

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

In the Parent Company's financial statements, investment in a subsidiary is accounted for at cost.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any noncontrolling interest in the acquiree, either at fair value or at the noncontrolling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.4).

(b) Investments in Associates

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged to Share in Net Earnings (Losses) of Associates and presented as Other Gains or Other Losses in the statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(b) Investments in Joint Ventures

A joint venture pertains to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture entity pertains to whose economic activities are jointly controlled by the Group and by other venturers independent of the Group (joint venturers).

Investment in joint venture is accounted for using the equity method of accounting. Under this method, on initial recognition, the investment in joint venture is recognized at cost and the carrying amount is increased or decreased to recognize the investor's share in the profit or loss of the investee after the date of the acquisition. The investor's share of the investee's profit or loss is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

(c) Transactions with Noncontrolling Interests

The Group's transactions with noncontrolling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to noncontrolling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment. Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

Currently, the Group's financial assets are categorized as loans and receivables and AFS financial assets. A more detailed description of the two categories of financial assets follows.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Receivables (except for advances to subcontractors and advances to officers and employees), Advances to Related Parties, and as part of Other Non-current Assets (with respect to refundable deposits) in the statement of financial position. Cash and cash equivalents include cash on hand, savings and demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as AFS Financial Assets in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets consist of golf club shares.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as discussed:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, except those arising from operating activities, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the statement of profit or loss.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Real Estate Inventory

This pertains to cost of land and development costs of real estate properties that are being developed and those that are already available for sale. Interest incurred during the development of the project is capitalized (see also Note 2.15).

Cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property, if any. The estimated expenditures for the completion of sold real estate property, as determined by the project engineers, are charged to cost of real estate sales with a corresponding credit to the Reserve for Property Development account.

Real estate inventory is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The effect of revisions in the total project cost estimates is recognized in the year in which these changes become known. Any probable loss from a real estate project is charged to current operations when determined.

2.7 Deposits on Land for Future Development

Deposits on land for future development pertain to advance cash payments made to sellers of properties purchased by the Group but title over the properties have not yet been transferred to the Group. Once sale is consummated which is usually within 12 months from the date the deposit is made, such advance payments are applied to the full amount of the contract price and debited to the Real Estate Inventory account.

2.8 Prepayments and Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period are classified as part of non-current assets.

2.9 Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Cost also includes capitalized borrowing costs (see also Note 2.15).

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

Buildings	20 years
Transportation equipment	5 years
Office equipment	3-5 years
Furniture and fixtures	2-5 years

Leasehold improvements are amortized over the useful life of the improvements of 10 years or the lease term, whichever is shorter.

Fully-depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item) is included in profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Cost of the asset includes cost of construction and capitalized borrowing costs (see also Note 2.15).

Investment properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation (see Note 2.17). Depreciation of investment properties that are subject to depreciation is computed using the straight-line method over the estimated useful lives of the assets of 20 years.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal.

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans and trade and other payables [except government-related obligations, advance rental and deferred output value-added tax (VAT) and output VAT], are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability, except those that are capitalized are recognized as an expense in profit or loss as Finance Costs in the statement of profit or loss.

Interest-bearing loans are raised for support of funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer) or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Group currently has a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Revenue and Expense Recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding VAT, if applicable, and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the specific recognition criteria that follows must also be met before revenue is recognized:

(a) *Sale of real estates* – The Group uses the full accrual method of revenue recognition on real estate sales is recognized in the year when the earning process is virtually complete and the economic benefits to the Group is reasonably assured [see also Note 3.1*(a)*].

If the transaction does not qualify yet as sale, cash collections from buyers are accounted for using the deposit method and are recorded as Customers' Deposits which is presented under current liabilities in the statement of financial position.

Subsequent cancellations of prior year sales are deducted from real estate sales and costs in the year in which such cancellations are made.

For tax reporting purposes, the taxable income for the year is based on the provisions of Section 49 of the National Internal Revenue Code (NIRC), as amended, which governs installment sales. Under the NIRC, revenue on sale and cost of real estate sold are recognized in full when the initial payments collected in the year of sale exceed 25% of the selling price; otherwise, revenue and cost of real estate sold are recognized based on the collections.

(b) *Rental income* – Revenue is recognized on a straight-line basis over the lease term (see also Note 2.16).

(d) *Interest income* – Income is recognized as the interest accrues taking into account the effective yield on the asset.

(e) *Management fee* – Revenue is recognized when service is rendered. This includes the management services rendered by CLI to the homeowners' associations and condominium corporation. These are included as part of Other Operating Income in the statement of profit or loss.

(f) *Other income* – Revenue is recognized when earned. This includes foregone reservation fees from customers which is reverted to income, mark-up on utilities charged to lessees, and penalties for late payment by customers. These are included as part of Other Operating Income in the statement of profit or loss.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see also Note 2.15).

2.15 Borrowing Costs

Borrowing costs are recognized 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 substantially all such activities are complete.

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.17 Impairment of Non-financial Assets

The Group's property and equipment, investment properties, investment in associates and joint ventures, computer software and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan, which became effective on January 1, 2015, covers all regular full-time employees. The pension plan is noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment, if any.

(b) Post-Employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e. Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Performance Bonus

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in the Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any. Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.20 Related Party Relationships and Transactions

Related party transactions are transfers 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 parties include: (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; (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; and, (d) the Group's funded retirement plan.

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

2.21 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee, its chief operating decision maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as well as geographical location of its operation.

As indicated in Note 1.2, the Group has only one segment; hence, it does not present any segment-related disclosures.

2.22 Equity

Capital stock represents the nominal value of shares that have been issued.

Revaluation reserves comprise gains and losses arising from the revaluation of AFS financial assets and remeasurements of post-employment defined benefit plan.

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the statement of comprehensive income, reduced by the amounts of dividends declared.

2.23 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the Parent Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.24 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's and the Parent Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Collection of Sales Price is Reasonably Assured and Earning Process is Virtually Complete

In determining whether sales prices are collectible, the Group considers the paying capacity of the buyer and an initial and continuing investment by the buyer of a certain percentage of the contract price would demonstrate the buyer's commitment to fulfill the obligations of the Group.

In determining that the earning process is virtually complete, the Group assesses substantial completion of the project based on its project engineers' estimation and assumptions. It also uses historical information on project completion and sales cancellation experience of the Group.

(b) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's AFS financial assets, management has assessed that no impairment loss is required to be recognized for the years ended December 31, 2016, 2015 and 2014. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(c) Distinction Between Investment Properties and Owner-managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the operations.

(d) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements as a lessor and a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has determined that all of its lease agreements qualify under operating leases (see Note 2.16).

(e) Accounting for Investments in Associates or Joint Ventures

In classifying its equity acquisitions as investment in associates or joint ventures, the Group evaluates whether significant influence or joint control exists. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Despite the 50% ownership interest of the Group in BL CBP Ventures, Inc. (BL Ventures) and Yuson Excellence Soberano, Inc. (YES, Inc.), management has assessed that it does not have any control over the investees in relation to their voting rights (see Note 12).

(f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant contingencies are presented in Note 25.

3.2 Key Sources of Estimation Uncertainty

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

(a) Impairment of Receivables and Advances to Related Parties

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with its related and third parties, their current credit status based on known market forces, average age of accounts, collection experience and historical loss experience.

The carrying values of receivables and advances to related parties and the related allowance for impairment on such financial assets are shown in Notes 5 and 22.1.

(b) Determination of Net Realizable Value of Real Estate Inventory

In determining the net realizable value of real estate inventory, management takes into account the most reliable evidence available at the dates the estimates are made. The future realization of the carrying amounts of real estate inventory as presented in Note 6 is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate inventory within the next financial reporting period.

Considering the Group's pricing policy, the net realizable values of real estate inventory for sale are determined to be higher than their related costs.

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's AFS financial assets and the amounts of fair value changes recognized on those assets are disclosed in Note 9.

(d) Estimation of Useful Lives of Property and Equipment, Investment Properties and Computer Software

The Group estimates the useful lives of property and equipment, investment properties and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, investment properties and computer software are analyzed in Notes 10, 11 and 13, respectively. Based on management's assessment as at December 31, 2016 and 2015, there is no change in estimated useful lives of these assets during those periods. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned.

(e) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.17). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management assessed that no impairment loss is required to be provided on property and equipment, investment properties, computer software and other non-financial assets as at December 31, 2016, 2015 and 2014.

(f) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment defined benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 20.2.

(g) Estimation of Reserve for Property Development

Determining the reserve for property development as of the end of each reporting date requires the estimation of the cost to complete the development of real estate property already sold, as determined by project engineers, as of those dates. At the end of each reporting period, these estimates are reviewed and updated if expectations differ from previous estimates. The estimated total costs to be incurred at the end of the projects for units sold are shown in Note 6.

(h) Fair Value Measurement for Investment Properties

Investment properties are measured using the cost model. The fair value of investment property held for capital appreciation disclosed in the financial statements is determined by the Group based on the appraisal reports of a professional and independent appraiser. The fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such amount is influenced by different factors including the location and specific characteristics of the property, quantity of comparable properties in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets being disclosed.

The fair value the Group's investment properties as at December 31, 2016 and 2015 is disclosed in Notes 11 and 27.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Cash on hand	**P 245,000**	P 150,000
Cash in banks	**82,918,355**	109,335,788
Short-term placements	**7,454,388**	14,158,836
	P 90,617,743	P 123,644,624

Cash in banks (savings and demand deposits) generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying period from 10 to 90 days and earn effective interest ranging from 0.38% to 1.50% per annum for all years presented.

Interest income earned from cash and cash equivalents amounted to P477,973, P342,282 and P203,746 in 2016, 2015 and 2014, respectively (see Note 19.3).

5. RECEIVABLES

This account includes the following:

	Note	**Consolidated 2016 (See Note 2)**	Parent Company 2015 (See Note 2)
Current:			
Contracts receivables			
Third parties		**P 1,893,187,107**	P 1,100,469,081
Related parties	22.4, 22.7	**97,771,848**	26,919,879
Advances to subcontractors		**66,922,721**	67,947,351
Loans to employees		**7,935,635**	4,844,494
Advances to officers and employees		**5,069,748**	4,158,098
Other receivables		**1,269,773**	2,238,898
		2,072,156,832	1,206,577,801
Allowance for impairment		**(2,707,695)**	(302,806)
		2,069,449,137	1,206,274,995
Non-current:			
Contracts receivables – net		**184,374,872**	56,183,701
		P2,253,824,009	P 1,262,458,696

All of the Group's receivables have been reviewed for indicators of impairment. Certain contract receivables and other receivables, which are mostly due from various customers but with small amounts, were found to be impaired; hence, adequate amount of allowance for impairment has been recognized.

A reconciliation of the allowance for impairment at the beginning and end of 2016 and 2015 is shown below.

	Note	**Consolidated 2016 (See Note 2)**	Parent Company 2015 (See Note 2)
Balance at beginning of year		**P 302,806**	P 302,806
Impairment losses	18	**2,404,889**	-
Balance at end of year		**P 2,707,695**	P 302,806

Buyers of real estate properties are given two to three years to complete the amortization of their down payment which ranges from 15% to 20% of the contract price of the real estate being purchased. Contracts receivables, which are all covered by postdated checks, are only recognized upon meeting the criteria for revenue recognition (see Note 2.14). Generally, full payment by buyers of their equity payments is made within 24 months following the recognition of sale which is then followed by full settlement by the buyer's chosen financing institution of the buyer's account. Title to real estate properties are transferred to the buyers once full payment has been made.

Non-current contract receivables, which are noninterest-bearing, are receivables from buyers whose equity payments are expected to be fully paid after 12 months following the end of the reporting period and those that availed of in-house financing. These are measured at amortized cost which is determined by discounting future cash flows using the applicable rates of similar types of instruments. The aggregate unamortized discount on non-current contracts receivables amounts to P4,701,533 and P2,381,803 as at December 31, 2016 and 2015, respectively. Day one loss on non-current contracts receivables, net of amortization amounted to P2,319,730, P2,381,803 and nil in 2016, 2015 and 2014, respectively, and is presented as part of Finance Costs in the statements of profit or loss (see Note 19.2).

Those buyers that opted to use the in-house financing facility of the Parent Company are usually given a term of 60 months to fully pay their outstanding amortization of the purchase price of the real estate property purchased. The balance of contracts receivables that are financed through in-house arrangement on their balances of the contract price after downpayment amounts to nil and P183,192 as of December 31, 2016 and 2015, respectively. These receivables, which are covered by a real estate mortgaged on the related real estate properties, earn annual interest ranging from 15% to 18% per annum. Interest income from in-house financing amounted to nil, P24,134 and P679,097 in 2016, 2015 and 2014, respectively (see Note 19.3).

Advances to subcontractors include advance payments for materials, payment of labor and overhead expenses that were paid in behalf of subcontractors. These are applied against the progress billings of subcontractors.

Advances to officers and employees are composed of advances for liquidation. In 2014, the Parent Company recorded an impairment loss on these advances amounting to P2,494,297 (see Note 18).

Loans to employees are usually personal loans such as medical loans and emergency cash loans which has a term of less than one year. These are unsecured and noninterest-bearing loans that are settled through salary deduction.

6. REAL ESTATE INVENTORY

This account includes the following:

	Note	Consolidated 2016 (See Note 2)	Parent Company 2015 (As Restated - See Notes 2 and 23)
Condominium units		**P 54,995,751**	P 69,427,422
Subdivision units		**436,932**	436,932
		55,432,683	69,864,354
Construction-in-progress (CIP):			
Condominium building costs		**970,182,417**	580,443,709
Land development costs		**446,243,879**	387,582,084
Housing costs		**215,588,491**	103,950,289
		1,632,014,787	1,071,976,082
Raw land inventory		**143,976,949**	298,001,072
		P 1,831,424,419	P 1,439,841,508

An analysis of the cost of real estate inventory included in cost of sales for the year is presented in Note 17.

Condominium building costs consist of the cost of acquisition of land and the cost to construct the units of the vertical projects of the Parent Company.

Land development costs pertain to the cost of acquisition of land and site development costs of subdivision projects and other future site projects of the Parent Company.

Housing costs pertain to the cost of house construction for the horizontal projects of the Parent Company.

Raw land inventory consists of parcels of land owned by the Parent Company and located in various locations. These are expected to be developed within 12 months from reporting period, hence, presented as part of current assets. In 2016 and 2015, the Group reclassified deposits on land for future development amounting to P77,559,615 and P45,000,000, respectively to raw land inventory; i.e. applied as part of the payment for the land acquisitions that were consummated (see Note 7).

Real estate inventory include capitalized borrowing costs of P57,671,413 and P32,083,989 as at December 31, 2016 and 2015, respectively, which represents the general and specific borrowing costs incurred on loans obtained to fund the construction projects (see Note 14). Capitalization rate used for general borrowings ranges from 2.00% to 5.00% for the years ended December 31, 2016 and 2015.

At the end of the reporting period, the Group estimates the costs to complete the units that are already sold and recognizes the corresponding obligation to complete the units. The estimated obligation amounts to P327,236,408 and P205,620,988 as at December 31, 2016 and 2015, respectively, and is presented as Reserve for Property Development in the statements of financial position (see Note 25.3).

In 2016, the Group sold a parcel of land costing P46,512,297 to BL Ventures, a related party (see Note 22.4). The cost of raw land inventory was presented as part of Cost of Sales and Rental in the statement of profit or loss for the year ended December 31, 2016 (see Note 17). There are no similar transactions in 2015 and 2014.

The Group reclassified various real estate inventories totaling P2,023,749 to investment properties in 2016 (see Note 11) and various real estate inventories totaling P41,433,597 and P264,576,417 to property and equipment and investment properties, respectively, in 2015 because of change in the intended use for the assets (see Notes 10 and 11).

Certain real estate inventory amounting to P1,437,639,878 and P1,036,203,841 as at December 31, 2016 and 2015, respectively, are used as collateral for certain interest-bearing loans of the Parent Company (see Note 14).

7. DEPOSITS ON LAND FOR FUTURE DEVELOPMENT

This account pertains to the Parent Company's advance payments for the acquisitions of certain parcels of land which are intended for future development.

In 2016, the Parent Company made advance payments totaling P259,897,127 for the acquisition of parcels of land in various locations in Visayas and Mindanao that are intended for housing and condominium projects. The transactions are expected to be consummated in 2017 based on management's evaluation. The total carrying value of the assets are fully recoverable as at December 31, 2016 based on management's assessment.

In 2015, the Parent Company made advance payments totaling P77,559,615 for the acquisition of parcels of land in two prime locations in Cebu that are intended for its two housing projects (see Note 25.4). The acquisitions were consummated in 2016, hence, debited to Raw land inventory under the Real Estate Inventory account in the consolidated statement of financial position as at December 31, 2016 (see Note 6).

A reconciliation of the deposits on land for future development is presented below.

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Balance at the beginning of year	**P 77,559,615**	P 45,000,000
Additions	**259,897,127**	77,559,615
Debited to Real Estate Inventory	**(77,559,615)**	(45,000,000)
Balance at end of year	**P 259,897,127**	P 77,559,615

As shown in the analysis, acquisitions are consummated within 12 months from the end of the reporting period. Hence, all deposits are presented as part of current assets in the statements of financial position.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

This account includes the following:

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Input VAT	**P 54,459,317**	P 60,649,520
Prepaid income tax	**28,780,635**	29,680,905
Retention receivable	**13,884,943**	5,609,952
Prepaid expenses	**5,360,427**	2,322,491
Receivable from trustee	**146,483**	-
	P 102,631,805	P 98,262,868

Retention receivable represents amounts retained by Home Development Mutual Fund (HDMF) from the proceeds of loans availed by real estate buyers in accordance with HDMF Circular No. 182-A to pay off their obligations to the Group.

Prepaid expenses include advance payment for insurance and rent.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These AFS financial assets are investments in proprietary membership club shares and in shares of non-publicly traded companies acquired by the Group. These are composed of both quoted and unquoted local shares.

An analysis of the movements in carrying amounts of the Group's AFS financial assets is presented below.

	Note	**Consolidated 2016 (See Note 2)**	Parent Company 2015 (As Restated - See Notes 2 and 23)
Balance at the beginning of year		**P 49,768,275**	P 40,611,133
Additions		**865,000**	5,657,142
Unrealized fair value gains	23.2	**3,500,000**	3,500,000
Balance at end of year		**P 54,133,275**	P 49,768,275

An analysis of the quoted and unquoted equity securities of the Group is presented below.

	Note	**Consolidated 2016 (See Note 2)**	Parent Company 2015 (As Restated - See Notes 2 and 23)
Quoted		**P 47,500,000**	P 44,000,000
Unquoted		**6,633,275**	5,768,275
		P 54,133,275	P 49,768,275

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2016 (Consolidated) and 2015 (Parent Company) are shown below.

	Buildings	Office Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Total
Consolidated						
December 31, 2016						
Cost	P 114,633,594	P 40,368,231	P 30,222,508	P 16,398,805	P 2,305,994	P 203,929,132
Accumulated depreciation and amortization	(5,053,894)	(6,788,583)	(21,294,049)	(5,983,360)	(642,817)	(39,762,703)
Net carrying amount	**P 109,579,700**	**P 33,579,648**	**P 8,928,459**	**P 10,415,445**	**P 1,663,177**	**P 164,166,429**
Parent Company						
December 31, 2015						
Cost	P 50,712,684	P 9,911,176	P 29,206,387	P 8,274,395	P 2,773,394	P 100,878,036
Accumulated depreciation and amortization	(1,185,161)	(3,023,876)	(16,664,120)	(3,999,144)	(745,521)	(25,617,822)
Net carrying amount	P 49,527,523	P 6,887,300	P 12,542,267	P 4,275,251	P 2,027,873	P 75,260,214
January 1, 2015						
Cost	P 5,086,940	P 5,211,131	P 22,416,140	P 6,387,641	P 2,780,530	P 41,882,382
Accumulated depreciation and amortization	-	(1,988,676)	(12,117,641)	(2,735,768)	(466,645)	(17,308,730)
Net carrying amount	P 5,086,940	P 3,222,455	P 10,298,499	P 3,651,873	P 2,313,885	P 24,573,652

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2016 (Consolidated) and 2015 (Parent Company) is shown below.

	Buildings	Office Equipment	Transportation Equipment	Furniture and Fixture	Leasehold Improvements	Total
Consolidated						
Balance at January 1, 2016 net of accumulated depreciation and amortization	P 49,527,523	P 6,887,300	P 12,542,267	P 4,275,251	P 2,027,873	P 75,260,214
Additions	68,490,668	30,457,054	1,016,121	8,124,410	-	108,088,253
Reclassification	(4,569,759)	-	-	-	-	(4,569,759)
Depreciation and amortization charges for the year	(3,868,732)	(3,764,706)	(4,629,929)	(1,984,216)	(364,696)	(14,612,279)
Balance at December 31, 2016 net of accumulated depreciation and amortization	**P 109,579,700**	**P 33,579,648**	**P 8,928,459**	**P 10,415,445**	**P 1,663,177**	**P 164,166,429**
Parent Company						
Balance at January 1, 2015 net of accumulated depreciation and amortization	P 5,086,940	P 3,222,455	P 10,298,499	P 3,651,873	P 2,313,885	P 24,573,652
Additions	4,185,011	4,700,045	6,790,247	1,886,755	-	17,562,058
Reclassification	41,440,733	-	-	-	(7,136)	41,433,597
Depreciation and amortization charges for the year	(1,185,161)	(1,035,200)	(4,546,479)	(1,263,377)	(278,876)	(8,309,093)
Balance at December 31, 2015 net of accumulated depreciation and amortization	P 49,527,523	P 6,887,300	P 12,542,267	P 4,275,251	P 2,027,873	P 75,260,214

Depreciation and amortization expense on property and equipment is presented as part of Operating Expenses (see Note 18).

Building and improvements with a total carrying amount of P63,091,067 and P43,276,854 as at December 31, 2016 and 2015, respectively are used as collateral for certain interest-bearing loans and borrowings (see Note 14).

In 2016, the Group reclassified various property and equipment totaling to P4,569,759 to investment properties (see Note 11) and, in 2015, various real estate inventories as disclosed in Note 6, to property and equipment because of change in the intended use for the assets.

As at December 31, 2016 and 2015, the cost of the Group's fully-depreciated property and equipment that are still used in operations amounted to P13,786,857 and P9,208,644, respectively.

11. INVESTMENT PROPERTIES

The Group's investment properties include parcels of land held for undetermined future use and, condominium units and retail building. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2016 (Consolidated) and 2015 (Parent Company) are shown below.

	Land	Condominium Units	Retail Building	Total
Consolidated				
December 31, 2016				
Cost	P -	P 273,125,756	P 45,057,848	P 318,183,604
Accumulated depreciation	-	(13,628,163)	(6,891,332)	(20,519,495)
Net carrying amount	**P -**	**P 259,497,593**	**P 38,166,516**	**P 297,664,109**
Parent Company				
December 31, 2015				
Cost	P 15,532,582	P 283,108,533	P 40,211,290	P 338,852,405
Accumulated depreciation	-	(6,371,706)	(4,820,186)	(11,191,892)
Net carrying amount	P 15,532,582	P 276,736,827	P 35,391,104	P 327,660,513
January 1, 2015				
Cost	P 15,532,582	P 18,532,116	P 40,211,290	P 74,275,988
Accumulated depreciation	-	(4,920,503)	(2,809,621)	(7,730,124)
Net carrying amount	P 15,532,582	P 13,611,613	P 37,401,669	P 66,545,864

A reconciliation of the carrying amounts of investment properties at the beginning and end of year 2016 (Consolidated) and 2015 (Parent Company) is shown below.

	Land	Condominium Units	Retail Building	Total
Consolidated				
Balance at January 1, 2016 net of accumulated depreciation	P 15,532,582	P 276,736,827	P 35,391,104	P 327,660,513
Additions	5,840,351	941,810	-	6,782,161
Disposals	(15,592,582)	(11,916,844)	-	(27,509,426)
Reclassifications	(5,780,351)	7,527,301	4,846,558	6,593,508
Depreciation charges for the year	-	(13,791,501)	(2,071,146)	(15,862,647)
Balance at December 31, 2016 net of accumulated depreciation	**P -**	**P 259,497,593**	**P 38,166,516**	**P 297,664,109**

	Land	Condominium Units	Retail Building	Total
Parent Company				
Balance at January 1, 2015 net of accumulated depreciation	P 15,532,582	P 13,611,613	P 37,401,669	P 66,545,864
Reclassifications	-	264,576,417	-	264,576,417
Depreciation charges for the year	-	(1,451,203)	(2,010,565)	(3,461,768)
Balance at December 31, 2015 net of accumulated depreciation	P 15,532,582	P 276,736,827	P 35,391,104	P 327,660,513

The Group reclassified various real estate inventories in 2016 and 2015 (see Note 6) to investment properties and various property and equipment in 2016 to investment properties (see Note 10) because of change in the intended use for the assets.

Income and expenses from investment properties for the years ended December 31, 2016, 2015 and 2014 are presented below.

	Notes	**Consolidated 2016 (see Note 2)**	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Rental income	25.1	**P 38,870,444**	P 12,555,220	P 4,216,300
Expenses:				
Depreciation		**P 15,862,647**	P 3,461,768	P 2,239,206
Real property taxes		**973,600**	277,900	108,028
	17	**P 16,836,247**	P 3,739,668	P 2,347,234

The expenses are included as part of Cost of Sales and Rental in the statements of profit or loss in 2016, 2015 and 2014 (see Note 17).

In 2016, the Group sold certain investment property to ABS at a net gain of P4,762,807. The properties have a total carrying value of P27,509,426 at the time of sale. The gain on sale of these properties to ABS is presented as part of Other Gains in the consolidated statement of profit or loss for the year ended December 31, 2016 (see Note 22.4). There is no similar transaction in 2015. In 2014, the Parent Company sold at a gain of P1,239,822 a condominium unit with a carrying value of P4,331,605. The gain on sale of the asset is presented as Other Gains in the 2014 statement of profit or loss.

Investment properties have a total fair value of P667,894,000 and P664,809,526 as at December 31, 2016 and 2015, respectively, based on the appraisal done by an independent expert [see Note 27.3*(d)*]. On the basis primarily of the foregoing valuations, management has assessed that no impairment loss is required to be provided on the Group's investment properties as at December 31, 2016 and 2015 [see also Note 3.2*(h)*].

Investment property with a total carrying amount of P318,183,604 and P338,852,405 as at December 31, 2016 and 2015, respectively, are used as collateral for certain interest-bearing loans of the Parent Company (see Note 14).

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

This account comprises the following as at December 31:

	Note	**Consolidated 2016 (See Note 2)**	Parent Company 2015 (As Restated - See Notes 2 and 23)
Investments in associates		**P 227,436,649**	P 12,680,955
Investments in joint ventures		**15,498,667**	-
		P 242,935,316	P 12,680,955

The Group's investment in associates and its corresponding equity interest as at December 31, 2016 and 2015 is presented below.

	Consolidated 2016	Parent Company 2015
El Camino Developers Cebu, Inc. (El Camino)	**35%**	-
Magspeak Nature Park, Inc. (Magspeak)	**25%**	25%
Ming-mori Development Corporation (Ming-mori)	**20%**	20%

The Group's investment in joint ventures and its corresponding equity interest as at December 31, 2016 (nil in 2015) is presented below.

BL Ventures	50%
YES, Inc.	50%

The Group's associates and joint ventures were all incorporated and they all operate in the Philippines. Their registered office addresses, which are also their principal place of business, are as follows:

Associates:

a) El Camino – Baseline Center, Juana Osmeña St., Kamputhaw, Cebu City;
b) Magspeak – Don Carlos A. Gothong Port Centre, Quezon Blvd Pier 4, North Reclamation Area, Cebu City; and,
c) Ming-Mori – 10th Floor Park Centrale, Jose Ma. Del Mar St., Cebu IT Park, Apas, Cebu City.

Joint Ventures:

a) BL Ventures – AB Soberano Bldg., Salvador Extention, Labangon, Cebu City; and
b) YES, Inc. – Suite A, 204 Pladez de Luisa Complex, 140 R. Magsaysay Ave. Brgy. 30-C, Davao City

An analysis of the carrying amount of investments in associates as at December 31, 2016 (Consolidated) and 2015 (Parent Company as Restated – see Note 23) is shown below.

	El Camino	Ming-mori	Magspeak	Total
Consolidated				
December 31, 2016				
Balance at beginning of year	P -	P 7,600,000	P 5,080,055	P 12,680,055
New/additional investments	217,812,800	4,000,000	-	221,812,800
Share in net losses during the year	(3,522,328)	(3,528,302)	(5,576)	(7,056,206)
Balance at end of year	**P 214,290,472**	**P 8,071,698**	**P 5,074,479**	**P 227,436,649**
Parent Company				
December 31, 2015				
Acquisition cost	P -	P 7,600,000	P 5,080,055	P 12,680,055

In 2016, an additional investment of P4,000,000 was made by the Parent Company to Ming-mori. It also acquired equity interests in El Camino amounting to P217,812,800. In 2015, the Parent Company acquired equity interests in Ming-mori and Magspeak for P7,600,000 and P5,080,055, respectively. The acquisitions were made from a related party by applying payment for the acquisition of the Parent Company's advances to the same related party amounting to P11,059,931 (see Note 22.1).

An analysis of the carrying amount of investments in joint ventures, which were both acquired only in 2016, as at December 31, 2016 is shown below.

	BL Ventures	YES, Inc.	Total
Acquisition cost	P 12,500,000	P 6,250,000	P 18,750,000
Share in net losses during the year	(2,783,111)	(468,222)	(3,251,333)
Balance at end of year	**P 9,716,889**	**P 5,781,778**	**P 15,498,667**

Share in net losses of associates and joint ventures totaling P10,307,539 was recognized in 2016 and presented as part of Other Losses in the 2016 consolidated statement of profit or loss.

There were no dividends received from the Group's associates and joint ventures in 2016 and 2015.

Significant information on the financial position and financial performance of the associates as at and for the year ended December 31, 2016 (Consolidated) are as follows:

	El Camino	Ming-mori	Magspeak
Current assets	P 1,873,497,829	P 35,531,068	P 3,087,598
Non-current assets	4,318,101	4,839,819	17,210,316
Total assets	P 1,877,815,930	P 40,370,887	P 20,297,914
Current liabilities	P 5,557,439	P 12,398	P -
Non-current liabilities	1,260,000,000	-	-
Total liabilities	P 1,265,557,439	P 12,398	P -
Revenues	P -	P -	P 23,327

	El Camino	Ming-mori	Magspeak
Net loss during the year	P 10,063,794	P 5,922,775	P 22,304
Other comprehensive income during the year	-	-	-
Total comprehensive loss during the year	P 10,063,794	P 5,922,775	P 22,304

A reconciliation of the above summarized financial information to the carrying amount of the investment in associates is shown below.

	El Camino	Ming-mori	Magspeak
Net assets	P 612,258,491	P 40,358,489	P 20,297,914
Proportion of equity interest by the Group	35%	20%	25%
Carrying value of investment	P 214,290,472	P 8,071,698	P 5,074,479

Significant information on the financial position and financial performance of the joint ventures as at and for the year ended December 31, 2016 are as follows:

	BL Ventures	YES, Inc.
Current assets	P 119,234,572	P 13,593,174
Non-current assets	2,584,518	401,333
Total assets	P 121,819,090	P 13,994,507
Current liabilities	P 102,557,791	P 2,430,951
Non-current liabilities	-	-
Total liabilities	P 102,557,791	P 2,430,951
Revenues	P -	P -
Net loss during the year	P 5,566,222	P 936,444
Other comprehensive income during the year	-	-
Total comprehensive loss during the year	P 5,566,222	P 936,444

A reconciliation of the foregoing summarized financial information to the carrying amount of the investment in joint ventures is shown below.

	BL Ventures	YES, Inc.
Net assets	P 19,433,778	P 11,563,556
Proportion of equity interest by the Group	50%	50%
Carrying amount of investment	P 9,716,889	P 5,781,778

13. OTHER NON-CURRENT ASSETS

This account includes the following:

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Refundable deposits	**P 21,256,293**	P 10,506,626
Computer software – net of accumulated amortization	**1,254,201**	1,309,154
Others	**367,554**	367,554
	P 22,878,048	P 12,183,334

Refundable deposits pertain to recoverable payments by the Group which are expected to be realized at the end of the term of agreement. These are measured at amortized cost.

Total additions to computer software amounted to P777,195 and P384,285 in 2016 and 2015, respectively. The amortization expense on the computer software amounted to P832,148, P775,901 and P1,019,000 in 2016, 2015 and 2014, respectively, and is presented as part of Depreciation and amortization under Operating Expenses (see Note 18).

14. INTEREST-BEARING LOANS

Interest-bearing loans availed from local commercial banks are classified in the statements of financial position as follows:

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Current	**P 787,980,146**	P 532,768,097
Non-current	**1,604,059,047**	801,653,906
	P2,392,039,193	P 1,334,422,003

An analysis of the movements in the balance of interest-bearing loans is presented below.

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Balance at beginning of year	**P1,334,422,003**	P 999,928,587
Proceeds or drawdowns	**1,603,789,687**	1,578,575,935
Repayments	**(546,172,497)**	(1,244,082,519)
Balance at end of year	**P2,392,039,193**	P 1,334,422,003

The loans bear interest rates per annum ranging from 3.00% to 5.25% in 2016, 3.50% to 5.47% in 2015 and 3.50% to 6.00% in 2014. Certain loans are collateralized by real estate mortgage on real properties owned by the major stockholders (see Note 22.6) and the rest are secured by the specific projects for which the loans were obtained. The cost of such projects aggregating to P1,818,914,549 and P1,418,333,100 as at December 31, 2016 and 2015, respectively are included in the Real Estate Inventory, Property and Equipment and Investment Properties accounts in the statements of financial position (see Notes 6, 10 and 11).

In years prior to 2014, the Parent Company obtained secured loans from various commercial banks with an aggregate outstanding balance of P24,485,251 and P65,735,251 as at December 31, 2016 and 2015, respectively. Majority of these loans matured in various dates in 2016 and the remaining one is expected to mature in 2023. These loans bear interest rates ranging from 3.50% to 4.50% per annum.

Loans obtained by the Parent Company in 2014 from various commercial banks, which are all secured, have outstanding balances of P83,904,368 and P284,607,064 as at December 31, 2016 and 2015, respectively. These loans are payable at their respective maturity periods ranging from one to 10 years and bear interest rate ranging from 3.50% to 4.75% per annum.

In 2015, the Parent Company obtained additional loans from various banks with outstanding balances amounting to P643,851,575 and P949,079,688 as at December 31, 2016 and 2015, respectively. These are payable at their maturity dates ranging from one to 10 years and bear interest ranging from 3.50% to 5.25% per annum.

In 2016, the Parent Company availed of new loans from various commercial banks, which have outstanding balances totaling P1,379,797,999 as at December 31, 2016. These loans bear annual interest rates ranging from 3.00% to 5.13% with maturity dates ranging from one to nine years.

The Parent Company also has various 90-day short term loans from other commercial banks. Interests on these loans are payable monthly at an annual interest rate ranging from 3.00% to 4.00% in 2016, 2015 and 2014. The outstanding balance of these loans amounts to P260,000,000 and P35,000,000 as at December 31, 2016 and 2015, respectively.

The Parent Company is required to maintain a debt-to-equity ratio of 75:25 based on its registration with the Board of Investments (BOI). As at December 31, 2016 and 2015, the Parent Company is compliant with this requirement.

Total interest incurred from the foregoing loans amounted to P71,429,170, P39,515,394 and P21,241,327 in 2016, 2015 and 2014, respectively. The Parent Company capitalized borrowing costs from interest-bearing loans specifically obtained for the construction of its projects. As at December 31, 2016 and 2015, capitalized borrowing costs amounting to P57,671,413 and P32,083,989, respectively, are included as part of certain assets (see Note 6).

The total interest expense, included as part of Finance Costs in the statements of profit or loss, amounted to P13,757,757, P7,431,405 and P9,898,810 in 2016, 2015 and 2014, respectively (see Note 19.2).

15. TRADE AND OTHER PAYABLES

This account is composed of the following:

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Current:		
Trade payables	**P 240,965,785**	P 193,045,220
Retention payable	**95,080,755**	58,627,737
Deferred output VAT and output VAT	**76,458,560**	53,180,057
Government-related obligations	**15,586,345**	17,467,663
Advance rental	**7,568,388**	6,312,187
Accrued expenses	**7,387,417**	13,401,588
Other payables	**44,400,316**	15,021,029
	487,447,566	357,055,481
Non-current:		
Retention payable	**P 15,809,208**	P 20,664,068
Other payables	**1,146,921**	1,146,922
	16,956,129	21,810,990
	P 504,403,695	P 378,866,471

Trade payables mainly represent outstanding obligations to owners of parcels of land acquired, subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amount withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Portion of the amount retained that is not expected to be paid within 12 months from the end of the reporting period is presented as part of non-current liabilities in the statements of financial position.

Accrued expenses pertain to accruals for contracted services, security services, professional fees and other recurring accruals in the Group's operations.

Other payables include construction bonds from various subcontractors.

16. CUSTOMERS' DEPOSITS

This account is composed of the following:

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Advances from buyers:		
Contract price	**P 283,272,845**	P 290,821,120
Transfer charges	**148,494,427**	107,943,112
Reservation fees	**25,200,779**	24,887,141
	P 456,968,051	P 423,651,373

Advances from buyers for contract price represent collections from customers whose contract price revenue are not yet recognized because the criteria for revenue recognition are yet to be met. Those that relate to transfer charges, which are cost to be incurred for the transfer of title to the buyers of real estate properties, are collections from customers for various variable and fixed charges shouldered by them. The Group requires a reservation fee from its prospective buyers for the reservation of the properties they wanted to own. The reservation fee will form part of the payments for the contract price collections if the buyer will pursue the purchase of the properties. Reservation fees foregone by prospective buyers amounted to P4,444,906, P2,475,754 and P5,579,100 in 2016, 2015 and 2014, respectively are reported as part of Other Operating Income in the statements of profit or loss (see Note 19.1).

17. COST OF SALES AND RENTAL

Components of cost of sales and rental are analyzed below (see also Note 18).

	Consolidated	Parent Company	
	2016	2015	2014
	(see Note 2)	(see Note 2)	(see Note 2)
Cost of real estate sales:			
Actual costs	**P 804,892,468**	P 536,062,042	P 470,488,191
Estimated costs	**188,619,416**	132,030,621	105,464,787
	993,511,884	668,092,663	575,952,978
Cost of rental services:			
Depreciation	**15,862,647**	3,461,768	2,239,206
Real property taxes	**973,600**	277,900	108,028
	16,836,247	3,739,668	2,347,234
	P1,010,348,131	P 671,832,331	P 578,300,212

Cost of real estate sales are further broken down as follows:

	Consolidated	Parent Company	
	2016	2015	2014
	(see Note 2)	(see Note 2)	(see Note 2)
Contracted services	**P 602,684,349**	P 521,113,582	P 427,834,114
Land cost	**372,904,067**	143,651,321	142,040,497
Borrowing costs	**16,830,472**	3,327,760	6,078,367
Other costs	**1,092,996**	-	-
	P 993,511,884	P 668,092,663	P 575,952,978

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below:

	Notes	Consolidated 2016 (see Note 2)	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Real estates sold	17	**P 993,511,884**	P 668,092,663	P 575,952,978
Salaries and employee benefits	20.1	**94,070,907**	72,896,822	57,802,606
Commissions		**61,497,077**	72,539,570	59,499,110
Advertising		**43,601,475**	26,610,546	27,041,742
Taxes and licenses		**34,649,272**	21,383,557	25,537,393
Depreciation and amortization	10, 11, 13	**31,307,074**	12,546,762	11,549,153
Professional and legal fees		**13,042,750**	4,853,281	1,682,456
Representation and entertainment		**10,530,312**	4,547,290	2,304,352
Penalties		**10,187,686**	8,391,563	14,636,772
Transportation and travel		**8,604,697**	3,650,314	4,225,614
Utilities		**7,210,755**	5,008,028	6,199,066
Rent	22.3, 25.2	**5,934,124**	1,689,668	395,680
Insurance		**4,660,057**	4,017,422	3,930,379
Donations		**4,118,240**	16,891,709	1,438,100
Repairs and maintenance		**3,702,214**	4,035,967	2,162,504
Supplies		**3,029,883**	2,019,768	2,897,895
Security services		**2,419,546**	1,363,586	1,501,076
Impairment losses	5	**2,404,889**	-	2,494,297
Communications		**1,901,850**	1,808,888	1,321,449
Fuel and lubricants		**1,390,283**	1,497,101	1,974,152
Trainings and seminars		**678,316**	595,228	963,104
Purchases		**-**	-	2,747,350
Others		**7,726,883**	5,953,690	5,394,817
		P1,346,180,174	P 940,393,423	P 813,652,045

Real estates sold includes the cost of land, construction contracts, materials and other costs incidental to housing and condominium projects development as shown in Note 17.

A portion of donations in 2015 pertains to donation to Habitat for Humanity, an accredited non-government organization, which focuses on building houses for the average and low income earners in urban and rural areas.

The expenses are classified in the statements of profit or loss as follows:

	Note	Consolidated 2016 (see Note 2)	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Cost of sales and rental	17	**P1,010,348,131**	P 671,832,331	P 578,300,212
Operating expenses		**335,832,043**	268,561,092	235,351,833
		P1,346,180,174	P 940,393,423	P 813,652,045

19. OTHER OPERATING INCOME, FINANCE COSTS AND FINANCE INCOME

19.1 Other Operating Income

This account is composed of the following:

	Note	Consolidated 2016 (see Note 2)	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Reversal of payables		**P 5,673,748**	P 2,534,344	P -
Reservation fees foregone	16	**4,444,906**	2,475,754	5,579,100
Administrative charges		**3,806,725**	4,342,064	1,256,659
Late payment penalties charged to customers		**1,322,193**	1,882,341	767,049
Management fee		**375,000**	-	-
Referral incentive		**107,890**	-	-
Coffee shop sales		**-**	-	6,970,260
Mark-up on utilities charged to leases		-	-	558,400
Others		**1,794,608**	1,777,569	1,542,241
		P 17,525,070	P 13,012,072	P 16,673,709

Reversal of payables pertains to recoveries from cancelled contracts with certain building contractors.

Administrative charges pertain to standard fees charged to the buyers when they withdraw from the sale.

19.2 Finance Costs

This is composed of the following:

	Notes	Consolidated 2016 (see Note 2)	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Interest expense on:				
Loans	14	**P 13,757,757**	P 7,431,405	P 9,898,810
Post-employment benefits	20.2	**92,178**	135,775	115,404
Day one loss, net of amortization of non-current contracts receivables	5	**2,319,730**	2,381,803	-
Bank charges		**402,413**	309,052	374,052
		P 16,572,078	P 10,258,035	P 10,388,266

Interest expense on loans is the portion not capitalized as part of real estate inventory.

19.3 Finance Income

This is composed of the following:

	Notes	Consolidated 2016 (see Note 2)	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Bank deposits	4	**P 477,973**	P 342,282	P 203,746
In-house financing	5	**-**	24,134	679,097
		P 477,973	P 366,416	P 882,843

20. EMPLOYEE BENEFITS

20.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits (see Note 18) are presented below.

	Note	Consolidated 2016 (see Note 2)	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Short-term employee benefits		**P 92,591,011**	P 71,013,644	P 57,507,305
Post-employment defined benefit	20.2	**1,479,896**	1,883,178	295,301
		P 94,070,907	P 72,896,822	P 57,802,606

20.2 Post-Employment Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Parent Company maintains a funded (starting 2015) and noncontributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Parent Company. The trustee bank manages the fund in coordination with the Parent Company's top management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 60, both subject to the approval of the Parent Company's Board of Directors (BOD). Normal retirement benefit is an amount equivalent to 50% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment defined benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2016 and 2015.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows:

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Present value of the obligation	**P 14,178,215**	P 12,023,696
Fair value of plan assets	**(12,072,357)**	(7,000,000)
	P 2,105,858	P 5,023,696

The movements in the present value of the post-employment defined benefit obligation recognized in the books are presented below.

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Balance at beginning of year	**P 12,023,696**	P 2,737,398
Current service cost	**1,479,896**	1,883,178
Interest cost	**439,166**	135,775
Remeasurements – actuarial losses (gains) arising from:		
Changes in financial assumptions	**193,880**	61,610
Changes in demographic assumptions	**-**	(1,232,746)
Experience adjustments	**41,577**	8,438,481
Balance at end of year	**P 14,178,215**	P 12,023,696

The movements in the fair value of plan assets are presented below.

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Balance at beginning of year	**P 7,000,000**	P -
Contributions to the plan	**5,000,000**	7,000,000
Interest income	**346,988**	-
Return on plan assets (excluding amounts included in net interest)	**(274,631)**	-
Balance at end of year	**P 12,072,357**	P 7,000,000

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Cash and cash equivalents	**P 7,370**	P 7,000,000
Unitized investment funds – AFS	**12,064,987**	-
	P 12,072,357	P 7,000,000

The fair values of the above unitized investment funds are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The plan assets recognized a return of P0.1 million in 2016, and nil in 2015 and 2014.

Plan assets do not comprise any of the Parent Company's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income (loss) in respect of the defined benefit post-employment plan are as follows:

	Consolidated 2016 (see Note 2)	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Recognized in profit or loss:			
Current service cost	**P 1,479,896**	P 1,883,178	P 295,301
Interest expense on defined benefit obligation	**92,178**	135,775	115,404
	P 1,572,074	P 2,018,953	P 410,705
Recognized in other comprehensive income (loss):			
Actuarial losses (gains) arising from changes in:			
Financial assumptions	**(P 193,880)**	(P 61,610)	P -
Experience adjustments	**(41,577)**	(8,438,481)	-
Demographic assumptions	**-**	1,232,746	-
Return on plan assets (excluding amounts included in net interest expense	**(274,631)**	-	-
	(P 510,088)	(P 7,267,345)	P -

The net interest expense is included in Finance Costs in profit or loss (see Note 19.2).

Amounts recognized in other comprehensive loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	Consolidated	Parent Company	
	2016	2015	2014
Discount rates	**4.65%**	4.87%	4.96%
Salary increase rates	**5.00%**	5.00%	5.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 22.7 both for males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Parent Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Parent Company's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Parent Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are follows.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation:

	Impact on Post-employment Defined Benefit Obligation		
	Changes in Assumption	Increase in Assumption	Decrease in Assumption
Consolidated			
December 31, 2016			
Discount rate	**+/-1.00%**	**(P 826,464)**	**P 976,361**
Salary increase rate	**+/-1.00%**	**860,034**	**(745,001)**
Parent Company			
December 31, 2015			
Discount rate	+/-1.00%	(P 639,538)	P 745,895
Salary increase rate	+/-1.00%	656,007	(574,401)

In addition, assuming there are no attrition rates, the increase in post-employment defined benefit obligation would be P5,675,494 and P4,120,467 for the years ended December 31, 2016 and 2015, respectively.

The foregoing sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-Liability Matching Strategies

To efficiently manage the retirement plan, the Parent Company through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the post-employment obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Parent Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the post-employment obligations.

The plan assets as at December 31, 2015 consists only of cash and cash equivalents. In 2016, the funds were also invested on unitized investment funds.

There has been no change in the Parent Company's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The Parent Company does not expect to make a contribution during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	Consolidated	Parent Company
	2016	2015
Within one year	**P 4,185,287**	P 3,888,077
More than one year to five years	**6,677,251**	6,336,074
More than five years to ten years	**9,585,557**	5,914,209
	P 20,448,095	P 16,138,360

The weighted average duration of the defined benefit obligation at the end of the reporting period is 13.7 years.

21. CURRENT AND DEFERRED TAXES

The components of tax expense (income) relating to profit or loss and other comprehensive loss (income) are as follows:

	Consolidated	Parent Company	
	2016	2015	2014
	(see Note 2)	(see Note 2)	(see Note 2)
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 60,371,054**	P 32,980,982	P 28,097,662
Final tax at 20% and 7.5%	**52,965**	57,345	24,303
	60,424,019	33,038,327	28,121,965
Deferred tax expense relating to origination and reversal of temporary differences	**65,308,719**	38,004,482	16,716,154
	P 125,732,738	P 71,042,809	P 44,838,119
Reported in other comprehensive income (loss)			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 896,974**	(P 1,130,203)	P 156,600

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

	Consolidated 2016 (see Note 2)	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Tax on pretax profit at 30%	**P 248,417,008**	P 182,463,912	P 143,516,259
Adjustments for income subject to lower tax rate	**(47,920)**	(45,340)	(36,821)
Tax effects of:			
Pre-tax profit of exempt sales	**(66,288,720)**	(155,841,727)	(90,831,917)
Non-deductible expenses	**9,928,817**	3,881,253	5,968,356
Others	**(66,276,447)**	40,584,711	(13,777,758)
Tax expense	**P 125,732,738**	P 71,042,809	P 44,838,119

The net deferred tax liability relates to the following as of December 31:

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Deferred tax assets:		
Allowance for impairment	**P 812,308**	P -
Post-employment benefit obligation	**631,755**	1,507,107
Deferred tax liabilities:		
Difference between tax reporting base and financial reporting base used in sales recognition	**(125,107,242)**	(60,014,593)
Change in fair value of AFS financial assets	**(2,256,600)**	(1,206,600)
	(P 125,919,779)	(P 59,714,086)

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

	Statements of Profit or Loss			**Statements of Comprehensive Income**		
	Consolidated 2016 (see Note 2)	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)	**Consolidated 2016 (see Note 2)**	Parent Company 2015 (see Note 2)	Parent Company 2014 (see Note 2)
Deferred tax assets:						
Post-employment benefit obligation	**(P 1,028,378)**	(P 1,494,315)	P 379,924	**P 153,026**	P 2,180,203	P -
Allowance for impairment	**812,308**	-	-	**-**	-	-
Deferred tax liabilities						
Difference between tax reporting base and financial reporting base used in sales recognition	**(65,092,649)**	(36,510,167)	(17,096,078)	-	-	-
Changes in fair value of AFS	**-**	-	**-**	**(1,050,000)**	(1,050,000)	(156,600)
Deferred Tax Income (Expense)	**(P 65,308,719)**	(P 38,004,482)	(P 16,716,154)	**(P 896,974)**	P 1,130,203	(P 156,600)

The Parent Company is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income net of allowable deductions, as defined under the tax regulations or to RCIT, whichever is higher. No MCIT was reported in 2016, 2015 and 2014 as the RCIT was higher than MCIT in the years presented.

The Parent Company opted to treat the capitalized borrowing costs as capital expenditure in accordance with Section 34*(b)* of the NIRC; hence, there are no deferred taxes related to the transaction.

Both Parent Company and subsidiary opted to claim itemized deductions in computing their income tax due for the years ended December 31, 2016, 2015 and 2014.

22. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent or ABS, entities under common ownership, associates, joint ventures, shareholders, the Group's key management personnel, its retirement fund and others as described in Note 2.20.

A summary of the Group's transactions and outstanding balances with related parties is presented below.

		Amount of Transaction			Outstanding Balance	
		Consolidated	Parent Company		**Consolidated**	Parent Company
		2016	2015	2014	**2016**	2015
	Notes	**(see Note 2)**	(see Note 2)	(see Note 2)	**(see Note 2)**	(see Note 2)
Shareholders						
Advances to	22.1	**(P 130,233,234)**	(P 4,448,704)	P 105,292,067	**P -**	P 130,233,234
Advances from	22.2	**3,133,857**	(3,570,526)	6,704,383	**-**	(3,133,857)
Rental	22.3	**-**	339,916	395,680	**-**	-
Sale of property	22.4	**32,272,232**	28,000,000	-	**-**	-
Transfer of rights	22.5	**-**	1,050,000	-	**-**	-
Entities under Common Ownership						
Advances to	22.1	**(20,242,632)**	(15,926,760)	2,193,025	**24,241,989**	44,484,621
Associates						
Advances to	22.1	**39,297**	-	-	**39,297**	-
Joint Ventures						
Advances to	22.1	**2,457,936**	-	-	**2,457,936**	-
Sale of property	22.4	**45,642,857**	-	-	**48,837,857**	-
Key Management Personnel						
Sale of real estate	22.7	**48,703,620**	29,524,677	-	**48,933,991**	26,919,879
Compensation	22.8	**22,590,730**	21,286,486	14,730,615	-	-

Based on management's assessment, no impairment loss is required to be provided on the Group's receivables from related parties as at December 31, 2016 and 2015. The cash advances to and from related parties are noninterest-bearing, unsecured, due on demand and are expected to be settled in cash and/or offsetting of accounts within one year from end of the reporting period.

Details of the transactions follow.

22.1 Advances to Related Parties

The Group grants cash advances to shareholders, entities under common ownership, associates and joint ventures. An analysis of such advances is presented below.

	Shareholders	Entities under common ownership	Associates	Joint Ventures	Total
Balance at January 1, 2016	P 130,233,234	P 44,484,621	P -	P -	P 174,717,855
Collections	(243,147,126)	(17,096,247)	(250,859)	-	(260,494,232)
Additional advances	90,205,427	19,562,080	290,156	2,457,936	112,515,599
Reclassification	22,708,465	(22,708,465)	-	-	-
Balance at December 31, 2016	**P -**	**P 24,241,989**	**P 39,297**	**P 2,457,936**	**P 26,739,222**
Balance at January 1, 2015	P 134,681,938	P 60,411,381	P -	P -	P 195,093,319
Additional advances	134,904,114	41,146,010	-	-	176,050,124
Collections	(128,292,887)	(57,072,770)	-	-	(185,365,657)
Set-off	(11,059,931)	-	-	-	(11,059,931)
Balance at December 31, 2015	P 130,233,234	P 44,484,621	P -	P -	P 174,717,855

22.2 Advances from Related Parties

The Group has obtained cash advances from ABS for working capital purposes. The outstanding balance of advances from related parties as at December 31, 2016 and 2015 which is presented as part of the Advances to Related Parties account is analyzed below.

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Balance at beginning of year	**P 3,133,857**	P 6,704,383
Additional borrowings	**-**	1,119,250
Repayments	**(3,133,857)**	(4,689,776)
Balance at end of year	**P -**	P 3,133,857

22.3 Rental of Office Space

ABS has been charging the Group for its usage of a portion of the office compound owned by the former (see Note 25.2). Total rent expense in 2016, 2015 and 2014 related to this transaction amounted to nil, P339,916 and P395,680, respectively, and is shown as part of rent expense which is presented under Operating Expenses in the statements of profit or loss (see Notes 18 and 25.2).

22.4 Sale and Purchase of Property

In 2016, the Parent Company sold a parcel of land and condominium units in cash to ABS with a total contract price of P32,272,232. The Parent Company realized a net gain of these transactions with ABS amounting to P4,762,807 and are presented as part of Other Gains in the consolidated statement of profit or loss for the year ended December 31, 2016 (see Note 11). In addition, the Parent Company sold a parcel of land in cash to BL Ventures with a selling price of P45,642,857 (see Notes 6 and 12). The sale was recorded as part of Sale of Real Estate in the consolidated statement of profit or loss for the year ended December 31, 2016 and the outstanding receivable of P48,837,857 is recorded as part of Contracts Receivables under the Receivables account in the 2016 consolidated statement of financial position (see Note 5).

In 2015, ABS sold a parcel of land to the Parent Company with a contract price of P28,000,000 for a future project. The said transaction resulted in a decrease in advances to related parties because advances from a related party corresponding to the contract price is applied as payment for the asset.

There are no similar transactions in 2014.

22.5 Transfer of Acquired Rights

In January 2015, the Parent Company transferred to ABS for P1,050,000, payable in the year of transfer, all of its acquired rights from its acquisition of a franchise of a coffee company in 2014.

There is no outstanding balance pertaining to this transaction as at December 31, 2016 and 2015 and there is no similar transaction in 2016.

22.6 Parent Company Loans Secured by Stockholders' Properties

Certain loans are collateralized by real estate mortgage on real properties owned by the major stockholders at no cost to the Group (see Note 14).

22.7 Sale of Real Estate to Key Management Personnel

In 2016, 2015 and 2014, the Parent Company sold condominium units totaling P48,703,620, P29,524,677 and nil, respectively, to key management personnel. Outstanding balance related to these transactions amounts to P48,933,991 and P26,919,879 as at December 31, 2016 and 2015, respectively. These are presented as part of Contracts Receivables under the Receivables account in the statements of financial position (see Note 5).

22.8 Key Management Personnel Compensation

The composition of compensation of key management personnel for the years ended December 31, 2016, 2015 and 2014 is shown below.

	Consolidated	Parent Company	
	2016	2015	2014
	(see Note 2)	(see Note 2)	(see Note 2)
Short-term benefits	**P 21,761,025**	P 15,778,448	P 14,730,615
Post-employment benefits	**829,705**	5,508,038	-
	P 22,590,730	P 21,286,486	P 14,730,615

22.9 Retirement Fund

The Parent Company's retirement fund for its defined post-employment plan is administered and managed by a trustee bank. The fair value of plan assets in 2016 and 2015 consists of the contributions to the plan and interest earned (see Note 20.2). The plan assets do not comprise investment in any of the Parent Company's own financial instruments or any of its assets occupied and/or used in its operations.

23. EQUITY

23.1 Capital Stock

On July 1, 2016, the stockholders and BOD of the Parent Company approved the proposed increase in authorized capital stock of the Parent Company, including a stock split on its existing unissued shares and outstanding capital stock, which was approved by the SEC on October 24, 2016. The stock split was made to effect by reducing the P100 par value per share of common stock and preferred stock to P1.0 per share and P0.10 per share, respectively. Upon approval by the SEC, the authorized common stock of the Parent Company increased from P1,000,000,000 divided into 10,000,000 shares at P100 par value to P2,400,000,000 divided into 2,400,000,000 shares at P1 par value. Its preferred stock remained the same at P100,000,000 but increased in number of shares from 1,000,000 shares to 1,000,000,000 shares at P0.10 par value per share. There are no issued and outstanding preferred shares as at December 31, 2016 and 2015.

An analysis of the common stock is shown below.

	Shares		Amount	
	2016	2015	**2016**	2015
Authorized				
Balance at beginning of year	**10,000,000**	10,000,000	**P 1,000,000,000**	P 1,000,000,000
Increase during the year:				
Stock split	**990,000,000**	-	**-**	-
Regular increase	**1,400,000,000**	-	**1,400,000,000**	-
Balance at end of year	**2,400,000,000**	10,000,000	**P 2,400,000,000**	P 1,000,000,000
Issued				
Balance at beginning of year	**800,000,000**	500,000,000	**P 800,000,000**	P 500,000,000
Issued during the year	**484,000,000**	300,000,000	**484,000,000**	300,000,000
Balance at end of year	**1,284,000,000**	800,000,000	**1,284,000,000**	800,000,000
Subscribed				
Balance at beginning of year	**84,000,000**	84,000,000	**84,000,000**	84,000,000
Issued during the year	**(84,000,000)**	-	**(84,000,000)**	-
Balance at end of year	-	84,000,000	-	84,000,000
Less subscription receivable				
Balance at beginning of year	-	-	**46,310,000**	46,310,000
Collection during the year	-	-	**(46,310,000)**	-
Balance at end of year	-	-	**-**	46,310,000
			P 1,284,000,000	P 837,690,000

None of the unpaid subscriptions are considered delinquent as at December 31, 2015.

As at December 31, 2016 and 2015, the Parent Company has seven stockholders owning 100 or more shares each of the Parent Company's capital stock.

23.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statement of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Notes	Post-employment Defined Benefit Obligation	AFS Financial Assets	Total
Consolidated				
Balance as of January 1, 2016		(P 5,533,540)	P 2,815,400	(P 2,718,140)
Loss on remeasurement of post-employment defined benefit obligation	20.2	(510,088)	-	(510,088)
Fair value gains on AFS financial assets	9	-	3,500,000	3,500,000
Other comprehensive income (loss) before tax		(510,088)	3,500,000	2,989,912
Tax income (expense)	21	153,026	(1,050,000)	(896,974)
Other comprehensive income (loss) after tax		(357,062)	2,450,000	2,092,938
Balance as of December 31, 2016		**(P 5,890,602)**	**P 5,265,400**	**(P 625,202)**
Parent Company				
Balance as of January 1, 2015		(P 446,398)	P 365,400	(P 80,998)
Loss on remeasurement of post-employment defined benefit obligation	20.2	(7,267,345)	-	(7,267,345)
Fair value gains on AFS financial assets	9	-	3,500,000	3,500,000
Other comprehensive income (loss) before tax		(7,267,345)	3,500,000	(3,767,345)
Tax income (expense)	21	2,180,203	(1,050,000)	1,130,203
Other comprehensive income (loss) after tax		(5,087,142)	2,450,000	(2,637,142)
Balance as of December 31, 2015		(P 5,533,540)	P 2,815,400	(P 2,718,140)
Balance as of January 1, 2014		(P 446,398)	P -	(P 446,398)
Fair value gains on AFS financial assets		-	522,000	522,000
Other comprehensive income before tax		-	522,000	522,000
Tax expense		-	(156,600)	(156,600)
Other comprehensive income loss after tax		-	365,400	365,400
Balance as of December 31, 2014		(P 446,398)	P 365,400	(P 80,998)

23.3 Retained Earnings

The details of the Parent Company's cash dividend declarations for 2016, 2015 and 2014 are as follows:

2016			
Amount Declared Or Paid	**Date of Declaration**	**Date of Record**	**Date of Payment**
P20,000,000	April 1, 2016	March 31, 2016	April 20, 2016
P52,943,457	September 2, 2016	August 31, 2016	September 14, 2016
P38,150,000	September 16, 2016	September 15, 2016	September 21, 2016
P15,000,000	October 7, 2016	September 30, 2016	October 11, 2016
P650,000,000	November 22, 2016	November 21, 2016	November 24, 2016
P40,000,000	December 2, 2016	December 1, 2016	December 9, 2016
P40,000,000	December 2, 2016	December 1, 2016	December 9, 2016

2015			
Amount Declared Or Paid	Date of Declaration	Date of Record	Date of Payment
P42,000,000	March 6, 2015	February 28, 2015	March 19, 2015
P60,000,000	June 5, 2015	June 15, 2015	July 1, 2015
P50,000,000	October 2, 2015	October 15, 2015	October 28, 2015
P50,000,000	December 4, 2015	December 15, 2015	December 17, 2015

2014			
Amount Declared Or Paid	Date of Declaration	Date of Record	Date of Payment
P48,000,000	December 3, 2014	November 30, 2014	December 4, 2014

Cash dividends amounting to P856,093,457, P202,000,000 and P48,000,000 in 2016, 2015 and 2014 were distributed in the year of declaration.

The BOD of the Parent Company also approved the declaration of P300,000,000 and P200,000,000 stock dividends on December 15, 2015 and December 12, 2014, respectively to stockholders on record as at December 15, 2015 and November 30, 2014, respectively.

23.4 Prior Period Adjustments

The balance of Retained Earnings as of December 31, 2015 and January 1, 2015, has been restated from the amount previously reported to correct the value of certain assets classified as Real Estate Inventory. The assets were inadvertently not allocated with cost in 2011 to 2013; all costs were charged to cost of real estate sales in 2011 to 2013. The prior period adjustments also include a reclassification of equity investments from AFS financial assets. Because of these adjustments, the 2015 and 2014 comparative statements of financial position contained in these financial statements differ from those previously presented in the Parent Company's statements of financial position as at December 31, 2015 and January 1, 2015.

The analyses of the impact on the affected accounts in the Parent Company's financial statements is presented below.

	Notes	As Previously Reported	Adjustments	As Restated
December 31, 2015				
Change in assets:				
Real estate inventory	6	P 1,404,751,772	P 35,089,736	P 1,439,841,508
Available-for-sale financial assets	9	62,448,330	(12,680,055)	49,768,275
Investments in associates and joint ventures	12	-	12,680,055	12,680,055
Increase in equity			P 35,089,736	
Change in equity:				
Retained earnings		P 373,543,487	P 35,089,736	P 408,633,223
Increase in equity			P 35,089,736	

	As Previously Reported	Adjustments	As Restated
January 1, 2015			
Change in asset:			
Real estate inventory	P 1,438,621,958	P 35,089,736	P 1,473,711,694
Increase in equity		P 35,089,736	
Change in equity:			
Retained earnings	P 338,373,255	P 35,089,736	P 373,462,991
Increase in equity		P 35,089,736	

There is no effect on profit or loss, other comprehensive income and cash flows in 2015 and 2014 in relation to these prior period adjustments.

24. EARNINGS PER SHARE

EPS is computed as follows:

	Consolidated	Parent Company	
	2016	2015	2014
	(see Note 2)	(see Note 2)	(see Note 2)
Income available to common stockholders	**P 702,323,954**	P 537,170,232	P 433,549,412
Divided by weighted average number of outstanding common stock	**854,333,333**	800,000,000	800,000,000
Basic and diluted EPS	**P 0.82**	P 0.67	P 0.54

There were no other instruments that could potentially dilute basic earnings per share for years ended December 31, 2016, 2015 and 2014; hence, basic EPS is the same as diluted EPS.

25. COMMITMENTS AND CONTINGENCIES

25.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering investment properties (see Note 11). The leases have terms ranging from one to five years, with renewal options, and include annual escalation from 5.00% to 10.00%. The future minimum lease receivables under these agreements are presented below.

	Consolidated	Parent Company	
	2016	2015	2014
	(see Note 2)	(see Note 2)	(see Note 2)
Within one year	**P 38,815,164**	P 17,238,379	P 4,074,059
After one year but not more than five years	**117,480,689**	68,353,871	3,228,968
More than five years	**9,580,865**	18,537,375	-
	P 165,876,718	P 104,129,625	P 7,303,027

Rental income amounted to P38,870,444, P12,555,220 and P4,216,300 in 2016, 2015 and 2014, respectively (see Note 11).

25.2 Operating Lease Commitments – Group as Lessee

ABS has been charging the Parent Company for its usage of a portion of the office compound owned by the former (see Note 22.3). The commitment is covered by a lease contract for a period of 12 months, subject to renewal.

Rent expense amounted to P5,934,124, P1,689,668 and P395,680 in 2016, 2015 and 2014, respectively, and is shown as rent under Operating Expenses in the statements of profit or loss (see Notes 18 and 22.3).

25.3 Completion of Sold Units

The Parent Company is obligated to finish the sold units that require finishing works at the time of sale. An accrual for estimated costs to complete amounting to P327,236,408 and P205,620,988 as at December 31, 2016 and 2015, respectively, is recorded as Reserve for Property Development in the statements of financial position (see Note 6).

25.4 Purchase of Land

As at December 31, 2016 and 2015, the Parent Company had agreed in principle with sellers of real estate properties in various locations in Visayas and Mindanao for the acquisition of parcels of land and for which the Parent Company has made advance payments totalling P259,897,127 and P77,559,615, respectively (see Note 7). The advance payments shall be applied against the full amount of the contract price upon consummation of the contracts.

25.5 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the financial statements. As at December 31, 2016 and 2015, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's financial statements.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 27. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described as follows.

26.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating, investing and financing activities.

The Group has no significant foreign currency exposure risks as most of its transactions are carried out in Philippine pesos, its functional currency.

The Group has no significant interest rate risk exposure as most of its interest-bearing financial assets and liabilities bear fixed interest rates.

26.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from loans and receivables from selling goods and services to customers, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	**Consolidated 2016 (See Note 2)**	Parent Company 2015 (See Note 2)
Cash and cash equivalents	4	**P 90,372,743**	P 123,494,624
Receivables – net (except for advances to subcontractors and advances to officers and employees)	5	**2,181,831,540**	1,190,353,247
Advances to related parties – net	22	**26,739,222**	171,583,998
Refundable deposits	13	**21,256,293**	10,506,626
		P2,320,199,798	P1,495,938,495

Certain financial assets of the Group are secured by collateral or other credit enhancements as discussed on the next page.

The Group's management determined that all the foregoing financial assets that are not impaired or past due for each reporting dates are of good credit quality.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Receivables and Advances to Related Parties

In respect of receivables, the Parent Company is not exposed to any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. Receivables consist of a large number of customers. Moreover, certain receivables from trade customers are covered by postdated checks. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good. Advances to related parties are collectible on demand.

Summarized below are the financial assets as at December 31, 2016 and 2015 that are past due (all of which are receivables) but unimpaired.

	Consolidated 2016 (See Note 2)	Parent Company 2015 (See Note 2)
Not more than 30 days	**P 990,014**	P 1,026,518
More than 30 days but not more than 60 days	**996,835**	1,026,518
More than 60 days but not more than 90 days	**783,530**	924,826
More than 90 days but not more than 120 days	**638,668**	770,862
More than 120 days	**3,748,761**	2,293,477
	P 7,157,808	P 6,042,201

26.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in a day-to-day business.

The Group maintains cash to meet its liquidity. Excess cash are invested in short-term placements.

As at December 31, 2016 (Consolidated), the financial liabilities have contractual maturities which are presented below.

	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**More than 5 Years**
Interest-bearing loans	P 742,831,341	P 134,366,909	P1,607,692,392	P 141,172,694
Trade and other payables (except for government-related obligations, advance rentals and deferred output VAT and output VAT)	387,834,273	-	16,956,129	-
	P1,130,665,614	**P 134,366,909**	**P1,624,648,521**	**P 141,172,694**

This compares to the maturity of the financial liabilities as at December 31, 2015 (Parent Company) as follows:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years
Interest-bearing loans	P 522,160,027	P 137,069,883	P 571,729,760	P 254,971,508
Trade and other payables (except for government-related obligations, advance rentals and deferred output VAT and output VAT)	280,095,574	-	21,810,990	-
	P 802,255,601	P 137,069,883	P 593,540,750	P 254,971,508

The foregoing contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

27. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AND FAIR VALUE MEASUREMENTS AND DISCLOSURES

27.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

		Consolidated		Parent Company	
		2016		2015	
	Notes	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	4	**P 90,617,743**	**P 90,617,743**	P 123,644,624	P 123,644,624
Receivables - net (except for advances to subcontractors and advances to officers and employees)	5	**2,181,831,540**	**2,181,831,540**	1,190,353,247	1,190,353,247
Advances to related parties	22.1	**26,739,222**	**26,739,222**	174,717,855	174,717,855
Refundable deposits	13	**21,256,293**	**21,256,293**	10,506,626	10,506,626
		2,320,444,798	**2,320,444,798**	1,499,222,352	1,499,222,352
AFS financial asset	9	**54,133,275**	**54,133,275**	49,768,275	49,768,275
		P 2,374,578,073	**P 2,374,578,073**	P 1,548,990,627	P 1,548,990,627
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans	14	**P 2,392,039,193**	**P 2,392,039,193**	P 1,334,422,003	P 1,334,422,003
Trade and other payables	15	**404,790,402**	**404,790,402**	301,906,564	301,906,564
Advance from related parties	22.2	**-**	**-**	3,133,857	3,133,857
		P 2,796,829,595	**P 2,796,829,595**	P 1,639,462,424	P 1,639,462,424

See Notes 2.5 and 2.11 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 26.

27.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		**Net amount presented in the statements of financial position**	**Related amounts not set-off in the Statements of financial position**		
	Financial assets	**Financial assets set off**		**Financial instruments**	**Cash collateral received**	**Net amount**
Consolidated						
December 31, 2016						
Cash and cash equivalents	**P 90,372,743**	**P -**	**P 90,372,743**	**(P 65,802,254)**	**P -**	**P 24,570,489**
Receivables – net (except for advances to subcontractors and advances to employees)	**P 2,182,831,540**	**P -**	**P 2,182,831,540**	**P -**	**P -**	**P 2,182,831,540**
Parent Company						
December 31, 2015						
Cash and cash equivalents	P 123,494,624	P -	P 123,494,624	(P 98,766,011)	P -	P 24,728,613
Receivables-net (except for advances to subcontractors and advances to employees)	P 1,191,911,090	(P 1,557,844)	P 1,190,353,246	P -	P -	P 1,190,353,246
Advances to related parties	P 174,717,855	(P 3,133,857)	P 171,583,998	P -	P -	P 171,583,998

The following financial liabilities with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts not set-off in the statements of financial position		
	Financial assets	Financial assets set off		Financial instruments	Cash collateral received	Net amount
Consolidated						
December 31, 2016						
Interest-bearing loans	**P 2,392,039,193**	**P -**	**P 2,392,039,193**	**(P 65,802,254)**	**P -**	**P 2,326,236,939**
Trade and other payables (except for government-related obligations and deferred output VAT)	**P 404,790,402**	**P -**	**P 404,790,402**	**P -**	**P -**	**P 404,790,402**
Parent Company						
December 31, 2015						
Interest-bearing loans	P 1,334,422,003	P -	P 1,334,422,003	(P 98,766,011)	P -	P 1,235,655,992
Trade and other payables (except for government-related obligations and deferred output VAT)	P 303,464,408	(P 1,557,844)	P 301,906,564	P -	P -	P 301,906,564
Advances from related parties	P 3,133,857	(P 3,133,857)	P -	P -	P -	P -

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Group and counterparties (i.e., related parties and contractors) allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

27.3 Fair Value Measurements and Disclosures

(a) Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

(b) Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2016 and 2015.

	Level 1	Level 2	Level 3	Total
Consolidated				
December 31, 2016				
Financial assets				
Equity securities				
AFS financial assets	P -	P 47,500,000	P 6,633,275	P 54,133,275
Parent Company				
December 31, 2015				
Financial assets				
Equity securities				
AFS financial assets	P -	P 44,000,000	P 5,768,275	P 49,768,275

(c) Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the 2016 and 2015 statements of financial position but for which fair value is disclosed.

	2016 (Consolidated – see Note 2)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	P 90,617,743	P -	P -	P 90,617,743
Receivables - net	-	-	2,181,831,540	2,181,831,540
Advances to related parties	-	-	26,739,222	26,739,222
Refundable deposits	-	-	21,256,293	21,256,293
	P 90,617,743	P -	P 2,229,827,055	P 2,320,444,798
Financial liabilities				
Interest-bearing loans	P -	P -	P 2,392,039,193	P 2,392,039,193
Trade and other payables	-	-	404,790,402	404,790,402
	P -	P -	P 2,796,829,595	P 2,796,829,595

	2015 (Parent Company – see Note 2)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	P 123,644,624	P -	P -	P 123,644,624
Receivables - net	-	-	1,190,353,247	1,190,353,247
Advances to related parties	-	-	174,717,855	174,717,855
Refundable deposits	-	-	10,506,626	10,506,626
	P 123,644,624	P -	P 1,375,577,728	P 1,499,222,352
Financial liabilities				
Interest-bearing loans	P -	P -	P 1,334,422,003	P 1,334,422,003
Trade and other payables	-	-	301,906,564	301,906,564
Advances from related parties	-	-	3,133,857	3,133,857
	P -	P -	P 1,639,462,424	P 1,639,462,424

For the Group's financial assets and financial liabilities, which are measured at amortized cost, management considers that the carrying amounts of those short-term financial instruments are equal to or approximate their fair values.

(d) Fair Value Measurement for Non-financial Assets

The Parent Company has no non-financial assets measured at fair value as at December 31, 2016 and 2015.

Management considers the fair value of the Group's investment properties amounting to P667,894,000 and P664,809,526 as at December 31, 2016 and 2015, respectively (see Note 11).

The table below shows the Levels within the hierarchy of investment property.

	Level 1	**Level 2**	**Level 3**	**Total**
Consolidated				
December 31, 2016				
Investment property	P -	P 667,894,000	P -	P 667,894,000
Parent Company				
December 31, 2015				
Investment property	P -	P 664,809,526	P -	P 664,809,526

In 2016 and 2015, the fair value of the Group's Investment Properties [see Note 3.2*(h)*] are determined on the basis of the appraisals performed by an independent external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the parcels of land and buildings, and the comparable prices in the corresponding property location.

The fair value of these parcels of land, condominium units and retail building were determined based on the following approaches:

(a) Fair Value Measurement for Land, Condominium Units and Retail Buildings

The Level 2 fair value of the parcels of land, condominium units and retail building under Investment Properties account was determined using the market approach and income approach. Parking slots presented as part of condominium units under Investment Properties account was determined using the market approach.

Under the income approach, these uses valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

On the other hand, under the market approach, when comparable lease offerings of similar properties and sales prices of comparable land properties in close proximity are used in the valuation of the subject property with insignificant adjustment on the price, fair value is included in Level 2. Consequently, if the observable recent prices of the reference properties were adjusted significantly for differences in key attributes such as properties size, zoning and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(b) Fair Value Measurement for Improvements under Retail Buildings

The Level 2 fair value of building improvements presented as part of retail buildings under Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change on the valuation techniques used by the Group, except as indicated above, during the period for its investment properties. Also, there were no transfers into or out of Level 2 fair value hierarchy for the years ended December 31, 2016 and 2015.

28. 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:

	Consolidated 2016 (See Note 2)	Parent Company 2015 (As Restated - See Notes 2 and 23)
Total liabilities	**P3,808,672,984**	P2,407,298,617
Total equity	**1,538,238,518**	1,243,605,083
Debt-to-equity ratio	**2.48:1.00**	1.94:1.00

The Group's goal in capital management is to maintain a maximum debt-to-equity structure ratio of 75:25 on a monthly basis (see Note 14). This is in line with the Parent Company's compliance with requirement of the BOI.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. 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.

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years ended December 31, 2016 and 2015.