COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	3	3	8	2	8					

COMPANY NAME

PRIMEX CORPORATION AND SUBSIDIARY

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

GROUND FLOOR, RICHBELT TERRACES, 19 ANNAPOLIS STREET, GREENHILLS, SAN JUAN, METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
primexgroup_pc@yahoo.com	722-5417 / 722-8078	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
17	06/24	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ernesto O. Ang	primexgroup_pc@yahoo.com	722-5400	–

CONTACT PERSON's ADDRESS

G/F Richbelt Terraces, 19 Annapolis St., Greenhills, San Juan

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

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

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Primex Corporation
Ground Floor, Richbelt Terraces
19 Annapolis Street, Greenhills
San Juan, Metro Manila

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Real Estate Revenue and Cost Recognition

The Group's real estate revenue and costs accounts for 50% of total consolidated revenue and other income and 39% of the total consolidated costs and expenses, respectively, which is significant to our audit. The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the proportion of actual cost incurred as of reporting date over total estimated cost of the real estate project. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The estimation of the total cost of the real estate project requires technical inputs by management's specialists (project development engineers). In addition, the Group requires a certain percentage of buyer's payments to total selling price (buyer's equity) to be collected as one of the criteria in order to initiate revenue recognition. It is upon reaching this collection threshold that management has assessed that it is probable that economic benefits will flow to the Group because of the buyers' continuing commitment with the sales agreement. The assessment of the stage of completion and the level of buyer's commitment is significant to our audit because it involve significant management judgment as disclosed in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating the total estimated costs. We assessed the competence and objectivity of the project development engineers by reference to their qualifications, experience and reporting responsibilities. For the Group's ongoing project, we traced the costs accumulated to the supporting documents such as the engineer's annual progress report, progress billings and materials invoices. We visited selected project sites and made relevant inquiries with project engineers. We performed test recomputation of the percentage of completion calculation of management. For the ongoing project, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as the project budget report prepared by management. We evaluated management's basis for the buyers' commitment through the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as the deeds of absolute sale, contracts to sell, official receipts, and installment contracts receivable schedule prepared by management.

Construction Contract Revenue and Cost Recognition

The Group's construction contract revenue and costs account for 44% and 51% of total consolidated revenue and other income and costs and expenses, respectively. The Group also applies the POC method in determining construction contract revenue and costs. This matter is significant to our audit because the revenue and cost recognition process requires significant management judgement and estimation, as disclosed in Note 3 to the consolidated financial statements, particularly with respect to the estimated total cost, stage of completion, contract price variations and settlement compensation which requires the technical expertise of the Group's project engineers. Note 6 to the consolidated financial statements provide the relevant discussion regarding this matter.

Audit Response

We obtained an understanding of the Group's process to accumulate actual costs incurred and to estimate the costs to complete. We considered the competence, capabilities and objectivity of the Group's engineer with reference to his professional qualifications, experience and reporting responsibilities. We compared the contract price used in recognizing revenue to the original signed customer contract. We examined the approved total estimated completion costs against the supporting details. On a test basis, we examined the invoices and other supporting third party correspondence for the actual costs incurred. We conducted ocular inspection on the project where we checked the completion stage of the project under construction with the Group's engineer. We also inspected the associated progress report and obtained explanations for any deviations.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908768, January 3, 2017, Makati City

April 12, 2017

PRIMEX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash (Notes 4 and 24)	**₱46,117,025**	₱29,706,130
Receivables (Notes 5 and 24)	**144,132,611**	32,316,919
Real estate held for sale and development - at cost (Notes 7 and 13)	**1,015,456,742**	924,810,199
Costs and estimated earnings in excess of billings on uncompleted contract (Notes 6 and 14)	**128,000,000**	–
Other current assets (Note 10)	**28,982,626**	48,031,851
Total Current Assets	**1,362,689,004**	1,034,865,099
Noncurrent Assets		
Receivables - net of current portion (Notes 5 and 24)	**67,464,677**	65,282,198
Land held for future development - at cost (Note 8)	**397,818,765**	399,452,638
Available-for-sale financial assets (Notes 9 and 24)	**1,604,218**	1,604,218
Property and equipment (Note 11)	**14,667,357**	18,134,157
Deferred tax assets - net (Note 19)	**13,506,941**	10,219,540
Other noncurrent assets (Note 10)	**16,320,278**	1,414,532
Total Noncurrent Assets	**511,382,236**	496,107,283
	₱1,874,071,240	₱1,530,972,382
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 12 and 24)	**₱707,907,673**	₱262,010,216
Loans payable - current portion (Notes 13 and 24)	**22,785,660**	167,802,800
Income tax payable	**47,941,117**	5,610,952
Total Current Liabilities	**778,634,450**	435,423,968
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 13 and 24)	**52,447,516**	237,066,441
Advances from stockholders (Notes 14 and 24)	**190,294,227**	190,294,227
Pension liability (Note 16)	**4,638,831**	4,082,175
Refundable deposits (Note 24)	**7,639,533**	7,145,634
Total Noncurrent Liabilities	**255,020,107**	438,588,477
Total Liabilities	**1,033,654,557**	874,012,445
Equity (Note 15)		
Equity attributable to equity holders of the Parent Company		
Capital stock	**323,333,333**	323,333,333
Additional paid-in capital	**52,000,000**	52,000,000
Retained earnings	**326,708,001**	155,486,972
Other equity reserve	**10,396,093**	–
Remeasurement gain on defined benefit plan	**4,570**	133,219
Total equity attributable to equity holders of the Parent Company	**712,441,997**	530,953,524
Non-controlling interests (Notes 22 and 23)	**127,974,686**	126,006,413
Total Equity	**840,416,683**	656,959,937
	₱1,874,071,240	₱1,530,972,382

See accompanying Notes to Consolidated Financial Statements.

PRIMEX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
REVENUE AND OTHER INCOME			
Sales (Note 18)	**₱554,850,035**	₱195,272,527	₱12,923,826
Rental income (Note 21)	**25,157,978**	15,480,931	4,929,756
Interest income (Notes 4 and 5)	**9,263,507**	11,435,399	919,761
Miscellaneous (Note 17)	**504,441**	42,700	234,672
	589,775,961	222,231,557	19,008,015
COSTS AND EXPENSES			
Cost of real estate sales (Note 7)	**126,733,607**	98,084,080	4,755,493
Construction costs (Note 6)	**167,636,134**	–	–
Operating expenses (Note 18)	**29,720,020**	25,596,694	11,752,834
Interest expense (Note 13)	**1,745,950**	1,220,684	–
	325,835,711	124,901,458	16,508,327
INCOME BEFORE INCOME TAX	**263,940,250**	97,330,099	2,499,688
PROVISION FOR INCOME TAX (Note 19)	**78,832,232**	31,360,842	802,803
NET INCOME	**185,108,018**	65,969,257	1,696,885
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified to profit or loss in subsequent years:			
Remeasurement loss on defined benefit obligation (Note 16)	**(216,103)**	(154,215)	(11,125)
Income tax effect (Note 19)	**64,831**	46,264	3,338
	(151,272)	(107,951)	(7,787)
TOTAL COMPREHENSIVE INCOME	**₱184,956,746**	₱65,861,306	₱1,689,098
Net income attributable to:			
Equity holders of the Parent Company	**₱172,541,029**	₱50,260,739	₱1,696,885
Non-controlling interests (Note 23)	**12,566,989**	15,708,518	–
	₱185,108,018	₱65,969,257	₱1,696,885
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱172,412,380**	₱50,191,247	₱1,689,098
Non-controlling interests (Note 23)	**12,544,366**	15,670,059	–
	₱184,956,746	₱65,861,306	₱1,689,098
Basic/Diluted Earnings Per Share (Note 20)	**₱0.1067**	₱0.0311	₱0.0010

See accompanying Notes to Consolidated Financial Statements.

PRIMEX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Parent Company							
	Capital Stock (Note 15)	**Additional Paid-in Capital**	**Retained Earnings** (Note 15)	**Other Equity Reserve** (Note 15)	**Remeasurement Gain (Loss) on Defined Benefit Plan** (Note 16)	**Total**	**Non-Controlling Interests** (Note 23)	**Total**
As of January 1, 2016	**₱323,333,333**	**₱52,000,000**	**₱155,486,972**	**₱–**	**₱133,219**	**₱530,953,524**	**₱126,006,413**	**₱656,959,937**
Net income	**–**	**–**	**172,541,029**	**–**	**–**	**172,541,029**	**12,566,989**	**185,108,018**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(128,649)**	**(128,649)**	**(22,623)**	**(151,272)**
Total comprehensive income (loss)	**–**	**–**	**172,541,029**	**–**	**(128,649)**	**172,412,380**	**12,544,366**	**184,956,746**
Effect of acquisition of non-controlling interests (Note 15)	**–**	**–**	**–**	**10,396,093**	**–**	**10,396,093**	**(10,396,093)**	**–**
Stock issuance cost (Note 15)	**–**	**–**	**(1,320,000)**	**–**	**–**	**(1,320,000)**	**(180,000)**	**(1,500,000)**
As of December 31, 2016	**₱323,333,333**	**₱52,000,000**	**₱326,708,001**	**₱10,396,093**	**₱4,570**	**₱712,441,997**	**₱127,974,686**	**₱840,416,683**
As of January 1, 2015	₱323,333,333	₱52,000,000	₱105,226,233	₱–	₱202,711	₱480,762,277	₱–	₱480,762,277
Net income	–	–	50,260,739	–	–	50,260,739	15,708,518	65,969,257
Other comprehensive loss	–	–	–	–	(69,492)	(69,492)	(38,459)	(107,951)
Total comprehensive income (loss)	–	–	50,260,739	–	(69,492)	50,191,247	15,670,059	65,861,306
Effect of pooling of interests (Note 22)	–	–	–	–	–	–	110,336,354	110,336,354
As of December 31, 2015	₱323,333,333	₱52,000,000	₱155,486,972	₱–	₱133,219	₱530,953,524	₱126,006,413	₱656,959,937
As of January 1, 2014	₱323,333,333	₱52,000,000	₱103,529,348	₱–	₱210,498	₱479,073,179	₱–	₱479,073,179
Net income	–	–	1,696,885	–	–	1,696,885	–	1,696,885
Other comprehensive loss	–	–	–	–	(7,787)	(7,787)	–	(7,787)
Total comprehensive income (loss)	–	–	1,696,885	–	(7,787)	1,689,098	–	1,689,098
As of December 31, 2014	₱323,333,333	₱52,000,000	₱105,226,233	₱–	₱202,711	₱480,762,277	₱–	₱480,762,277

See accompanying Notes to Consolidated Financial Statements.

PRIMEX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱263,940,250**	₱97,330,099	₱2,499,688
Adjustments for:			
Depreciation (Notes 11 and 18)	**5,413,827**	4,921,865	2,143,268
Interest expense (Note 13)	**1,745,950**	3,103,336	–
Retirement expense (Notes 16 and 18)	**340,553**	1,596,299	174,313
Interest income (Notes 4 and 5)	**(9,263,507)**	(11,435,399)	(919,761)
Operating income before changes in working capital	**262,177,073**	95,516,200	3,897,508
Decrease (increase) in:			
Costs and estimated earnings in excess of billings on uncompleted contract	**(128,000,000)**	–	–
Receivables	**(109,802,053)**	(71,900,955)	38,102
Real estate held for sale and development	**(58,636,864)**	(26,681,572)	(969,580)
Other current assets	**19,049,225**	25,609,406	1,239,778
Increase (decrease) in:			
Accounts and other payables	**447,428,443**	14,385,153	(3,185,107)
Refundable deposits	**493,899**	4,659,884	–
Cash generated from operations	**432,709,723**	41,588,116	1,020,701
Interest received	**5,067,389**	11,228,390	884,188
Interest paid (Notes 6 and 18)	**(12,461,792)**	(13,424,380)	–
Income taxes paid, including final and creditable withholding taxes	**(39,724,637)**	(35,464,536)	(859,333)
Net cash provided by operating activities	**385,590,683**	3,927,590	1,045,556
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Land held for future development (Note 8)	**(19,445,000)**	(13,824,982)	–
Property and equipment (Note 11)	**(1,947,027)**	(669,995)	(924,368)
Decrease (increase) in other noncurrent assets	**(14,905,746)**	45,492	(4,136)
Cash from acquired subsidiary (Note 22)	**–**	1,529,572	–
Net cash used in investing activities	**(36,297,773)**	(12,919,913)	(928,504)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of loans (Note 13)	**70,000,000**	429,000,000	–
Collection of subscription receivable (Note 15)	**–**	–	2,000,000
Payment of stock issuance cost (Note 15)	**(1,500,000)**	–	–
Payment of loans (Note 13)	**(401,382,015)**	(394,018,385)	–
Net cash provided by (used in) financing activities	**(332,882,015)**	34,981,615	2,000,000
NET INCREASE IN CASH	**16,410,895**	25,989,292	2,117,052
CASH AT BEGINNING OF YEAR	**29,706,130**	3,716,838	1,599,786
CASH AT END OF YEAR (Note 4)	**₱46,117,025**	₱29,706,130	₱3,716,838

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Primex Corporation (the Parent Company) is domiciled and was incorporated in the Republic of the Philippines on July 17, 1986. The Parent Company is engaged in the real estate business to purchase, lease, or in any manner dispose of or deal with land and other real property and any interest therein. The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange.

On March 12, 2015, the Parent Company's Board of Directors (BOD) approved the negotiation of an investment in Primex Realty Corporation (PRC or the Subsidiary). On March 30, 2015, the BOD approved the purchase of a 70% stake equivalent to 1,400,000 common shares in PRC at a par value of ₱100.00 per share. On the same date, a subscription agreement was entered into by PRC and the Parent Company whereby PRC agreed to issue the 1,400,000 common shares for a price of ₱100.00 per share (see Note 22).

On November 27, 2015, the Parent Company subscribed to an additional 18% stake in PRC. In December 2015, PRC applied to SEC for an increase in authorized capital stock, from ₱200.00 million to ₱700.00 million and has changed the par value of its stock from ₱100.00 to ₱0.20 per share, resulting in an authorized capital stock of 3,500,000,000 shares. The SEC approved the increase in authorized capital stock on March 18, 2016.

The effect of the increase in the additional 18% equity interest is considered as a change in the Parent Company's ownership. The additional 18% stake resulted to a decrease in the equity attributable to non-controlling interests amounting to ₱10.40 million which was allocated to the Parent Company's equity under other equity reserve (see Note 15).

PRC is domiciled and was incorporated in the Republic of the Philippines on October 1, 1979.

The registered office address of the Primex Corporation and its subsidiary (the Group) is at Ground Floor, Richbelt Terraces, 19 Annapolis Street, Greenhills, San Juan, Metro Manila, Philippines.

The consolidated financial statements of the Group were approved and authorized for issue by the BOD on April 12, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is the Parent Company's functional currency. All amounts are rounded to the nearest Philippine Peso unit unless otherwise indicated.

Statement of Compliance

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary over which the Parent Company has control. The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Specifically, the Parent Company controls an investee if and only if the Parent Company has all the following:

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

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date when such control ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Parent Company gains control or until the date when the Parent Company ceases to control the subsidiary.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and gains and losses resulting from intra-group transactions and dividends are eliminated in full. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Recognizes the Parent Company’s share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company has directly disposed of the related assets or liabilities.

Non-controlling Interests
Non-controlling interests (NCI) represent the portion of income and expense and net assets in subsidiaries that are not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separate from the equity attributable to the equity holders of the Parent Company.

Combinations of Entities Under Common Control
Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

The Group opted not to restate the comparative financial information in the consolidated financial statements as allowed by the Philippine Interpretations Committee (PIC) Q&A 2012-01.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

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

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

New Standards and Interpretation issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

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

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

Deferred effectivity

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

<u>Summary of Significant Accounting Policies</u>
The following accounting policies were applied in the preparation of the Group's consolidated financial statements:

<u>Current versus Non-current Classification</u>
The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash

Cash includes cash on hand and in bank. Cash in bank is stated at nominal amount and earns interest at prevailing bank deposit rates.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using the settlement date accounting.

Initial recognition

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

Financial assets within the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity financial assets, or available-for-sale (AFS) financial assets, as appropriate. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities were incurred and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As of December 31, 2016 and 2015, the Group's financial instruments are of the nature of loans and receivables, AFS financial assets and other financial liabilities.

Day 1 profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss under "Interest income" unless it qualifies for recognition as some other type of asset or liability.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the "Interest income" account in profit or loss. The losses arising from impairment of such loans and receivables are recognized in profit or loss.

Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2016 and 2015, the Group's loans and receivables include "Cash" and "Receivables".

AFS financial assets
AFS financial assets are those which are designated as such or do not qualify to be classified as designated as financial assets at FVPL, HTM investments, or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses.

Classified under this category are the Group's non-quoted equity securities carried at cost.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when liabilities are derecognized.

This accounting policy applies primarily to "Accounts and other payables" account (excluding customers' deposits, unearned rental income and statutory liabilities), "Refundable deposits", "Loans payable", "Advances from stockholders" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liability).

Derecognition of Financial Assets and Financial Liabilities
A financial asset (or, where applicable, a part of a financial asset) is derecognized when:

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

Where the Group has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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

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

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss.

Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

AFS financial assets at cost
If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

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

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

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

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

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

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

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

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

The Group's management determines the policies and procedures for recurring fair value measurement of financial assets.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with its external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

<u>Real Estate Held for Sale and Development</u>
Real estate held for sale and development consists of property constructed for sale, subdivision land for sale and development and land and improvements. Land and improvements classified under "Real Estate Held for Sale and Development" are properties under development and are expected to be completed within one year.

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate held for sale and development and is valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs to complete and sell.

Cost includes the purchase price of land and costs incurred for the development and improvement of the properties such as amounts paid to contractors for construction, capitalized borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Amounts paid to contractors and suppliers in advance are not part of real estate held for sale and development but presented as "Advances to contractors and suppliers" under "Other current assets" in the consolidated statement of financial position.

The cost of inventory recognized in profit or loss as disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific cost based on the relative size of the property sold.

The Group currently recognizes land held for lease as a portion of real estate held for sale and development and is intended for sale. In cases when sale is made during the lease period, the Group shall assume all obligations and will indemnify the lessee for damages suffered.

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT except:

- where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the Group's consolidated statement of financial position.

Land Held for Future Development
Land held for future development consist of properties for future development and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for the development and improvement of the properties.

A transfer is made from land held for future development at the time the property is utilized in the development of real estate to be sold in the ordinary course of business or for owner-occupation. Cost transferred is the carrying amount of the property at the time of transfer.

The Group currently recognizes land held for lease as a portion of land held for future development. In cases when sale is made during the lease period, the Group shall assume all obligations and will indemnify the lessee for damages suffered.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation and impairment loss, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation commences once the assets are available for use and is computed on a straight-line basis over the following estimated useful lives of the assets:

	Years
Transportation equipment	5
Office furniture, fixtures and equipment	10
Leasehold improvements	5 or term of the lease, whichever is shorter

The asset's residual values, useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment loss are removed from the accounts, and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts while still in use although no further depreciation is credited or charged to current operations.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that property and equipment, land held for future development and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes a formal estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Equity
Capital stock and additional paid-in capital
The Group records capital stock at par value and additional paid-in capital for the excess of the total contributions received over the aggregate par values of the equity share. Incremental costs

incurred which are directly attributable to the issuance of new shares are deducted from additional paid-in capital.

Retained earnings
Retained earnings represent accumulated earnings of the Group less dividends declared.

Other equity reserve
Other equity reserve pertain to the additional ownership acquired from the Group's non-controlling interests.

Other Comprehensive Income (OCI)
OCI includes items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS. The Company's OCI pertains to remeasurement losses arising from defined benefit pension plan which cannot be recycled to profit or loss.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes. The following specific recognition criteria must also be met before revenue is recognized:

Real estate revenue
Revenue from sales of completed real estate projects ("subdivision land held for sale and development" and "land and improvements" under real estate held for sale and development) is accounted for using the full accrual method. Under this method, the revenue is recognized when: (a) the collectability of the sales price is reasonably assured; (b) the earnings process is virtually complete; and, (c) the seller does not have a substantial continuing involvement with the subject properties. The collectability of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally-financed accounts; and, (b) the downpayment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Revenue from sales of uncompleted real estate project ("condominium units" under real estate held for sale and development) is accounted for using percentage-of-completion (POC) method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project. Any excess of collections over the recognized receivables are included in the "Customers' deposits" account under "Accounts and other payables" in the liabilities section of the consolidated statement of financial position.

If the above criteria are not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented in "Customers' deposits" account under "Accounts and other payables" in the liabilities section of the consolidated statement of financial position.

Revenue from construction contracts and construction costs
Revenue from construction contracts is recognized using the POC method of accounting and is measured principally on the basis of the estimated proportion of costs incurred to date over the total budget for the construction (Cost-to-cost method). Contract revenue is comprised of amount of revenue agreed in the contract.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total costs incurred and estimated earnings recognized in excess of amounts billed.

Rental income
Rental income from noncancellable operating leases is recognized on a straight-line basis over the lease term. Rental income from cancellable operating leases is recognized based on terms of the lease contract.

Interest income
Interest is recognized as it accrues using the effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Miscellaneous
Forfeiture of collections and penalties for late payments are recognized based on the contractual terms of the agreement.

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

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property allocated to saleable area based on relative size and takes into account the POC for revenue recognition purposes.

Operating Expenses
Operating expenses include general and administrative expenses. General and administrative expenses constitute costs of administering the business. These expenses are recognized as incurred and measured based on the amounts paid or payable.

Commission Expense
Commissions paid to sales or marketing agents on the sale of completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included under "Cost of real estate sales" in profit or loss.

Operating Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

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

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

Group as a lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as income on a straight-line basis over the lease term.

Borrowing Costs
Borrowing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in “Real estate held for sale and development” account in the consolidated statement of financial position). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Capitalized borrowing cost is based on applicable weighted average borrowing rate for those coming from general borrowings and the actual borrowing costs eligible for capitalization for funds borrowed specifically.

Pension Expense
The pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning projected salaries.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the defined benefit liability
- Remeasurements of defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability. Interest on the defined benefit liability is recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in the statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits or unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognized outside of profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period adjusted for any stock dividends issued. Diluted EPS is computed by dividing net income for the period attributable to common stockholders by the weighted average number of common shares issued and outstanding during the period after giving effect to assumed conversion of potential common shares. Basic and diluted EPS are adjusted to give retroactive effect to any stock dividends declared during the period.

Segment Reporting
The Group's business is organized and managed as a single unit comprising the real estate operations. Financial information on business segment is presented in Note 25.

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

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

Events After the Reporting Date
Post year-end events up to the date the consolidated financial statements were authorized for issue that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments

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

Combination of Entities under Common Control

The acquisition of the Parent Company of 70% interest of PRC in 2015 is considered to be a combination of entities under common control and has been scoped out of PFRS 3, *Business Combination*. This has been accounted for using the pooling of interests method since there has been no change in the controlling party both before and after the business combination. The Group opted not to restate the comparative financial information in the consolidated financial statements and accounted for the business combination prospectively (see Note 22).

Revenue and cost recognition and collectability of the sales price

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale - the Group considers that initial and continuing investments by the buyer of at least 25% would demonstrate the buyer's commitment to pay; and,
- Stage of completion of the project.

Distinction between real estate held for sale and land held for future development

The Group determines whether a property will be classified as real estate held for sale or land held for future development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (Real estate held for sale and development) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (Land held for future development).

Management's Use of Estimates

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

Revenue and cost recognition – real estate sales

The Group's revenue from real estate sales of uncompleted projects are recognized based on the POC method and the completion rate is measured principally on the basis of actual costs incurred to date over the estimated total costs of the project. The rate of completion is validated by the responsible department to determine whether it approximates the actual completion rate. Changes in estimate may affect the reported amounts of revenue and cost of condominium units and receivables.

Management also regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of initial investment before allowing revenue recognition.

Real estate sales and cost of sales under the POC method amounted to ₱297.71 million and ₱126.73 million in 2016 and ₱195.27 million and ₱98.08 million in 2015, respectively.

Revenue and cost recognition – construction contract

The Group's construction revenue is based on the percentage of completion measured principally on the basis of total actual cost incurred to date over the estimated total cost of the project. Actual cost incurred to date includes labor, materials and overhead which are billed and unbilled by contractors.

When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately. The amount of such a loss is determined irrespective of:
(a) whether work has commenced on the contract;
(b) the stage of completion of contract activity; or
(c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

The Group regularly reviews its on-going construction project and used the above guidance in determining whether the project's contract cost exceeds its contract revenues. There is no assurance that the use of estimates may not result in material adjustments in future periods.

Revenue from construction contracts and direct costs amounted to ₱257.14 million and ₱167.64 million in 2016. Costs and estimated earnings in excess of billings on uncompleted contract amounted to ₱128.00 million as of December 31, 2016.

Allowance for impairment losses on real estate installment contracts receivable
The Group maintains an allowance for impairment losses at a level based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivable's carrying balance and the computed present value. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expenses for any period would differ depending on the judgments and estimates made for the year.

The installment contracts receivables are collateralized by the corresponding real estate properties sold. In cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market prices.

As of December 31, 2016 and 2015, the Group has not provided any allowance for impairment losses on its real estate installment contracts receivables. The carrying value of receivables amounted to ₱199.83 million and ₱91.32 million as of December 31, 2016 and 2015, respectively (see Note 5).

Evaluation of NRV of real estate held for sale and development and land held for future development
The Group reviews the NRV of real estate inventories, which are recorded under "Real estate held for sale and development" in the consolidated statement of financial position, and compares it with the cost, since assets should not be carried in excess of amounts expected to be realized from sale. Real estate held for sale and development are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in light of recent market transactions and having taken suitable external advice. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction.

The Group estimates that the NRV of real estate held for sale and development is greater than its cost. The carrying value of real estate held for sale and development amounted to ₱1,015.46 million and ₱924.81 million as of December 31, 2016 and 2015, respectively (see Note 7). The carrying value of land held for future development amounted to ₱397.82 million and ₱399.45 million as of December 31, 2016 and 2015 (see Note 8).

Recognition of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income on which deferred tax assets can be applied. The Group recognized deferred tax assets amounting to ₱18.06 million and ₱10.43 million as of December 31, 2016 and 2015, respectively (see Note 19).

Estimating pension cost and obligation
The determination of the Group's obligation and cost for pension is dependent on selection of certain assumptions used by actuaries in calculating such amounts.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The salary increase rate was assumed taking into consideration the prevailing inflation rate and Group policy. The turnover rate was assumed based on the result of the most recent experience study of margins for fluctuations.

Those assumptions are described in Note 16. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect pension obligation. The carrying value of pension liability amounted to ₱4.64 million and ₱4.08 million as of December 31, 2016 and 2015, respectively (see Note 16).

4. Cash

	2016	2015
Cash on hand	**₱20,000**	₱20,000
Cash in banks	**46,097,025**	29,686,130
	₱46,117,025	₱29,706,130

Cash in banks earns interest at the respective bank deposit rate of 0.25% in 2016, 2015 and 2014.

Interest income derived from cash in banks amounted to ₱11,928, ₱13,340 and ₱1,570 for the years ended December 31, 2016, 2015 and 2014, respectively.

5. **Receivables**

This account consists of:

	2016	2015
Installment contracts receivable	**₱199,825,761**	₱91,321,826
Interest receivable	**4,565,244**	369,126
Advances to affiliates (Note 14)	**4,400,000**	4,400,000
Accrued rent receivable (Note 21)	**2,806,283**	1,508,165
	211,597,288	97,599,117
Less noncurrent portion	**67,464,677**	65,282,198
	₱144,132,611	₱32,316,919

The details of the contracts receivables follow:

	2016	2015
Installment contracts receivable	**₱200,669,055**	₱92,600,480
Less unamortized discount	**843,294**	1,278,654
Net contracts receivables	**199,825,761**	91,321,826
Less noncurrent portion	**63,064,677**	60,882,198
Current portion	**₱136,761,084**	₱30,439,628

Movements in the unamortized discount follow:

	2016	2015
Balance at beginning of year	**₱1,278,654**	₱141,454
Additions	**1,779,230**	9,069,971
Accretion	**(2,214,590)**	(7,932,771)
Balance at end of year	**₱843,294**	₱1,278,654

Installment contracts receivable are collectible in equal monthly principal installments with various terms up to a maximum of 10 years and are secured by the related property sold from real estate held for sale. The receivables bear fixed interest rates of 9.50% per annum computed on the diminishing balance of the principal, except for those that are with installment schemes within two (2) to ten (10) years. Titles to the sold units are transferred to the buyers only upon full payment of the contract price.

As of December 31, 2016 and 2015 receivables with a nominal amount of ₱65.81 million and ₱92.59 million, respectively, were initially recorded at fair value. These represent noninterest-bearing receivables collectible in 2 to 10 years. The fair value upon initial recognition is derived using discounted cash flow model with discount rates ranging from 3.16% to 5.23% and 2.81% to 3.68% for those recognized in 2016 and 2015, respectively.

The Group recognized interest income pertaining to its receivables amounting to ₱9.25 million, ₱11.43 million and ₱0.92 million in 2016, 2015 and 2014, respectively.

Advances to affiliates pertain to receivable from Goldendale and Richdale Village Homeowners' Association to fund its daily expenses. These are unsecured and have no fixed terms in relation to these advances and are due and demandable.

Accrued rent receivable pertains to the lease receivable from the rent of the Group's investment properties.

Interest receivable pertains to the interest due from the customers with long-term interest bearing amounts due to the Group.

6. Costs and Estimated Earnings in Excess of Billings on Uncompleted Contract

In 2016, the Group entered into a contract with Primex Land, Inc. (PLI) for the construction and development of PLI's land into a residential subdivision for a total contract amount of ₱320.00 million, inclusive of total VAT amount (see Note 14). Total estimated earnings to date represent contract revenue earned under the POC method.

The details of the costs, estimated earnings and billings on the Group's uncompleted contract as of December 31, 2016 follow:

Total costs incurred	**₱167,636,134**
Estimated earnings	**120,363,866**
	288,000,000
Total billings (including advances from customers)	**(160,000,000)**
	₱128,000,000

7. Real Estate Held for Sale and Development

This account consists of:

	2016	2015
Condominium units	**₱692,725,733**	₱641,142,293
Subdivision land held for sale and development	**159,611,040**	160,286,675
Land and improvements	**163,119,969**	123,381,231
	₱1,015,456,742	₱924,810,199

Condominium units consist of uncompleted units within a property that are being sold in the normal operating cycle.

Subdivision land for sale and development includes properties that are being developed and have undergone development and are being sold in the normal operating cycle.

Land and improvements pertain to properties with ongoing or has undergone development and are intended for sale upon completion.

The movements in the real estate held for sale and development as of December 31 follow:

2016

	Condominium units	Subdivision land held for sale and development	Land and improvements	Total
Balances at beginning of year	**₱641,142,293**	**₱160,286,675**	**₱123,381,231**	**₱924,810,199**
Construction/development costs incurred	**162,190,857**	**587,871**	**22,591,742**	**185,370,470**
Transfers from land held for future development (Note 8)	**–**	**–**	**21,078,873**	**21,078,873**
Borrowing costs capitalized	**7,131,646**	**1,709,622**	**2,089,539**	**10,930,807**
Disposals recognized as cost of sales	**(117,739,063)**	**(2,973,128)**	**(6,021,416)**	**(126,733,607)**
Balances at end of year	**₱692,725,733**	**₱159,611,040**	**₱163,119,969**	**₱1,015,456,742**

2015

	Condominium units	Subdivision land held for sale and development	Land and improvements	Total
Balances at beginning of year	₱–	₱160,514,379	₱116,848,326	₱277,362,705
Effect of pooling of interests (Note 22)	547,033,721	–	–	547,033,721
Construction/development costs incurred	172,572,847	7,421,944	6,532,905	186,527,696
Borrowing costs capitalized	11,970,157	–	–	11,970,157
Disposals recognized as cost of sales	(90,434,432)	(7,649,648)	–	(98,084,080)
Balances at end of year	₱641,142,293	₱160,286,675	₱123,381,231	₱924,810,199

Borrowings were used to finance the Group’s ongoing projects. The related borrowing costs were capitalized as part of real estate held for sale and development. The capitalization rates used are 2.73% and 7.24% in 2016 and 2015, respectively. Borrowing costs included as part of cost of sales amounted to ₱6.98 million and ₱1.56 million in 2016 and 2015, respectively. Borrowing costs on loans payable capitalized as part of “Real estate held for sale and development” amounted to ₱10.93 million and ₱11.97 million in 2016 and 2015, respectively (see Note 13).

As of December 31, 2016 and 2015, various real estate held for sale and development with carrying value of ₱692.73 million and ₱641.14 million, respectively, were used as collateral to secure the Group’s bank loans (see Note 13).

8. Land Held for Future Development

Land held for future development consist of properties for future development and sale, and are carried at the lower of cost or NRV.

Rollforward analysis of the account is as follows:

	2016	2015
Balance at beginning of year	**₱399,452,638**	₱385,627,656
Development costs	**19,445,000**	13,824,982
Transfers to real estate held for sale and development (Note 7)	**(21,078,873)**	–
Balance at end of year	**₱397,818,765**	₱399,452,638

In 2016, the Group's properties amounting to ₱21.08 million classified under land held for future development were transferred to real estate held for sale and development. These pertain to two lots in Bulacan that are intended to be brought to a saleable condition in 2017.

9. Available-for-Sale Financial Assets

AFS financial assets consist of unquoted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects. These are carried at cost less impairment, if any.

Unquoted equity instruments are carried at cost since its fair value cannot be measured reliably.

The carrying value of the unquoted AFS financial assets amounted to ₱1.60 million as of December 31, 2016 and 2015.

10. Other Assets

	2016	2015
Input VAT	**₱15,620,213**	₱38,744,762
Advances to contractors and suppliers	**14,766,937**	8,703,147
Construction materials inventory	**13,116,964**	–
Deposits	**1,411,192**	1,414,532
Advances to employees	**380,487**	362,056
Others	**7,111**	221,886
	45,302,904	49,446,383
Less current portion	**28,982,626**	48,031,851
	₱16,320,278	₱1,414,532

Input VAT represents taxes imposed on the Group for the acquisition of lots, purchase of goods from its suppliers and availment of services from its contractors, as required by Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits.

Advances to contractors and suppliers represent advances and downpayments that are recouped every progress billing payment depending on the percentage of accomplishment.

Construction materials inventory pertain mainly to construction materials purchased for the Group's land development project that were not used as of December 31, 2016.

Deposits consist of guarantee deposits and amounts paid to utility providers for service application. This is presented a part of noncurrent assets as of December 31, 2016 and 2015.

Advances to employees represent advances for operational purposes and are collected through salary deduction.

11. Property and Equipment

The composition of and movements in this account follow:

	2016			
	Transportation Equipment	**Office Furniture, Fixtures and Equipment**	**Leasehold Improvement**	**Total**
Cost				
At beginning of year	**₱25,986,675**	**₱15,823,507**	**₱5,587,080**	**₱47,397,262**
Additions	**1,707,382**	**239,645**	**–**	**1,947,027**
At end of year	**27,694,057**	**16,063,152**	**5,587,080**	**49,344,289**
Accumulated Depreciation and Amortization				
At beginning of year	**14,841,904**	**9,972,036**	**4,449,165**	**29,263,105**
Depreciation and amortization (Note 18)	**3,691,401**	**1,163,718**	**558,708**	**5,413,827**
At end of year	**18,533,305**	**11,135,754**	**5,007,873**	**34,676,932**
Net Book Value	**₱9,160,752**	**₱4,927,398**	**₱579,207**	**₱14,667,357**

	2015			
	Transportation Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvement	Total
Cost				
At beginning of year	₱14,826,076	₱14,725,752	₱–	₱29,551,828
Effect of pooling of interests (Note 22)	10,714,286	874,073	5,587,080	17,175,439
Additions	446,313	223,682	–	669,995
At end of year	25,986,675	15,823,507	5,587,080	47,397,262
Accumulated Depreciation and Amortization				
At beginning of year	11,509,572	8,125,870	–	19,635,442
Effect of pooling of interests (Note 22)	535,714	698,658	3,471,426	4,705,798
Depreciation and amortization (Note 18)	2,796,618	1,147,508	977,739	4,921,865
At end of year	14,841,904	9,972,036	4,449,165	29,263,105
Net Book Value	₱11,144,771	₱5,851,471	₱1,137,915	₱18,134,157

Depreciation expense charged to operations amounted to ₱5.41 million, ₱4.92 million and ₱2.14 million in 2016, 2015 and 2014 respectively (see Note 18).

Fully depreciated assets still in use amounted to ₱15.45 million and ₱13.43 million as of December 31, 2016 and 2015, respectively.

12. **Accounts and Other Payables**

This account consists of:

	2016	2015
Accounts payable	**₱435,354,844**	₱125,132,986
Customers' deposits	**255,745,084**	132,036,779
Deferred output VAT	**13,714,286**	–
Accrued expenses	**2,434,432**	2,599,119
Interest payable (Note 13)	–	1,530,986
Unearned rental income	–	371,658
Others	**659,027**	338,688
	₱707,907,673	₱262,010,216

Customers' deposits represent collections from buyers which are not yet recognized as revenue. These deposits will be applied against the related receivable upon recognition of revenue.

Accounts payable are amounts due to suppliers and contractors on development costs incurred on its real estate under development. The accounts payable are noninterest bearing and are generally settled on 30- to 60-day term.

Accrued expenses and other liabilities include accruals of operating expenses and are normally settled on 15- to 60-day terms.

Deferred output VAT represents the uncollected portion of the contract price of the Group's construction contract with PLI.

Interest payable pertains to interest expense incurred from the loans availed by the Group. These are settled on a quarterly basis.

Unearned rental income in 2015 represents the excess payments received from customers over the rental income earned for the period which was applied in 2016.

Other payables consist of amounts owed to the government for statutory payments such as Social Security System and Pag-ibig contributions and withholding taxes. These are remitted on a monthly basis.

13. **Loans Payable**

This account consists of:

	2016	2015
Loans payable	**₱75,653,955**	₱406,975,970
Less unamortized transaction costs	**420,779**	2,106,729
	75,233,176	404,869,241
Less current portion	**22,785,660**	167,802,800
	₱52,447,516	₱237,066,441

Loans payable have interest rates ranging from 3.50% to 4.00% per annum in 2016 and 2015.

The rollforward analysis of this account is as follows:

	2016	2015
Balance at beginning of year	**₱404,869,241**	₱–
Availments	**70,000,000**	429,000,000
Payments	**(401,382,015)**	(394,018,384)
Discount amortization	**1,745,950**	118,127
Effect of pooling of interests (Note 22)	–	369,769,498
Balance at end of year	**₱75,233,176**	₱404,869,241

In 2016 and 2015, transaction costs incurred on the availment of the loans amounted to ₱0.35 million and ₱4.66 million, respectively. In 2016 and 2015, amortization of transaction costs amounting to ₱0.20 million and ₱0.12 million, respectively, were recorded as part of interest expense presented in the Group's profit or loss.

The Group entered into loan agreements with local commercial banks as follows:

a. On September 18, 2015, PRC obtained a secured 10 year loan facility from a local bank amounting to ₱300.00 million to be used for permanent working capital requirements. The principal amount is payable in 40 quarterly equal amortizations commencing on the first (1^{st}) quarter. The loan is subject to an interest rate of 3.50% which is subject to a monthly or quarterly repricing based on the prevailing market rate.

   PRC made four drawdowns in 2016 totaling to ₱58.00 million and two drawdowns in 2015 amounting to ₱135.00 million.

   In 2016, PRC prepaid the entirety of the loan for a total cash outlay of ₱193.00 million with the final payment made on April 3, 2016. Unamortized discount on loans payable amounting to ₱0.68 million was charged to interest expense in 2016. Outstanding balance of the loan as of December 31, 2015 amounted to ₱133.80 million.

   Interest expense incurred included in the Group's profit or loss amounted to ₱1.20 million in 2015. Interest expense incurred in 2016 amounting ₱3.73 million was capitalized as real estate held for sale and development (see Note 7).

   The loan agreement stipulates that PRC shall maintain adequate books, accounts and records and it will not permit any material change in business or material change in ownership or control of top level management. As of December 31, 2016 and 2015, the PRC is in compliance with the stipulated covenant.

b. On March 5, 2015, the Parent Company obtained a secured five (5) year loan facility from a local bank amounting to ₱300.00 million to finance the acquisition of shares of PRC. The principal amount is payable in sixty (60) monthly equal amortizations commencing on the sixth day (6^{th}) day of the month from such date which will incur interest at a fixed rate of 3.5%. Interest expense incurred included in the Group's profit or loss amounted to ₱1.20 million in 2015.

   The loan agreement imposes the following restrictions on the Group: use of proceeds exclusively for the purpose stated in the agreement; pay or discharge the taxes imposed upon or assessed against it or upon its incomes or profits or upon any properties belonging to the Group; furnish the bank within 90 days after the end of every semester of each year, copies of the interim financial statements for such semester certified by the Group's chief accountant; furnish the bank within (150) days after the end of each fiscal year, copies of the audited financial statements certified by independent public accountants; maintain at all times a current ratio of at least 1:1 and a debt-to-equity ratio not greater than 2:1. These restrictions and requirements were complied with by the Group as of December 31, 2016 and 2015.

The Group made one drawdown in 2016 amounting to ₱12.00 million and five drawdowns in 2015 amounting to ₱164.00 million. During 2016, the Group prepaid the four out of the five drawdowns it made in 2015 for a total cash outlay amounting to ₱89.89 million, with the last payment made in May. The unamortized discount amounting to ₱0.16 million was charged to interest expense in 2016.

In 2015, the Group made its scheduled payments for a total cash outlay of ₱10.51 million. The unamortized discount on loans amounted to ₱0.72 million as of December 31, 2015.

The carrying amount of the loan as of December 31, 2016 and 2015 amounted to ₱75.23 million and ₱152.77 million, respectively.

Interest expense incurred amounting to ₱3.80 million was capitalized to real estate held for sale and development in 2016 (see Note 7).

The loan is secured through the continuous surety from its stockholders and affiliates.

c. On August 1, 2011, PRC entered into a 5-year term loan facility with a local bank amounting to ₱700.00 million availed for the purpose of financing the construction of PRC's project in Salcedo Village along Valero Street to be operated as commercial, office and residential for sale. The principal amount is payable in forty-two (42) equal monthly consecutive installments commencing on the 19th month from date of borrowing with the last installment in an amount sufficient to fully pay the loan. The borrowings incur interest at a rate of 4% on the initial year of borrowing and is subject to repricing on an annual basis.

   PRC made six drawdowns in 2015 amounting to ₱130.00 million. PRC prepaid its obligations during the year for a total cash outlay of ₱118.49 million with the last payment made in December 2016. The carrying amount of the loan as of December 31, 2015 amounted to ₱118.30 million which was subsequently paid in 2016.

   Interest expense incurred amounted to ₱3.41 million and ₱11.97 million in 2016 and 2015, respectively, which were capitalized as real estate held for sale and development (see Note 7).

   The unamortized discount amounting to ₱0.71 million was charged to interest expense in 2016.

Real estate held for sale and development with a carrying amount of ₱692.73 million and ₱641.14 million as of December 31, 2016 and 2015, were used as collateral to secure the bank loans (b) and (c) above (see Note 7).

14. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control. Related parties may be individuals or corporate entities.

The Group, in the regular conduct of business, has entered into transactions with related parties principally consisting of reimbursement of expenses and advances. There have been no guarantees provided or received for any related party receivables or payables.

2016

Category	Amount/Volume	Outstanding Balance	Terms and Conditions
Entity under common control			
PLI			
Costs and estimated earnings in excess of billings on uncompleted contract (Note 6)	**₱128,000,000**	**₱128,000,000**	**No term; unsecured, no impairment**
Construction revenue	**257,142,857**	–	–
Affiliates			
Richdale Homeowners' Association, Inc. (Note 5)	–	**2,500,000**	**Collectible beyond 1 year, noninterest bearing; unsecured, no impairment**
Goldendale Homeowners' Association, Inc. (Note 5)	–	**1,900,000**	**Collectible beyond 1 year, noninterest bearing; unsecured, no impairment**
Stockholders			
Advances from stockholders	–	**(190,294,227)**	**Payable beyond 1 year; unsecured**

2015

Category	Amount/Volume	Outstanding Balance	Terms and Conditions
Affiliates			
Richdale Homeowners' Association, Inc. (Note 5)	₱500,000	₱2,500,000	Collectible beyond 1 year, noninterest bearing; unsecured, no impairment
Goldendale Homeowners' Association, Inc. (Note 5)	–	1,900,000	Collectible beyond 1 year, noninterest bearing; unsecured, no impairment
Stockholders			
Advances from stockholders	–	(190,294,227)	Payable beyond 1 year; unsecured

Other affiliates
Transactions with other affiliates represent reimbursement of common expenses incurred by the companies in behalf of other affiliated companies. These were incurred in the ordinary course of the Group's business.

The Group does not provide any allowance relating to receivables from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

Construction contract with PLI
Transaction with entity under common control represent contract entered with PLI for the construction and development of PLI's land into a residential subdivision. Total estimated earnings to date represent contract revenue earned under the POC method. Revenue from

construction contracts and direct costs amounted to ₱257.14 million and ₱167.64 million in 2016. Costs and estimated earnings in excess of billings on uncompleted contract amounted to ₱128.00 million as of December 31, 2016.

Terms and condition of transactions with related parties
Related party balances at year-end are unsecured, interest-free and are expected to be settled once parties have followed through with the settlement. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash.

There are no agreements between the Group and any of its directors and key officers on providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

Compensation of Key Management Personnel
Salaries, including other short-term employee benefits and post-employment benefits of the Group's key management personnel amounted to ₱1.89 million, ₱1.70 million and ₱1.69 million for the years ended December 31, 2016, 2015 and 2014, respectively.

15. **Equity**

Paid-in Capital
Details of the Parent Company's paid-in capital as of December 31, 2016 and 2015 follow:

	2016	2015
Authorized shares	**4,500,000,000**	900,000,000
Par value per share	**₱0.20**	₱1.00
Issued and outstanding shares	**1,616,666,665**	323,333,333

On August 10, 2001, the Parent Company launched its Initial Public Offering where a total of 200,000,000 common shares were offered at an offering price of ₱2.20 per share. The registration statement was approved on July 17, 2001 by SEC.

On February 5, 2013, a subscription agreement was entered into by the Parent Company and another third party corporation for an additional subscription of 17,000,000 shares of the Parent Company's common stock for a share price of ₱3.50 per share with the excess in par value amounting to ₱42.50 million recognized as additional paid-in capital. The Parent Company's subscription receivable amounting to ₱2.00 million was collected during 2014.

On November 24, 2015, the Parent Company's BOD approved the change in par value of the Parent Company's common shares from ₱1.00 per share to ₱0.20 per share. Following the approval, on November 25, 2015, the Parent Company's BOD approved the amendment of the Articles of Incorporation to reflect the change in par value of the authorized capital stock.

Subsequently, on a special stockholders' meeting held on January 29, 2016, the Parent Company secured the approval of the stockholders on the change in par value of capital stock from ₱1.00 per share to ₱0.20 per share and the amendment of the Articles of Incorporation. The SEC approved the change in par value of the Parent Company's capital stock on August 3, 2016.

The Parent Company has 17 and 18 stockholders as of December 31, 2016 and 2015, respectively.

Retained Earnings
Retained earnings include the accumulated equity in undistributed net earnings of the consolidated subsidiary amounting to ₱127.49 million and ₱36.65 million as of December 31, 2016 and 2015, respectively, which are not available for dividend declaration by the Parent Company until these are declared by PRC. The issuance cost for the common stock issued by PRC in 2016 amounting to ₱1.50 million was charged against retained earnings.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2016 and 2015 amounted to ₱198.57 million and ₱118.40 million, respectively.

Other Equity Reserve
The Group's other equity reserve amounting to ₱10.40 million pertain to the change in the relative interests of the controlling and non-controlling interests of the Group resulting from the acquisition in 2016 of 18% stake in PRC from the Group's non-controlling interests.

Capital Management
The primary objectives of the Group's capital management policies are to afford the financial flexibility to support its business initiatives and to maximize stakeholders value. The Group will manage its capital structure and make adjustments to it, in light of changes in economic condition. The Group's source of capital is its equity attributable to equity holders of the Parent Company totaling to ₱712.44 million and ₱530.95 million as of December 31, 2016 and 2015, respectively.

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its long-term loans that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call the loans. There have been no breaches in the financial covenants of the loans availed by the Group in the current period.

No changes were made in the Group's capital management objectives, policies or processes during the years ended December 31, 2016 and 2015.

16. Retirement Plan

The Group has an unfunded, noncontributory defined benefit type of retirement plan covering substantially all of its employees. The benefits are based on the employees' years of service.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group's retirement plan meets the minimum retirement benefit specified by the law.

The components of retirement expense included under operating expenses in the consolidated statements of comprehensive income follow:

	2016	2015	2014
Current service cost	**₱154,308**	₱1,445,176	₱89,537
Interest cost	**186,245**	151,123	84,776
Total retirement expense (Note 18)	**₱340,553**	₱1,596,299	₱174,313

The amounts recognized in the consolidated statements of financial position for the pension liability represents the present value of defined benefit obligation as of reporting date.

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

	2016	2015
Balance at beginning of year	**₱4,082,175**	₱2,331,661
Current service cost	**154,308**	1,445,176
Interest cost	**186,245**	151,123
Remeasurement loss (gain) arising from:		
Changes in financial assumptions	**(68,494)**	(76,426)
Experience adjustments	**284,597**	230,641
Balance at end of year	**₱4,638,831**	₱4,082,175

The average duration of the defined benefit obligation at the end of the reporting period is 11-12 years.

The principal assumptions used to determine retirement benefits for the Group for the years ended December 31 are as follows:

	2016	2015	2014
Discount rate	**4.39%-5.11%**	4.39% - 4.83%	3.99%
Salary increase rate	**4.00%**	4.00%	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation (DBO) as of December 31, assuming all other assumptions were held constant:

		Effect on DBO	
	Increase (decrease)	**2016**	2015
Discount rate	1.00%	**(₱193,879)**	(₱193,454)
	(1.00%)	**246,296**	233,253
Rate of salary increase	1.00%	**245,988**	231,103
	(1.00%)	**(204,732)**	(200,887)

The maturity analysis of the undiscounted benefit payments as of December 31 follows:

	2016	2015
More than 1 year to 5 years	**₱3,068,966**	₱2,859,025
More than 5 to 10 years	**2,605,703**	1,436,883
More than 10 to 15 years	**6,126,409**	2,535,992

17. **Miscellaneous Income**

This account pertains to income penalties earned from late payments of buyers for the scheduled installment contracts receivable payments as well as income derived from deposits resulting to forfeitures of potential real estate sales. The Group's miscellaneous income amounted to ₱0.50 million, ₱0.04 million and ₱0.23 million in 2016, 2015 and 2014, respectively.

18. **Sales and Expenses**

Sales consist of:

	2016
Real estate	**₱297,707,178**
Construction contract (Note 14)	**257,142,857**
	₱554,850,035

Sales in 2015 and 2014 consist only of real estate sales.

Operating expenses consist of:

	2016	2015	2014
Depreciation (Note 11)	**₱5,413,827**	₱4,921,865	₱2,143,268
Salaries, wages and employee benefits	**5,694,215**	4,681,518	2,875,136
Taxes and licenses	**5,062,015**	1,897,479	1,945,194
Rent expense (Note 21)	**3,602,329**	2,574,379	–
Commission	**3,106,542**	1,882,652	–
Light, water and dues	**2,545,213**	1,138,568	115,604
Professional fees	**879,556**	1,161,156	543,440
Security, messengerial and janitorial services	**823,070**	906,210	221,500
Retirement (Note 16)	**340,553**	1,596,299	174,313
Repairs and maintenance	**303,518**	323,893	355,350
Selling and marketing	**299,026**	1,434,300	–
Communication and transportation	**256,018**	276,214	143,121
Insurance	**187,920**	238,182	177,304
Entertainment, amusement and recreation	**162,627**	204,314	116,646
Gas and oil	**145,454**	1,596,481	2,404,805
Training and development	**59,000**	50,400	72,000
Miscellaneous	**839,137**	712,784	465,153
	₱29,720,020	₱25,596,694	₱11,752,834

Direct operating expenses incurred from rental operations of the Group amounted to ₱3.61 million and ₱2.57 million in 2016 and 2015, respectively.

19. **Income Taxes**

Provision for income tax consists of:

	2016	2015	2014
Current - RCIT	**₱82,050,564**	₱41,072,819	₱859,019
Deferred	**(3,222,570)**	(9,714,645)	(56,530)
Final	**4,238**	2,668	314
	₱78,832,232	₱31,360,842	₱802,803

The components of net deferred tax assets follow:

	2016	2015
Presented in profit or loss		
Deferred tax assets on:		
Deferred gross profit	**₱16,013,739**	₱7,729,962
Pension liability	**1,280,554**	1,178,388
Accrued expenses	**402,467**	525,269
Accretion of interest on receivables	**253,357**	383,596
Accrued interest	–	459,296
Unearned rent	–	111,497
	17,950,117	10,388,008
Deferred tax liabilities on:		
Capitalized borrowing costs	**(₱4,018,887)**	₱–
Lease income differential between straight-line and accrual method of accounting for leases	**(409,150)**	–
Unamortized discount on loans payable	**(126,234)**	(214,732)
	(4,554,271)	(214,732)
	13,395,846	10,173,276
Presented in OCI		
Deferred tax asset on:		
Remeasurement gain on defined benefit obligation	**111,095**	46,264
	₱13,506,941	₱10,219,540

A reconciliation of the statutory income tax to the effective income tax follows:

	2016	2015	2014
Statutory income tax	**₱79,182,075**	₱30,938,255	₱749,906
Deductible expenses charged to equity	**(450,000)**	–	–
Nondeductible expenses	**102,276**	423,922	53,054
Interest income subject to final tax	**(2,119)**	(1,335)	(157)
Effective income tax	**₱78,832,232**	₱31,360,842	₱802,803

20. Earnings Per Share

Earnings per share amounts were computed as follows:

	2016	2015	2013
a. Net income attributable to the Parent Company	**₱172,541,029**	₱50,260,739	₱1,696,885
b. Weighted average number of outstanding common shares	**1,616,666,665**	1,616,666,665	1,616,666,665
d. Basic/diluted earnings per share (a/b)	**₱0.1067**	₱0.0311	₱0.0010

The weighted average number of outstanding common shares was retrospectively adjusted to reflect the decrease in par value of capital stock in 2016.

As of December 31, 2016, 2015 and 2014, the Group has no potentially dilutive common shares.

21. Lease Commitments

Operating Leases - Company as Lessor

The Group entered into lease agreements covering its parcels of land under real estate held for sale and development and land held for future development to third parties. The lease is renewable under certain terms and conditions. The terms of the leases range from five (5) to 10 years. Accrued rent receivable amounted to ₱2.81 million and ₱1.51 million as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the future minimum lease receivables under noncancellable operating leases follow:

	2016	2015
Within one year	**₱4,764,444**	₱11,634,532
After one year but not more than five years	**10,385,895**	18,153,730
	₱15,150,339	₱29,788,262

In addition, the Group has had transactions with an affiliate in which the latter allowed to the Group to lease out the properties it owns, collect property rentals and assume all expenses and liabilities with regards to the undertaking at no cost to the Group. These transactions are recorded under "Rental income" account in profit or loss.

Total rental income amounted to ₱25.16 million, ₱15.48 million and ₱4.93 million in 2016, 2015 and 2014, respectively.

Operating Leases - Company as Lessee

The Company entered into an operating lease agreement with Springdale Trading Corp. for the lease of a commercial space used as the Company's showroom and for subleasing purposes. The Contract runs for a period of one year and is renewable annually. Rental expense (which includes common area dues) amounted to ₱3.60 million and ₱2.57 million in 2016 and 2015, respectively (see Note 18).

22. Effect of Pooling of Interests

On March 30, 2015, the Parent Company acquired 70% interest of PRC for a cash consideration of ₱140.00 million. Prior to the acquisition, the Parent Company and PRC are under the common control of the Ang family. This transaction is considered to be a common control business combination and was accounted for using the pooling of interests method, accounted for prospectively.

The following were the carrying values of the identifiable assets and liabilities of PRC as of March 30, 2015, the date of acquisition, and its revenue and expenses recognized before the date of acquisition:

Current Assets	
Cash	₱1,529,572
Receivables	13,136,189
Real estate held for sale and development (Note 7)	547,033,721
Other current assets	48,347,036
	610,046,518
Noncurrent Assets	
Land and improvements	₱204,854,463
Available-for-sale financial assets	166,320
Property and equipment - net (Note 11)	12,469,641
Other noncurrent assets	22,712,751
Total Noncurrent Assets	240,203,175
Total Assets	850,249,693
Current Liabilities	
Accounts and other payables	₱179,849,614
Advances from stockholders	190,294,227
Total Current Liabilities	370,143,841
Noncurrent Liability	
Long-term debt (Note 13)	369,769,498
Total Liabilities	739,913,339
Total Net Assets	₱110,336,354

23. **Partly-owned Subsidiary**

Financial information of PRC which has material non-controlling interest is provided below:

	2016	2015
Proportion of equity held by non-controlling interest	**12%**	30%
Accumulated balance of material non-controlling interest	**₱127,974,686**	₱126,006,413
Profit allocated to material non-controlling interest	**12,566,989**	15,708,518

The summarized financial information of PRC is provided below. This information is based on amounts before intercompany eliminations.

Summarized statements of income are as follows:

	2016	2015
Revenue	**₱286,784,841**	₱206,320,714
Cost of sales	**117,739,063**	95,479,180
Operating and other expenses	**20,081,667**	27,183,132
Profit before tax	**148,964,111**	83,658,402
Provision for income tax	**44,239,224**	25,499,258
Profit for the year	**104,724,887**	58,159,144
Total comprehensive income	**104,536,364**	₱58,030,947
Total comprehensive income attributable to non-controlling interests	**₱12,544,366**	₱21,467,475

Summarized statements of financial position are as follows:

	2016	2015
Current assets	**₱853,382,749**	₱780,061,194
Noncurrent assets	**324,717,880**	295,019,214
Current liabilities	**449,565,422**	(379,947,284)
Noncurrent liabilities	**195,928,958**	(317,563,239)
Total equity	**₱532,606,249**	₱377,569,885
Attributable to:		
Equity holders of the Parent Company	**₱404,631,563**	₱251,563,472
Non-controlling interests	**127,974,686**	126,006,413

Summarized cash flow information for years then ended follows:

	2016	2015
Operating	**₱162,521,738**	(₱59,642,255)
Investing	**(27,072,233)**	321,345
Financing	**(154,990,062)**	66,859,729
Net increase (decrease) in cash	**(₱19,540,557)**	₱7,538,819

24. **Financial Instruments**

Fair Value Information

The carrying amounts of cash, receivables (except contracts receivable), accounts payable and other payables approximate their fair values due to the relatively short-term maturities of these investments.

Contracts receivable - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 2.26% to 3.37% and 2.26% to 3.37% in 2016 and 2015, respectively. The carrying value and fair value amounted to ₱199.83 million and ₱221.97 million in 2016 and ₱91.32 million and ₱97.03 million in 2015.

AFS unquoted equity securities - These are carried at cost since its fair value cannot be measured reliably.

Loans payable - fixed-rate loans are estimated using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 2.37% to 3.98% in 2016 and 2015. For variable-rate loans that reprice monthly, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

The carrying values and fair values of long-term debt amounted to ₱75.23 million and ₱101.53 million as of December 31, 2016, respectively. The carrying values and fair values of long-term debt amounted to ₱404.87 million and ₱382.37 million as of December 31, 2015, respectively.

Advances from stockholders and refundable deposits - Due to the unpredictability of timing of payment, fair value of these liabilities cannot be reasonably estimated.

Fair Value Hierarchy

The following table shows an analysis of the Group's financial and non-financial assets and liabilities by level of the fair value hierarchy:

2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Asset for which fair value is disclosed:				
Loans and receivables				
Contract receivable	–	–	**₱221,971,498**	**₱221,971,498**
Liabilities for which fair values are disclosed:				
Other financial liabilities				
Loans payable	–	–	**101,532,125**	**101,532,125**

2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Asset for which fair value is disclosed:				
Loans and receivables				
Contract receivable	–	–	₱97,031,940	₱97,031,940
Liabilities for which fair values are disclosed:				
Other financial liabilities				
Loans payable	–	–	382,369,283	382,369,283

The Group categorized contracts receivable classified as loans and receivables under Level 3 as of December 31, 2016 and 2015. The fair value of this financial instrument was determined by discounting future cash flows using the effective interest rates. Increase (decrease) in the discount rate would result in a higher (lower) fair value.

The Group categorized loans payable classified as other financial liabilities under Level 3 as of December 31, 2016 and 2015. The fair value of this financial instrument was determined by discounting future cash flows using the effective interest rates. Increase (decrease) in the discount rate would result in a lower (higher) fair value.

There have been no reclassifications between level 1, 2, and 3 categories in 2016 and 2015.

Financial Risk Management Objectives and Policies
The Group has various financial instruments such as unquoted AFS financial assets, loans and receivables and other financial liabilities which arise directly from the conduct of its operations. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

As of December 31, 2016 and 2015, there is also no significant exposure to equity price risk since AFS financial assets are unquoted.

The Group reviews and approves policies for managing risks which are summarized below:

Exposures to credit and liquidity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risk is primarily attributable to its installment contracts receivable and interest receivable. The Group manages its credit risk by conducting credit reviews and analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain payment structures. In addition, the Group's credit risk is minimized since the contract to sell provides the Group the right to rescind the sale, offer the same property to other parties in case of customer's default and the title of the property passes to the buyer only after the full payment of the receivable.

Financial assets comprise cash in bank, receivables and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investments in financial instruments. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. The Group's exposure to credit risk from cash in bank and AFS financial assets arise from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The following table shows the maximum exposure of the Group to credit risk as of December 31, 2016 and 2015:

2016

	Maximum exposure to credit risk	**Fair value of collaterals**	**Net Exposure**
Receivables			
Contracts receivable	**₱199,825,761**	**₱526,968,062**	**₱–**
Interest receivable	**4,565,244**	**–**	**4,565,244**
Advances to affiliates	**4,400,000**	**–**	**4,400,000**
Accrued rent receivable	**2,806,283**	**7,639,533**	**–**
	₱211,597,288	**₱534,607,595**	**₱8,965,244**

2015

	Maximum exposure to credit risk	Fair value of collaterals	Net Exposure
Receivables			
Contracts receivable	₱91,321,826	₱124,574,400	₱–
Advances to affiliates	4,400,000	–	4,400,000
Accrued rent receivable	1,508,165	962,197	545,968
Interest receivable	369,126	–	369,126
	₱97,599,117	₱125,536,597	₱5,315,094

Contracts receivable are secured by the lot or unit bought, whereas the accrued rent receivable is secured by the deposits paid by the particular lessee from whom the rent receivable is due.

As of December 31, 2016 and 2015, the aging analysis of receivables presented per class, is as follows:

2016

	Neither Past Due nor Impaired	**Past Due but not Impaired**						**Total**
		<30 days	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**	**Total**	
Contracts receivable	**₱186,879,990**	**₱5,029,670**	**₱861,328**	**₱1,454,288**	**₱664,950**	**₱4,935,535**	**₱12,945,771**	**₱199,825,761**
Interest receivable	**4,565,244**	–	–	–	–	–	–	**4,565,244**
Advances to affiliates	**4,400,000**	–	–	–	–	–	–	**4,400,000**
Accrued rent receivable	**2,806,283**	–	–	–	–	–	–	**2,806,283**
	₱198,651,517	**₱5,029,670**	**₱861,328**	**₱1,454,288**	**₱664,950**	**₱4,935,535**	**₱12,945,771**	**₱211,597,288**

2015

	Neither Past Due nor Impaired	Past Due but not Impaired						Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	
Contracts receivable	₱87,429,702	₱1,031,972	₱239,021	₱320,613	₱264,559	₱2,035,959	₱3,892,124	₱91,321,826
Advances to affiliates	4,400,000	–	–	–	–	–	–	4,400,000
Accrued rent receivable	–	150,679	150,679	150,679	150,679	905,449	1,508,165	1,508,165
Interest receivable	369,126	–	–	–	–	–	–	369,126
	₱92,198,828	₱1,182,651	₱389,700	₱471,292	₱415,238	₱2,941,408	₱5,400,289	₱97,599,117

The table below shows the credit quality of the Group's financial assets as of December 31, 2016 and 2015:

2016

	Neither Past Due nor Impaired			**Past due but not impaired**	**Total**
	High Grade	**Medium Grade**	**Low Grade**		
Loans and receivables					
Cash in bank	**₱46,097,025**	**₱–**	**₱–**	**₱–**	**₱46,097,025**
Receivables:					
Contracts receivable	**186,879,990**	–	–	**12,945,771**	**199,825,761**
Interest receivable	**4,565,244**	–	–	–	**4,565,244**
Advances to affiliates	**4,400,000**	–	–	–	**4,400,000**
Accrued rent receivable	**2,806,283**	–	–	–	**2,806,283**
	₱244,748,542	**₱–**	**₱–**	**₱12,945,771**	**₱257,694,313**

2015

	Neither Past Due nor Impaired			Past due but not	
	High Grade	Medium Grade	Low Grade	impaired	Total
Loans and receivables					
Cash in bank	₱29,686,130	₱–	₱–	₱–	₱29,686,130
Receivables:					
Contracts receivable	85,093,821	–	2,335,881	3,892,124	91,321,826
Advances to affiliates	4,400,000	–	–	–	4,400,000
Accrued rent receivable	–	–	–	1,508,165	1,508,165
Interest receivable	369,126	–	–	–	369,126
	₱119,549,077	₱–	₱2,335,881	₱5,400,289	₱127,285,247

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

Cash in bank - high grade based on the nature of the counterparty.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment.

AFS financial assets - the unquoted financial assets are unrated.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows.

Overall, the Group's funding arrangements are designed to keep an appropriate balance between equity and debt, to give financing flexibility while continuously enhancing the Group's businesses.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31 based on the remaining contractual maturities and undiscounted contractual cash flows:

2016

	<30 days	30-60 days	61 days- 1 year	>1 year	Total
Loans and receivables					
Cash	**₱46,117,025**	**₱–**	**₱–**	**₱–**	**₱46,117,025**
Receivables:					
Contracts receivable	**48,668,370**	**2,637,813**	**85,454,901**	**63,064,677**	**199,825,761**
Interest receivable	**4,565,244**	**–**	**–**	**–**	**4,565,244**
Advances to affiliates	**–**	**–**	**–**	**4,400,000**	**4,400,000**
Accrued rent receivable	**2,806,283**	**–**	**–**	**–**	**2,806,283**
Total loans and receivables	**102,156,922**	**2,637,813**	**85,454,901**	**67,464,677**	**257,714,313**
AFS financial assets	**–**	**–**	**–**	**1,604,218**	**1,604,218**
Total financial assets	**₱102,156,922**	**₱2,637,813**	**₱85,454,901**	**₱69,068,895**	**₱259,318,531**
Other financial liabilities:					
Accounts and other payables					
Accounts payable	**₱301,556,321**	**₱–**	**₱133,798,523**	**₱–**	**₱435,354,844**
Accrued expenses	**2,434,432**	**–**	**–**	**–**	**2,434,432**
Refundable deposits	**–**	**–**	**7,639,533**	**–**	**7,639,533**
Loans payable*	**2,559,519**	**2,559,519**	**25,595,193**	**52,447,516**	**83,161,747**
Advances from stockholders	**–**	**–**	**–**	**190,294,227**	**190,294,227**
Total other financial liabilities	**₱306,550,272**	**₱2,559,519**	**₱167,033,249**	**₱242,741,743**	**₱718,884,783**

Includes future interest payable

2015

	<30 days	30-60 days	61 days- 1 year	>1 year	Total
Loans and receivables					
Cash	₱29,706,130	₱–	₱–	₱–	₱29,706,130
Receivables:					
Contracts receivable	2,667,914	1,108,853	26,662,861	60,882,198	91,321,826
Advances to affiliates	–	–	–	4,400,000	4,400,000
Accrued rent receivable	1,508,165	–	–	–	1,508,165
Interest receivable	369,126	–	–	–	369,126
Total loans and receivables	34,251,335	1,108,853	26,662,861	65,282,198	127,305,247
AFS financial assets	–	–	–	1,604,218	1,604,218
Total financial assets	₱34,251,335	₱1,108,853	₱26,662,861	₱66,886,416	₱128,909,465
Other financial liabilities:					
Accounts and other payables					
Accounts payable	63,370,942	–	61,762,044	–	125,132,986
Accrued expenses	2,599,119	–	–	–	2,599,119
Interest payable	1,530,986	–	–	–	1,530,986
Refundable deposits	–	–	1,150,672	5,994,962	7,145,634
Loans payable*	22,831,235	22,632,488	132,679,438	254,252,752	432,395,913
Advances from stockholders	–	–	–	190,294,227	190,294,227
Total other financial liabilities	₱90,332,282	₱22,632,488	₱195,592,154	₱450,541,941	₱759,098,865

Includes future interest payable

Interest rate risk
Interest rate risk is the risk that changes in the market interest rates will reduce the Group’s current or future earnings and/or economic value. The Group’s interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group’s interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The following table demonstrates the sensitivity to a reasonably possible changes in interest rates, with all variables held constant, of the Group’s income before tax and equity (through the impact on floating rate borrowings) in 2016 and 2015:

Increase/decrease in basis points (bps)	Effect on income before tax and equity 2016	2015
+100 bps	**(₱451,500)**	(₱1,350,000)
- 100 bps	**451,500**	1,350,000

The assumed change in rate is based on observable market environment in 2016 and 2015.

25. **Segment Information**

The industry segments where the Group operates are as follows:

Real estate - sale of high-end and upper middle-income residential lots and units.

Construction - land development and construction of related party project. This industry segment was started by the Group in 2016.

The significant information on the reportable segments is as follows:

2016

	Real estate	**Construction**	**Consolidated**
REVENUE			
Real estate sales	**₱297,707,178**	**₱–**	**₱297,707,178**
Construction contracts	**–**	**257,142,857**	**257,142,857**
Interest income	**9,263,507**	**–**	**9,263,507**
	306,970,685	**257,142,857**	**564,113,542**
COSTS AND EXPENSES			
Cost of real estate sales	**126,733,607**	**–**	**126,733,607**
Construction costs	**–**	**167,636,134**	**167,636,134**
Operating expenses	**29,720,020**	**–**	**29,720,020**
	156,453,627	**167,636,134**	**324,089,761**
Income before tax	**₱174,433,527**	**₱89,506,723**	**₱263,940,250**
ASSETS			
Cash	**₱46,117,025**	**₱–**	**₱46,117,025**
Receivables	**211,597,288**	**–**	**211,597,288**
Real estate held for sale and development	**1,015,456,742**	**–**	**1,015,456,742**
Costs and estimated earnings in excess of billings on uncompleted contract	**–**	**128,000,000**	**128,000,000**
Other current assets	**15,865,662**	**13,116,964**	**28,982,626**
Land held for future development	**397,818,765**	**–**	**397,818,765**
	₱1,686,855,482	**₱141,116,964**	**₱1,827,972,446**
LIABILITIES			
Accounts and other payables	**₱522,480,693**	**₱185,426,980**	**₱707,907,673**
Loans payable	**75,233,176**	**–**	**75,233,176**
	₱597,713,869	**₱185,426,980**	**₱783,140,849**

	Real estate operations (prior to commencement of construction operations)	
	2015	2014
REVENUE		
Real estate sales	₱195,272,527	₱12,923,826
Interest income	11,435,399	919,761
	206,707,926	13,843,587
COSTS AND EXPENSES		
Cost of real estate sales	98,084,080	4,755,493
Operating expenses	25,596,694	11,752,834
	123,680,774	16,508,327
Income before tax	₱97,330,099	₱2,499,688
ASSETS		
Cash	₱29,706,130	₱3,716,838
Receivables	97,599,117	12,354,964
Real estate held for sale and development	924,810,199	277,362,705
Other current assets	48,031,851	3,679,924
Land held for future development	399,452,638	180,773,193
	₱1,499,599,935	₱477,887,624
LIABILITIES		
Accounts and other payables	₱262,010,216	₱4,425,106
Loans payable	404,869,241	–
	₱666,879,457	₱4,425,106

Segment assets exclude property and equipment, available-for-sale financial assets, deferred tax assets and other noncurrent assets.

Segment liabilities exclude refundable deposits, unearned rental, statutory liabilities and pension liability.

Segment revenue exclude rental income from used of properties owned by the Group and miscellaneous income.

All revenues are from individuals and domestic entities incorporated in the Philippines.

In 2016, the Group derived ₱257.14 million or 44% of its total revenues from a single external customer which pertains to a land development contract with the Group acting as the developer. There are no revenues derived from a single external customer above 10% of total revenue in 2015 and 2014.

Reconciliation of Assets

	2016	2015	2014
Total operating assets of segments	**₱1,827,972,446**	₱1,499,599,935	₱477,887,624
Property and equipment	**14,667,357**	18,134,157	9,916,386
Available-for-sale financial assets	**1,604,218**	1,604,218	1,437,898
Deferred tax assets	**13,506,941**	10,219,540	461,969
Other noncurrent assets	**16,320,278**	1,414,532	358,230
Consolidated total assets	**₱1,874,071,240**	₱1,530,972,382	₱490,062,107

Reconciliation of Liabilities

	2016	2015	2014
Total operating liabilities of segments	**₱783,140,849**	₱666,879,457	₱4,425,106
Advances from stockholders	**190,294,227**	190,294,227	–
Refundable deposits	**7,639,533**	7,145,634	2,485,750
Statutory liabilities	**47,941,117**	5,610,952	57,313
Pension liability	**4,638,831**	4,082,175	2,331,661
Consolidated total liabilities	**₱1,033,654,557**	₱874,012,445	₱9,299,830

Reconciliation of Revenue and Other income

	2016	2015	2014
Total revenue of segments	**₱564,113,542**	₱206,707,926	₱13,843,587
Rental income	**25,157,978**	15,480,931	4,929,756
Miscellaneous	**504,441**	42,700	234,672
Consolidated total revenue and other income	**₱589,775,961**	₱222,231,557	₱19,008,015

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Primex Corporation
Ground Floor, Richbelt Terraces
19 Annapolis Street, Greenhills
San Juan, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Primex Corporation and its subsidiary (the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 included in this Form 17-A, and have issued our report thereon dated April 12, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules A to L listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
SEC Accreditation No. 1507-A (Group A),
September 24, 2015, valid until September 23, 2018
Tax Identification No. 245-571-753
BIR Accreditation No. 08-001998-110-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908768, January 3, 2017, Makati City

April 12, 2017

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule	Contents
A	Financial assets
B	Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)
C	Amounts receivable from related parties which are eliminated during the consolidation of financial assets
D	Intangible assets - other assets
E	Long term debt
F	Indebtedness to related parties (long-term loans and related companies)
G	Guarantees of securities of other issuers
H	Capital Stock
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K	Schedule of all effective standards and interpretations under Philippine Financial Reporting Standards
L	Financial soundness indicators

PRIMEX CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE ON FINANCIAL ASSETS
AS OF DECEMBER 31, 2016

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NUMBER OF SHARE OR PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET	VALUE BASED ON MARKET QUOTATION	INCOME RECEIVED & ACCRUED
	NOT APPLICABLE			

The Group does not have financial assets that are above 5% of its total assets as of December 31, 2016.

SCHEDULE B

PRIMEX CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE ON AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND RELATED PARTIES FOR THE YEAR ENDED DECEMBER 31, 2016

NAME	BEGINNING BALANCE	ADDITIONS	COLLECTIONS	WRITE OFFS	ENDING BALANCE		TOTAL
					Current	Noncurrent	
			NOT APPLICABLE				

The Group does not have receivable from directors, officers, and employees as of December 31, 2016.

SCHEDULE C

PRIMEX CORPORATION AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE ON AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION PERIOD FOR THE YEAR ENDED DECEMBER 31, 2016

NAME (Debtor)	BEGINNING BALANCE	ADDITIONS	COLLECTIONS	WRITE OFFS	ENDING BALANCE		TOTAL
					Current	Noncurrent	
Primex Corp.	₱48,000,000	₱300,000,000	₱175,000,000	₱–	₱173,000,000	₱–	₱173,000,000

This balance pertains to subscriptions receivable of Primex Realty Corporation from Primex Corporation.

PRIMEX CORPORATION AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE ON INTANGIBLE ASSETS - OTHER ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COST AND EXPENSES	CHARGED TO OTHER ACCOUNTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	ENDING BALANCE
		NOT APPLICABLE				

The Group does not have intangible assets as of December 31, 2016.

PRIMEX CORPORATION AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE ON LONG TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2016

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT (NET OF CURRENT PORTION)	INTEREST RATE	NO. OF PERIODIC INSTALLMENT	MATURITY DATE
Bank Loan (MBTC)	₱300,000,000	₱22,785,660	₱52,447,516	3.5%	60 monthly installments	April 6, 2020

SCHEDULE F

PRIMEX CORPORATION AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE ON INDEBTEDNESS TO RELATED PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2016

NAME OF RELATED PARTY (CREDITOR)	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD
Stockholders	₱190,294,227	₱190,294,227

PRIMEX CORPORATION AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE ON GUARANTEES OF SECURITIES OF OTHER ISSUERS
FOR THE YEAR ENDED DECEMBER 31, 2016

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR W/C THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED & OUTSTANDING	AMOUNT OWNED BY PERSON FOR W/C STATEMENTS FILED	NATURE OF GUARANTEE
	NOT APPLICABLE			

The Group does not have guarantees of securities of other issuers as of December 31, 2016.

SCHEDULE H

PRIMEX CORPORATION AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE ON CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2016

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING AND SHOWN UNDER RELATED BALANCE SHEET CAPTION				Number of shares reserved for options, warrants conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
		ISSUED	SUBSCRIBED	TREASURY SHARES	TOTAL				
Common shares	4,500,000,000	1,616,666,665	–	–	1,616,666,665	–	–	1,066,149,995	550,516,670

PRIMEX CORPORATION AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2016

Unappropriated Retained Earnings, beginning	₱118,833,762
Adjustments:	
Deferred tax asset, beginning	(958,673)
Unappropriated Retained Earnings, as adjusted, beginning	117,875,089
Net income actually earned based on the face of Audited Financial Statements	80,383,128
Other adjustment:	
Amount of provision for deferred tax during the year	307,239
Unappropriated Retained Earnings, end available for dividend distribution	₱198,565,456

SCHEDULE J

PRIMEX CORPORATION AND SUBSIDIARY

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE GROUP AND CO SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2016

PRIMEX CORPORATION
Parent Company

88%

PRIMEX REALTY CORPORATION
Subsidiary Company

PRIMEX CORPORATION AND SUBSIDIARY
FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2016

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2016 and 2015:

Financial ratios		**2016**	2015
Current ratio	$\frac{\text{Current assets (CA)}}{\text{Current liabilities (CL)}}$	**1.75:1**	2.38:1
Net working capital ratio	$\frac{\text{CA – CL}}{\text{Total Assets}}$	**0.31:1**	0.39:1
Return on assets	$\frac{\text{Operating income}}{\text{Average assets}}$	**15.50%**	9.63%
Return on equity	$\frac{\text{Net income}}{\text{Average equity}}$	**24.72%**	11.60%
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	**1.23:1**	1.33:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	**2.23:1**	2.33:1

PRIMEX CORPORATION AND SUBSIDIARY

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCILA REPORTING STANDARDS (PFRS) AS OF DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs	✓		
	Amendments to PFRS 1: Meaning of 'Effective PFRSs'			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments: Classification and Measurement (2010 version)	**Not early adopted**		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	**Not early adopted**		
	Financial Instruments (2014 or final version)	**Not early adopted**		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	**Not early adopted**		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	**Not early adopted**		
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables			✓
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	**Not early adopted**		
PFRS 16	Leases	**Not early adopted**		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Presentation of Financial Statements - Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative	**Not early adopted**		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Restatement of Accumulated Depreciation and Amortization			
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Amendments to PAS 27: Separate Financial Statements			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendments to PAS 34: Disclosure of Information ‘Elsewhere in the Interim Financial Report’			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		**Adopted**	**Not Adopted**	**Not Applicable**
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓