Cyberzone Properties, Inc.
(A Wholly Owned Subsidiary of Filinvest Land, Inc.)

Financial Statements
December 31, 2016, 2015 and 2014

and

Independent Auditor's Report

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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
Cyberzone Properties, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cyberzone Properties, Inc. (the Company), which comprise the statements of financial position as at December 31, 2016, 2015 and 2014, and the statements of comprehensive income, and the statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, 2015 and 2014, and its financial performance and its cash flows for the years then ended 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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.

SYCIP GORRES VELAYO & CO.

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PTR No. 5908762, January 3, 2017, Makati City

June 9, 2017

CYBERZONE PROPERTIES, INC.
(A Wholly Owned Subsidiary of Filinvest Land, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31		
	2016	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4, 15, 23 and 24)	**₱88,269,921**	₱674,992,741	₱283,180,422
Receivables (Notes 5, 23 and 24)	**266,228,137**	134,735,245	199,158,925
Advances to contractors (Note 6)	**422,644,344**	573,912,778	583,559,722
Other current assets (Note 7)	**495,109,399**	271,124,855	92,830,198
Total Current Assets	**1,272,251,801**	1,654,765,619	1,158,729,267
Noncurrent Assets			
Investment properties (Notes 8, 15 and 23)	**10,392,125,309**	8,281,980,398	6,510,078,849
Property and equipment (Note 9)	**38,679,584**	37,683,322	36,860,741
Intangible and other noncurrent assets (Note 10)	**1,821,404,835**	1,454,433,747	1,258,997,119
Total Noncurrent Assets	**12,252,209,728**	9,774,097,467	7,805,936,709
	₱13,524,461,529	₱11,428,863,086	₱8,964,665,976
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Notes 11, 23 and 24)	**₱1,018,751,948**	₱1,096,391,643	₱740,509,926
Long-term debt - current portion (Notes 12, 23 and 24)	**653,159,091**	335,848,485	165,125,000
Income tax payable	**11,085,726**	36,500,421	4,818,240
Other current liabilities (Notes 13, 23 and 24)	**353,804,552**	144,427,973	77,963,685
Total Current Liabilities	**2,036,801,317**	1,613,168,522	988,416,851
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 12, 23 and 24)	**6,236,367,424**	5,139,526,515	4,205,375,000
Retirement liability (Note 16)	**693,446**	2,025,127	1,640,843
Deferred tax liability - net (Note 17)	**76,342,085**	12,041,799	11,176,762
Other noncurrent liabilities (Notes 13, 23 and 24)	**352,261,481**	595,510,734	287,338,793
Total Noncurrent Liabilities	**6,665,664,436**	5,749,104,175	4,505,531,398
	8,702,465,753	7,362,272,697	5,493,948,249
Equity (Note 24)			
Capital stock (Note 14)	**1,163,426,668**	1,163,426,668	1,163,426,668
Additional paid-in capital	**102,900,666**	102,900,666	102,900,666
Appropriated retained earnings (Note 14)	**2,500,000,000**	–	–
Unappropriated retained earnings (Note 14)	**1,054,757,595**	2,800,428,441	2,204,555,779
Remeasurement gain (loss) on retirement plan (Note 16)	**910,847**	(165,386)	(165,386)
Total Equity	**4,821,995,776**	4,066,590,389	3,470,717,727
	₱13,524,461,529	₱11,428,863,086	₱8,964,665,976

See accompanying Notes to Financial Statements.

CYBERZONE PROPERTIES, INC.
(A Wholly Owned Subsidiary of Filinvest Land, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

			Years Ended December 31
	2016	2015	2014
INCOME			
Rental income (Notes 8, 10 and 15)	**₱1,490,431,182**	₱1,155,921,333	₱998,411,083
Others (Notes 5 and 19)	**519,306,254**	63,961,600	10,310,057
	2,009,737,436	1,219,882,933	1,008,721,140
COSTS AND EXPENSES			
Rental expense (Note 15)	**202,268,657**	167,440,689	147,044,577
Depreciation and amortization (Notes 8, 9 and 10)	**156,732,329**	132,643,180	119,226,729
Advertising and marketing	**51,816,704**	22,791,734	21,616,260
Taxes and licenses	**10,791,691**	17,773,937	14,328,995
Manpower cost	**7,483,564**	11,573,084	3,487,665
Service and management fees	**7,300,000**	6,222,908	6,509,001
Pension expense (Note 16)	**205,794**	384,284	265,978
Doubtful accounts expense (Note 5)	**122,671**	162,587	3,480,306
Others	**3,770,851**	3,025,644	2,755,377
	440,492,261	362,018,047	318,714,888
FINANCE INCOME (CHARGES)			
Interest income (Note 20)	**2,656,889**	6,082,006	8,499,121
Interest expense (Note 12)	**(101,153,700)**	–	–
Unrealized foreign currency exchange gain (loss)	**–**	13,094	(2,147)
Other financing charges	**(57,682)**	(8,641)	(3,590)
	(98,554,493)	6,086,459	8,493,384
INCOME BEFORE INCOME TAX	**1,470,690,682**	863,951,345	698,499,636
PROVISION FOR INCOME TAX (Note 17)			
Current	**59,174,883**	73,968,476	40,469,897
Deferred	**63,839,044**	865,037	13,690,918
	123,013,927	74,833,513	54,160,815
NET INCOME	**1,347,676,755**	789,117,832	644,338,821
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement plan, net of deferred income tax (Note 16)	**1,076,233**	–	(165,386)
TOTAL COMPREHENSIVE INCOME	**₱1,348,752,988**	₱789,117,832	₱644,173,435
Basic/Diluted Earnings Per Share (Note 21)	**₱1.16**	₱0.68	₱0.55

See accompanying Notes to Financial Statements.

CYBERZONE PROPERTIES, INC.
(A Wholly Owned Subsidiary of Filinvest Land, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 14)	Additional Paid-in Capital	Appropriated Retained Earnings (Note 14)	Unappropriated Retained Earnings (Note 14)	Remeasurement Gain (Loss) on Retirement Plan (Note 16)	Total
			For the Year Ended December 31, 2016			
Balances at January 1, 2016	**₱1,163,426,668**	**₱102,900,666**	**₱–**	**₱2,800,428,441**	**(₱165,386)**	**₱4,066,590,389**
Comprehensive income						
Net income	–	–	–	**1,347,676,755**	–	**1,347,676,755**
Other comprehensive income	–	–	–	–	**1,076,233**	**1,076,233**
Total comprehensive income	–	–	–	**1,347,676,755**	**1,076,233**	**1,348,752,988**
Dividends declared	–	–		**(593,347,601)**	–	**(593,347,601)**
Appropriation	–	–	**2,500,000,000**	**(2,500,000,000)**	–	–
Balances at December 31, 2016	**₱1,163,426,668**	**₱102,900,666**	**₱2,500,000,000**	**₱1,054,757,595**	**₱910,847**	**₱4,821,995,776**
			For the Year Ended December 31, 2015			
Balances at January 1, 2015	₱1,163,426,668	₱102,900,666	₱–	₱2,204,555,779	(₱165,386)	₱3,470,717,727
Comprehensive income						
Net income	–	–	–	789,117,832	–	789,117,832
Total comprehensive income	–	–	–	789,117,832	–	789,117,832
Dividends declared	–	–	–	(193,245,170)	–	(193,245,170)
Balances at December 31, 2015	₱1,163,426,668	₱102,900,666	₱–	₱2,800,428,441	(₱165,386)	₱4,066,590,389
			For the Year Ended December 31, 2014			
Balances at January 1, 2014	₱1,163,426,668	₱102,900,666	₱–	₱1,723,096,692	₱–	₱2,989,424,026
Comprehensive income						
Net income	–	–	–	644,338,821	–	644,338,821
Other comprehensive income	–	–	–	–	(165,386)	(165,386)
Total comprehensive income	–	–	–	644,338,821	(165,386)	644,173,435
Dividends declared	–	–	–	(162,879,734)	–	(162,879,734)
Balances at December 31, 2014	₱1,163,426,668	₱102,900,666	₱–	₱2,204,555,779	(₱165,386)	₱3,470,717,727

See accompanying Notes to Financial Statements.

CYBERZONE PROPERTIES, INC.
(A Wholly Owned Subsidiary of Filinvest Land, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,470,690,682**	₱863,951,345	₱698,499,636
Adjustments for:			
Depreciation and amortization (Notes 8, 9 and 10)	**176,741,032**	148,330,303	132,968,560
Interest expense (Note 12)	**101,153,700**	–	–
Doubtful accounts expense (Note 5)	**122,671**	162,587	3,480,306
Pension expense (Note 16)	**205,794**	384,284	265,978
Unrealized foreign currency exchange gain (loss)	**–**	(13,094)	2,147
Recovery of doubtful account expense (Note 5)	**–**	(3,480,306)	(1,180,259)
Interest income (Note 20)	**(2,656,889)**	(6,082,006)	(8,499,121)
Operating income before changes in operating assets and liabilities	**1,746,256,990**	1,003,253,113	825,537,247
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	**(131,615,563)**	67,741,399	(65,152,240)
Advances to contractors	**151,268,434**	9,646,944	(215,153,690)
Other current assets	**(223,984,544)**	(178,294,657)	(63,121,707)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(20,634,771)**	158,096,131	199,311,694
Other current liabilities	**209,376,579**	66,464,288	–
Other noncurrent liabilities	**(102,455,497)**	26,584,429	38,666,689
Net cash generated from operations	**1,628,211,628**	1,153,491,647	720,087,993
Interest received	**2,656,889**	6,082,006	8,499,121
Income tax paid	**(84,589,578)**	(42,286,295)	(36,951,984)
Net cash provided by operating activities	**1,546,278,939**	1,117,287,358	691,635,130
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Note 8)	**(2,465,678,693)**	(1,429,603,327)	(1,443,960,419)
Property and equipment (Note 9)	**(5,177,979)**	(4,848,762)	(16,339,889)
Intangible and other noncurrent assets (Note 10)	**(381,795,301)**	(202,652,780)	(845,623,373)
Cash used in investing activities	**(2,852,651,973)**	(1,637,104,869)	(2,305,923,681)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term debt (Note 12)	**1,750,000,000**	2,100,000,000	1,700,000,000
Payments of:			
Cash dividends (Note 14)	**(593,347,601)**	(193,245,170)	(162,879,734)
Long-term debt (Note 12)	**(335,848,485)**	(995,125,000)	(30,000,000)
Interest	**(101,153,700)**	–	–
Net cash provided by financing activities	**719,650,214**	911,629,830	1,507,120,266
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(586,722,820)**	391,812,319	(107,168,285)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**674,992,741**	283,180,422	390,348,707
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱88,269,921**	₱674,992,741	₱283,180,422

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Cyberzone Properties, Inc. (the Company) was registered with the Securities and Exchange Commission (SEC) on January 14, 2000. Its primary purpose is to acquire by purchase, lease, donate and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, hold for investment and deal with real estate of all kinds.

The Company's registered office address is at 5th - 7th Floors, Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

The Company is a wholly owned subsidiary of Filinvest Land, Inc. (FLI or Parent Company), a subsidiary of Filinvest Development Corporation (FDC). A.L. Gotianun Inc. (ALG) is the Company's ultimate Parent Company. FLI, FDC and ALG were all incorporated in the Philippines.

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on June 9, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine Peso (₱), the Company's presentation and functional currency. All amounts are rounded to the last Peso unless otherwise indicated.

The accompanying financial statements as of and for the years ended December 31, 2016, 2015 and 2014 have been prepared for the purpose of filing to the SEC in connection with the Company's planned bond offering.

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have significant impact on the Company's financial position or performance.

- 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 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*

<u>Future Changes in Accounting Policies</u>
Pronouncements issue but not yet effective are listed below. The Company does not expect that the future adoption of these pronouncements to have a significant impact on its financial statements. The Company 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)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 financial statements of the Company.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- 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 Company 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.

As the Company has early adopted the first phase of PFRS 9 (2009 version) effective January 1, 2011, the adoption is not expected to have significant impact on the classification and measurement of the Company's financial assets and liabilities. The adoption of the final version of PFRS 9 will have an effect on the impairment methodology for financial assets. The Company is currently assessing the impact of adopting the final version of this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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 Company 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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current and Noncurrent Classification

The Company presents assets and liabilities in statement of financial position based on current/noncurrent classification. An asset is current when:

- 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 12 months after reporting date; or,

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle; · It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

<u>Fair Value Measurement</u>
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 by the Company.

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

The Company 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.

All assets and liabilities for which fair value is measured or disclosed in the 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 financial statements on a recurring basis, the Company 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.

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

Financial Instruments

Date of recognition

Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. The fair value of financial instruments that are actively traded in organized financial markets are determined by reference to quoted market bid prices at the close of the business at the reporting date.

'Day 1' difference

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 Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of comprehensive income. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized.

For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification, Reclassification and Measurement of Financial Assets and Financial Liabilities

For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a nonderivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial instruments are 'debt instruments'.

As of December 31, 2016, 2015 and 2014, the Company's financial instruments consist of financial assets and financial liabilities at amortized cost.

Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the statement of comprehensive income. The Company classified cash and cash equivalents, receivables and deposits (included under other noncurrent assets) as financial assets at amortized cost (see Note 24).

The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at fair value through profit or loss if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

As of December 31, 2016, 2015 and 2014, the Company has not made such designation.

Financial liabilities at amortized cost
Financial liabilities are measured at amortized cost using the effective interest method, except for:

a. financial liabilities at fair value through profit or loss which are measured at fair value; and,
b. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Financial liabilities at amortized cost consist primarily of accounts payable and accrued expenses, long-term debt and other current and noncurrent liabilities.

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

Loans and receivables
The Company 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 Company 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 on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the statement of comprehensive income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice.

The carrying amount of the receivable is reduced through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset is derecognized when:

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

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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.

Advances to Contractors and Other Assets

Advances to contractors and other assets are recognized in the statement of financial position when it is probable that the future economic benefits will flow to the Company and the assets has cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value. Amounts expected to be realized within 12 months from end of reporting period is classified as current; otherwise, they are presented as noncurrent assets.

Prepayments

Prepayments are carried at cost less the amortized portion. These typically comprise prepayments taxes and licenses, rentals and insurance.

Input Value-added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of expense item.

The net amount of VAT recoverable and payable from the taxation authority is included as part of "Other assets" and "Accounts payable and accrued expenses", respectively, in the statement of financial position, respectively.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Investment properties include buildings that are held to earn rentals and are not occupied by the Company. Investment properties are carried at cost less accumulated depreciation and any impairment in value.

Investment properties built on land rented from the Parent Company or a third party are depreciated over their estimated useful lives or lease term, whichever is shorter. Depreciation of investment properties are computed using the straight-line method over the estimated useful life of 40-50 years for the building and 15 years for machineries. Buildings in-progress shall be depreciated when the construction is completed or the related assets are ready for their intended use.

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

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment
Property and equipment consists of land improvements and furniture and fixtures. The Company's property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Useful life
Land improvements	6 years
Furniture and fixtures	3 - 5 years

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

Intangible Asset
Intangible asset includes build, transfer and operate (BTO) rights which is presented under noncurrent assets.

Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

BTO rights are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income.

Gains or losses arising from derecognition of intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and the carrying amount of the asset and are recognized in the statement of comprehensive income.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an 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. 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. Impairment losses are recognized in the statement of comprehensive income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Equity

Capital stock and additional paid-in capital

The Company records common stock at par value and additional paid-in capital for the amount in excess of the total contributions received over the aggregate par value of the equity shares.

Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings

Retained earnings represent accumulated earnings of the Company less dividends declared and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively.

Dividends on common shares are deducted from unappropriated retained earnings when declared and approved by the BOD of the Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. In arrangements where the Company is acting as principal to its customers, revenue is recognized on a gross basis. However, if the Company is acting as an agent to its customers, only the amount of net commissions retained is recognized as revenue. The following specific recognition criteria must also be met before revenue is recognized:

Rental income

Rental income is recognized on a straight-line basis over the lease term, including rent-free periods, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.

Interest income

Interest income is recognized as the interest accrues, taking into account the effective yield on the underlying assets.

Other income

Other income is recognized when the related services have been rendered and the right to receive payment is established.

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRS.

Costs and Expenses

These include the Company's costs incurred in leasing properties and expenses related to administering its business. These are generally recognized as incurred and measured at the amount paid or payable.

Retirement Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in statement of comprehensive income.

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

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within twelve months after the end of the annual reporting date is recognized for services rendered by employees up to the end of the reporting date.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of construction costs. 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 sale or use are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

All other borrowing costs are expensed when incurred.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Taxes

Current 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 are enacted or substantively enacted at the report date.

Deferred tax

Deferred tax is provided on all temporary differences at the report 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, including asset revaluation. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and NOLCO can be used. The carrying amount of deferred tax assets is reviewed at each report date and reduced 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 asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the report date.

Deferred tax relating to items recognized in other comprehensive income or directly in equity is also recognized in other comprehensive income and not in the statement of comprehensive income.

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

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.
A reassessment is made after inception of the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or,
(d) There is a substantial change to the asset.

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

Company as Lessor
Leases where the Company does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Company as Lessee
Operating lease payments are recognized as an expense on a straight line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Foreign Currency-denominated Transactions and Translation
Foreign currency-denominated transactions are recorded using the prevailing exchange rates at the time of the transaction. Foreign currency-denominated monetary assets and liabilities are translated using the prevailing exchange rates at the report date. Exchange gains or losses resulting from foreign currency transactions and translation are included in the statement of comprehensive income for the year.

Segment Reporting
The Company's operating businesses are organized and managed according to the nature of the products and services provided. The Company has determined that it is operating as one operating segment as of December 31, 2016, 2015 and 2014 (see Note 22).

Provisions
A provision is recognized only when the following conditions are present: (a) the Company has 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 on the amount of the obligation. If the effect of the time value

of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current assessment of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provisions due to the passage of time is recognized as interest expense. Provisions are reviewed at each report date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the probability of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Report Date
Post year-end events up to the date of the auditor's report that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Any year-end events that are not adjusting event is disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the financial statements as they become reasonably determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Company'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 financial statements.

Operating lease commitments - Company as lessor
The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on the evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for these contracts as operating lease (see Note 18).

Operating lease commitments - Company as lessee
The Company has entered into a land lease agreement with its Parent Company for the locations of its investment property portfolio. The Company has determined that it does not acquire all the significant risks and rewards of ownership of these properties which are accounted for as operating leases (see Note 18).

Build Transfer Operate (BTO) Agreement with Cebu Government - Company as operator
On March 26, 2012, FLI entered into a BTO agreement with The Province of Cebu (Cebu Province). The BTO project relates to the development, construction, and operation of

Business Process Outsourcing (BPO) Complex by the Company at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City. In August 2012, FLI assigned this agreement to the Company.

Based on the agreement, the Company has assessed that the Cebu Government (Grantor) cannot control or regulate the services that the operator must provide using the infrastructure, to whom it must provide them and at what price. Due to this, the BTO agreement is assessed to be outside the scope of IFRIC 12, *Service Concession Arrangements*.

The Company has the right to operate and earn rentals from the project upon completion but does not have ownership over the properties. The Company also has no substantial risks and rewards on the properties for major part of its economic life. Thus, the Agreement is classified as an operating lease. Accordingly, the related development cost was recorded under "BTO rights" (see Note 10).

Reimbursement arrangement with tenants
The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. On top of the rental rate agreed, the Company, based on the lease contract, bills tenants the utility costs and other expenses incurred in the lease premises. Under this arrangement, the Company is only reimbursed or facilitates collection of these costs and expenses. Given this, the Company has determined that it is acting as an agent under this reimbursement arrangement and, accordingly, the billings were presented net against the related costs and expenses account in the statement of comprehensive income (see Note 19).

Contingencies
The Company, in the normal course of business, has outstanding tax assessment covering prior taxable years. The Company, together with its counsel, is contesting these assessments. Based on the assessment of the Company and its counsel, the outflow of resources that may arise from settlement of the said assessment is not probable and that the amount currently cannot be reasonably determined. Management believes that final settlement, if any, will have no material impact on the financial statements. The information normally required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed on grounds that it may prejudice the proceedings of the assessment.

<u>Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the report 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 below.

Estimating allowance for doubtful accounts
The Company maintains an allowance for doubtful accounts at a level considered adequate to cover potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. The Company reviews the age and status of receivables, and specifically identifies accounts that need to be provided with allowances on a continuous basis.

The carrying value of receivables amounted to ₱266.2 million, ₱134.7 million and ₱199.2 million as at December 31, 2016, 2015 and 2014, respectively (see Note 5). Allowance for doubtful accounts amounted to ₱0.3 million, ₱0.2 million and ₱3.5 million as at December 31, 2016, 2015, and 2014 respectively (see Note 5).

Estimated useful life of BTO rights
The depreciable amount of BTO rights shall be allocated on a systematic basis over its useful life. The amortization method shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the Company. In this regard, BTO rights will be amortized using a straight-line method on its economic life of twenty-five (25) years.

Impairment assessment of nonfinancial assets
The Company assesses at each reporting date whether there is any indication that the nonfinancial assets may be impaired. The Company considers indications of impairment such as significant changes in asset usage, significant decline in market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indication exists, the Company estimates the recoverable amount of the asset, which is the higher of the asset's fair value less cost to sell and value in use.

Assets that are subject to impairment testing when impairment indicators are present are as follows:

	2016	2015	2014
Advances to contractors (Note 6)	**₱422,644,344**	₱573,912,778	₱583,559,722
Other current assets (Note 7)	**495,109,399**	271,124,855	92,830,198
Investment properties (Note 8)	**10,392,125,309**	8,281,980,398	6,510,078,849
Property and equipment (Note 9)	**38,679,584**	37,683,322	36,860,741
BTO rights (Note 10)	**1,819,191,374**	1,452,208,905	1,249,739,054

As at December 31, 2016, 2015 and 2014, the input value-added taxes (VAT) amounting to ₱12.2 million was fully provided with allowance since management believes that it is likely that these input VAT have no future recoverable value (see Note 7).

As of December 31, 2016, 2015 and 2014, no impairment indicators were identified for the Company's other nonfinancial assets.

Recognition of deferred tax assets
The Company reviews the carrying amounts of deferred income tax assets at each report date and reduces it to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. The Company believes that it will generate sufficient taxable profit to allow all or part of the deferred income tax assets to be utilized. Deferred tax assets amounted to ₱52.0 million, ₱39.4 million and ₱15.9 million as of December 31, 2016, 2015 and 2014, respectively (see Note 17).

4. Cash and Cash Equivalents

This account consists of:

	2016	2015	2014
Cash on hand and in banks	**₱88,269,921**	₱347,695,005	₱200,598,495
Cash equivalents	**–**	327,297,736	82,581,927
	₱88,269,921	₱674,992,741	₱283,180,422

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

Interest earned from cash in banks and cash equivalents amounted to ₱1.8 million, ₱3.4 million and ₱1.9 million in 2016, 2015 and 2014, respectively (see Note 20).

5. Receivables

This account consists of:

	2016	2015	2014
Trade (Note 15)	**₱223,548,872**	₱134,656,385	₱202,628,813
Others	**42,964,523**	241,447	10,418
	266,513,395	134,897,832	202,639,231
Less allowance for doubtful accounts	**285,258**	162,587	3,480,306
	₱266,228,137	₱134,735,245	₱199,158,925

Trade receivables represent charges to tenants for rentals and utilities normally collectible within a year.

In 2016, others include receivable from a contractor amounting to ₱32.91 million.

The reconciliation of allowance for doubtful accounts as at December 31, 2016, 2015 and 2014 follows:

	2016	2015	2014
Balance at beginning of year	**₱162,587**	₱3,480,306	₱1,180,259
Provisions	**122,671**	162,587	3,480,306
Reversal of provisions	**–**	(3,480,306)	(1,180,259)
Balance at end of year	**₱285,258**	₱162,587	₱3,480,306

In 2015 and 2014, the Company reversed the corresponding allowance for doubtful accounts of tenants with fully settled accounts (nil in 2016). The reversal of allowance is recorded as other income in the statements of comprehensive income (see Note 19).

6. Advances to Contractors

Advances to contractors represent advances for project costs and other disbursements related to buildings under construction. The advances shall be settled through recoupment against contractors' billings. Advances to contractors amounted to ₱422.6 million, ₱573.9 million and ₱583.6 million as of December 31, 2016, 2015 and 2014, respectively.

7. Other Current Assets

This account consists of:

	2016	2015	2014
Input VAT - net	**₱489,870,160**	₱275,759,397	₱98,961,933
Prepayments	**10,355,600**	3,611,451	3,100,410
Others	**7,074,166**	3,944,534	2,958,382
	507,299,926	283,315,382	105,020,725
Less allowance for probable losses	**12,190,527**	12,190,527	12,190,527
	₱495,109,399	₱271,124,855	₱92,830,198

Input VAT represent the taxes due or paid on purchases of goods and services subjected to VAT that the Company can claim against any output VAT on sale of goods and services. The Company recognized provision for probable losses on its outstanding input VAT since management believes that these have no future recoverable value.

Others include office and maintenance supplies.

8. Investment Properties

The rollforward analyses of this account follows:

	2016			
	Land (Note 25)	**Buildings and Equipment**	**Buildings in-progress**	**Total**
Cost				
Balance at beginning of year	**₱898,857,871**	**₱7,604,831,982**	**₱859,263,455**	**₱9,362,953,308**
Additions	**66,464,006**	**138,285,193**	**2,063,130,814**	**2,267,880,013**
Balance at end of year	**965,321,877**	**7,743,117,175**	**2,922,394,269**	**11,630,833,321**
Accumulated Depreciation				
Balance at beginning of year	**–**	**1,080,972,910**	**–**	**1,080,972,910**
Depreciation (Note 19)	**–**	**157,735,102**	**–**	**157,735,102**
Balance at end of year	**–**	**1,238,708,012**	**–**	**1,238,708,012**
Net Book Value	**₱965,321,877**	**₱6,504,409,163**	**₱2,922,394,269**	**₱10,392,125,309**

	2015			
	Land (Note 25)	Buildings and Equipment	Buildings in-progress	Total
Cost				
Balance at beginning of year	₱–	₱5,623,587,750	₱1,830,376,039	₱7,453,963,789
Additions	898,857,871	24,635,652	985,495,996	1,908,989,519
Reclassifications	–	1,956,608,580	(1,956,608,580)	–
Balance at end of year	898,857,871	7,604,831,982	859,263,455	9,362,953,308
Accumulated Depreciation				
Balance at beginning of year	–	943,884,940	–	943,884,940
Depreciation (Note 19)	–	137,087,970	–	137,087,970
Balance at end of year	–	1,080,972,910	–	1,080,972,910
Net Book Value	₱898,857,871	₱6,523,859,072	₱859,263,455	₱8,281,980,398

	2014			
	Land (Note 25)	Buildings and Equipment	Buildings in-progress	Total
Cost				
Balance at beginning of year	₱–	₱4,751,148,425	₱1,258,854,945	₱6,010,003,370
Additions	–	92,529,659	1,351,430,760	1,443,960,419
Reclassifications	–	779,909,666	(779,909,666)	–
Balance at end of year	–	5,623,587,750	1,830,376,039	7,453,963,789
Accumulated Depreciation				
Balance at beginning of year	–	813,661,693	–	813,661,693
Depreciation (Note 19)	–	130,223,247	–	130,223,247
Balance at end of year	–	943,884,940	–	943,884,940
Net Book Value	₱–	₱4,679,702,810	₱1,830,376,039	₱6,510,078,849

As of December 31, 2016 and 2015, the cost of investment property still unpaid (presented as "Payable to land owner") amounted to ₱281.6 million and ₱479.4 million, respectively (nil as of December 31, 2014, see Notes 11 and 13).

Investment properties pertain to the Company's buildings that are currently leased to third parties. Capitalized borrowing costs recognized amounted to ₱146.4 million, ₱153.3 million and ₱94.8 million in 2016, 2015 and 2014, respectively (see Note 12). The capitalization rates used in 2016, 2015 and 2014 range from 2.4% to 6.0%.

Total rental income from investment properties, including tenants reimbursements, amounted to ₱2,130.4 million, ₱1,797.9 million and ₱1,639.5 million in 2016, 2015 and 2014, respectively. Operating expenses incurred for maintaining and operating these investment properties amounted to ₱825.0 million, ₱733.5 million and ₱752.7 million in 2016, 2015 and 2014, respectively (see Note 19).

9. Property and Equipment

The rollforward analyses of this account follows:

	2016		
	Land Improvements	**Furniture and Fixtures**	**Total**
Cost			
Balance at beginning of year	**₱36,984,007**	**₱29,498,137**	**₱66,482,144**
Additions	**(33,214)**	**5,211,193**	**5,177,979**
Balance at end of year	**36,950,793**	**34,709,330**	**71,660,123**
Accumulated Depreciation			
Balance at beginning of year	**14,858,453**	**13,940,369**	**28,798,822**
Depreciation (Note 19)	**1,805,814**	**2,375,903**	**4,181,717**
Balance at end of year	**16,664,267**	**16,316,272**	**32,980,539**
Net Book Value	**₱20,286,526**	**₱18,393,058**	**₱38,679,584**

	2015		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	₱35,029,326	₱26,604,056	₱61,633,382
Additions	1,954,681	2,894,081	4,848,762
Balance at end of year	36,984,007	29,498,137	66,482,144
Accumulated Depreciation			
Balance at beginning of year	12,469,969	12,302,672	24,772,641
Depreciation (Note 19)	2,388,484	1,637,697	4,026,181
Balance at end of year	14,858,453	13,940,369	28,798,822
Net Book Value	₱22,125,554	₱15,557,768	₱37,683,322

	2014		
	Land Improvements	Furniture and Fixtures	Total
Cost			
Balance at beginning of year	₱33,532,936	₱11,760,557	₱45,293,493
Additions	1,496,390	14,843,499	16,339,889
Balance at end of year	35,029,326	26,604,056	61,633,382
Accumulated Depreciation			
Balance at beginning of year	10,539,581	11,487,747	22,027,328
Depreciation (Note 19)	1,930,388	814,925	2,745,313
Balance at end of year	12,469,969	12,302,672	24,772,641
Net Book Value	₱22,559,357	₱14,301,384	₱36,860,741

Property and equipment includes fully depreciated furniture and fixtures amounting to ₱11.5 million as of December 31, 2016 and 2015, and ₱11.4 million as of December 31, 2014.

10. Intangible and Other Noncurrent Asset

This account consists of:

	2016	2015	2014
BTO rights	**₱1,819,191,374**	₱1,452,208,905	₱1,249,739,054
Deposits	**2,213,461**	2,224,842	9,258,065
	₱1,821,404,835	₱1,454,433,747	₱1,258,997,119

BTO rights pertain to the cost related to the BTO agreement with the Cebu Province entered into on March 26, 2012. Under the BTO agreement, the Company is committed to develop and construct a BPO Complex on the properties owned by Cebu Province located at Salinas, Lahug, Cebu City, and transfer the ownership of the BPO Complex to the Cebu Province upon completion, in exchange for the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (25 years, renewable for another 25 years upon mutual agreement of the parties). The BTO project comprises four (4) towers, with the construction of certain sections not yet fully completed as of December 31, 2016.

The rollforward analysis of BTO rights follows:

	2016	2015	2014
Cost			
Balance at beginning of year	**₱1,459,425,057**	₱1,249,739,054	₱393,728,223
Additions	**381,806,682**	209,686,003	856,010,831
Balance at end of year	**1,841,231,739**	1,459,425,057	1,249,739,054
Accumulated Amortization			
Balance at beginning of year	**7,216,152**	–	–
Amortization	**14,824,213**	7,216,152	–
Balance at end of year	**22,040,365**	7,216,152	–
Net Book Value	**₱1,819,191,374**	₱1,452,208,905	₱1,249,739,054

Cost of completed portion of the BTO project amounted to ₱1.2 billion and ₱1.1 billion, net of accumulated amortization amounting to ₱22.0 million and ₱7.2 million as of December 31, 2016 and 2015, respectively (nil in 2014). Rental income recognized arising from the BTO agreement amounted to ₱85.2 million and ₱17.1 million in 2016 and 2015, respectively (nil in 2014).

Capitalized borrowing costs recognized on the BTO project amounted to ₱28.8 million, ₱92.2 million and ₱85.5 million for the years ended December 31, 2016, 2015 and 2014, respectively (see Note 12). The capitalization rates used in 2016, 2015 and 2014 range from 2.4% to 6.0%.

Deposits include electric meter deposits and security deposits. Electric meter deposit is an amount required from customers of distribution utilities as a guarantee for payment of electric bills. Security deposits are amounts paid as a guarantee for payment of office rentals.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2016	2015	2014
Advances from tenants	**₱332,733,263**	₱238,725,041	₱212,177,040
Retention payable (Note 19)	**268,608,000**	375,339,077	330,472,008
Payable to land owner - current portion (Notes 13 and 25)	**140,793,756**	197,798,680	–
Accrued expenses	**95,512,564**	122,420,366	91,921,544
Accrued rent payable (Note 15)	**90,549,483**	74,341,598	58,163,918
Accrued interest payable	**42,806,391**	38,777,620	31,576,282
Payable to contractors (Note 19)	**37,109,084**	44,826,614	11,579,424
Withholding taxes payable	**10,639,407**	4,162,647	4,619,710
	₱1,018,751,948	₱1,096,391,643	₱740,509,926

Advances from tenants are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of the tenants when they become due.

Retention payable account pertains to the amounts withheld by the Company from contractors' progress billings which are returned upon completion of their services or expiry of the contractors' warranty period.

Payable to land owner pertains to the unpaid balance on the land acquired in South Road Properties, Cebu City in 2015. The noncurrent portion of the payable to land owner amounted to ₱140.8 million and ₱281.6 million as of December 31, 2016 and 2015, respectively (nil in 2014, see Notes 13 and 25).

Accrued expenses include accruals for utilities, maintenance and other expenses.

12. Long-term Debt

Long-term debt consists of:

	Significant Terms	**2016**	2015	2014
Loan 1	- This is a 5-year loan with a financial institution, obtained on April 6, 2015 and will mature on January 31, 2020 - 50% of the principal is payable in 11 quarterly payments starting June 2017; 50% payable at maturity - 4-year PDST plus spread of 1.0% subject to repricing at the end of the 5th year - Unsecured	**₱800,000,000**	₱800,000,000	₱–
Loan 2	- This is a 7-year loan with a financial institution, obtained on July 7, 2014 and will mature on July 7, 2021. - 50% of the principal is payable in 20 quarterly payments starting October 2016; 50% payable at maturity - Interest rate equivalent to PDST-F, payable quarterly - Unsecured	**682,500,000**	700,000,000	700,000,000
Loan 3	- This is a 7-year loan with a financial institution, obtained on December 16, 2013 and will mature on December 16, 2020 - 50% of the principal is payable in 20 quarterly payments starting March 2016; 50% payable at maturity - 7-year PDST plus spread of 1.0% subject to repricing at the end of the 7th year - Unsecured	**612,500,000**	682,500,000	700,000,000
Loan 4	- This is a 5-year loan with a financial institution, obtained on November 7, 2014, maturity on November 7, 2019. - Payable in lump sum in November 2019 - Interest rate is fixed up to maturity - Unsecured	**500,000,000**	500,000,000	500,000,000
Loan 5	- This is a 7-year loan with a financial institution, obtained on December 28, 2016 matures on December 28, 2023 50% of the principal is payable in 13 quarterly payments starting March 2020; 50% payable at maturity - Fixed 7-year inclusive of GRT - Unsecured	**500,000,000**	–	–
Loan 6	- This is a 5-year loan with a financial institution, obtained on June 28, 2016 and will mature on June 28, 2021 50% of the principal is payable in 11 quarterly payments starting September 2018; 50% payable at maturity - Fixed for 5 or 7 years PDST-R2 - Unsecured	**500,000,000**	–	–

(Forward)

	Significant Terms	**2016**	2015	2014
Loan 7	- This is a 7-year loan with a financial institution, obtained on August 5, 2013 and will mature on August 5, 2020 - 50% of the principal is payable in 20 quarterly payments starting August 2015; 50% payable at maturity - 7-year PDST plus spread of 1.0% subject to repricing at the end of the 7th year - Unsecured	**₱437,500,000**	₱487,500,000	₱500,000,000
Loan 8	- This is a 5-year loan with a financial institution, obtained on March 3, 2014 and will mature on March 3, 2019. - 50% of the principal is payable in 11 quarterly payments starting June 2016; 50% payable at maturity - Interest rate equivalent to PDST-F, payable quarterly - Unsecured	**431,818,182**	500,000,000	500,000,000
Loan 9	- This is a 5-year loan with a financial institution, obtained on August 3,2015 and will mature on August 3, 2020 - Payable in lump sum in August 2020 - Interest rate equivalent to PDST-F plus 1.25% spread - Unsecured	**430,000,000**	430,000,000	–
Loan 10	- This is a 5-year loan with a financial institution, obtained on November 9, 2016 and matures on November 9, 2023 50% of principal payable in 15 quarterly payments starting February 2020, 50% at maturity; P.A. Fixed for 7 years - Unsecured	**400,000,000**	–	–
Loan 11	- This is a 5-year loan with a financial institution, obtained on July 26, 2016 and will mature on July 27, 2021 50% of the principal is payable in 11 quarterly payments starting October 2018; 50% payable at maturity - Fixed 7-year inclusive of GRT - Unsecured	**350,000,000**	–	–
Loan 12	- This is a 5-year loan with a financial institution, obtained on May 7, 2015 and will mature on May 7, 2020 - 50% of the principal is payable in 11 quarterly payments starting May 2017; 50% payable at maturity - Interest is fixed for 5 years - Unsecured	**300,000,000**	300,000,000	–
Loan 13	- This is a 5-year loan with a financial institution, obtained on January 30, 2015 and will mature on January 30, 2020 - 50% of the principal is payable in 11 quarterly payments starting January 2017; 50% payable at maturity - Interest is fixed for three years, repricing at end of 3rd year - Unsecured	**300,000,000**	300,000,000	–
Loan 14	- This is a 5-year loan with a financial institution, obtained on May 14, 2015 and will mature on May 14, 2020 - 50% of the principal is payable in 11 quarterly payments starting May 2017; 50% payable at maturity - Interest is fixed for 5 years plus GRT - Unsecured	**270,000,000**	270,000,000	–
Loan 15	- This is a 7-year loan with a financial institution, obtained on May 17, 2012 and will mature on May 17, 2019. - 50% of principal is payable in 20 quarterly payments starting November 2014; 50% payable at maturity, subject to quarterly repricing. - Unsecured	**225,000,000**	255,000,000	285,000,000

(Forward)

Significant Terms		2016	2015	2014
Loan 16 -	This is a 5-year loan with a financial institution, obtained on May 8, 2013 and will mature on May 8, 2018 - Payable in 12 quarterly payments starting August 2015 - 5-year PDST - Unsecured	**₱150,000,000**	₱250,000,000	₱300,000,000
Loan 17 -	This is a 5-year loan with a financial institution, obtained on February 12, 2013 and will mature on February 21, 2018 - Payable in 12 quarterly payments starting May 2015 - Interest rate equivalent to PDST-F plus 0.6% spread subject to quarterly repricing - Unsecured	**208,333**	375,000	500,000
Loan 18 -	This is a 7-year loan with a financial institution, obtained on August 15, 2012 and will mature on August 15, 2019 - 50% of the principal is payable in 20 quarterly payments starting November 2014; 50% payable at maturity - Interest is 5.792% for the first two years and 6.0413% for the 3rd to 5th year based on 5-year PDST plus spread of 1.0% subject to repricing at the end of the 5th year - Unsecured	**–**	–	585,000,000
Loan 19 -	This is a 5-year loan with a financial institution, obtained on October 31, 2012 and will mature on October 31, 2017 - Payable in lump sum in October 2017 - Interest rate equivalent to PDST-F plus 1.5% spread - Unsecured	**–**	–	300,000,000
		₱6,889,526,515	₱5,475,375,000	₱4,370,500,000

The loans are obtained to finance the construction of buildings.

Total interest expense which was capitalized relating to these long-term debts amounted to ₱175.2 million, ₱245.5 million and ₱180.3 million in 2016, 2015 and 2014, respectively (see Notes 8 and 10). The capitalization rates used in 2016, 2015 and 2014 ranges from 2.4% to 6.0%.

Total interest expense charged to the statements of comprehensive income amounted to ₱101.2 million in 2016 (nil in 2015 and 2014).

The repayment schedule of the long-term debts is as follows:

Year	2016	2015	2014
2015	**₱–**	₱–	₱165,125,000
2016	**–**	₱335,848,485	395,848,485
2017	**653,159,091**	665,659,091	771,075,758
2018	**828,867,424**	772,617,424	420,950,757
2019	**1,658,333,333**	1,516,666,667	1,450,000,000
2020	**2,048,750,000**	1,782,083,333	765,000,000
2021	**1,025,416,667**	402,500,000	402,500,000
2022	**112,500,000**	–	–
2023	**562,500,000**	–	–
Total	**6,889,526,515**	5,475,375,000	4,370,500,000
Less current portion	**653,159,091**	335,848,485	165,125,000
	₱6,236,367,424	₱5,139,526,515	₱4,205,375,000

The Company's long-term debt are unsecured and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio, interest coverage ratio, and current ratio.

The agreements also provide for restrictions and requirements with respect to, among others, making substantial change in present management and ownership structure; acquisition of any shares of stock; sale, lease or transfer and disposal of all or a substantial part of its assets, except in the ordinary course of business; and entering into any merger, consolidation or reorganization.

As of December 31, 2016, 2015 and 2014, the Company has not been cited as in default on its outstanding loan obligations.

13. Other Noncurrent Liabilities

This account consists of:

	2016	2015	2014
Security and other deposits	**₱211,467,725**	₱313,923,222	₱287,338,793
Payable to land owner (Notes 11 and 25)	**140,793,756**	281,587,512	–
	₱352,261,481	₱595,510,734	₱287,338,793

Security and other deposits are those paid by tenants that will be applied to any outstanding obligations of the tenants at the end of the lease term or upon pre-termination. As of December 31, 2016, 2015 and 2014, current portion of the security and other deposits presented as "Other current liabilities" in the statements of financial position amounted to ₱353.8 million, ₱144.4 million and ₱78.0 million, respectively.

14. Equity

Capital Stock
As at December 31, 2016, 2015 and 2014, the Company has authorized capital stock of 2,000,000,000 common shares at ₱1 par value, out of which 1,163,426,668 shares are issued and outstanding.

Retained Earnings
On December 21, 2016, the BOD approved the appropriation of retained earnings amounting to ₱2.5 billion for capital expenditure requirements for the development of a project targeted to be completed by 2020 (nil in 2015 and 2014).

The Company declared and paid out cash dividends to FLI amounting to ₱593.3 million, ₱193.2 million and ₱162.9 million out of its unappropriated retained earnings in 2016, 2015 and 2014, respectively.

15. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred herein as affiliates). Related parties may be individuals or corporate entities.

Significant related party transactions are as follows. Outstanding balances at yearend are unsecured, interest free and settlement occurs generally in cash.

a) The Company, as a lessor, entered into a space rental agreement with Filinvest Alabang, Inc. (FAI), an entity under common control, for the office space in one of the Company's buildings. Lease period is from April 1, 2016 to March 31, 2021.

   In addition, the Company, as a lessee, entered into a land lease agreement with FAI on the location of the parking currently leased out to third parties. Rental is based on a certain percentage of income earned from the parking space.

b) The Company, as a lessee, entered into a land lease agreement with FLI on the location of the buildings currently leased to third parties and on those still under construction. Rental expense is based on certain percentages of the Company's gross rental income.

c) The Company entered into a management agreement with FAI whereby the Company shall pay management fees for general management services rendered by the latter for the operations of the Company.

   Key management personnel of the Company are employees of FAI. The compensation of the said employees is paid by FAI and as such, the necessary disclosure required under PAS 24, *Related Party Disclosures*, are included in FAI's consolidated financial statements.

d) The Company entered into a management agreement with Pro-Excel Property Management, Inc. (PPMI), an entity under common control, whereby the latter shall render management services on the buildings and the Company shall pay monthly fee.

e) The Company maintains savings accounts and short term deposits with East West Banking Corporation (EW), an affiliated bank. Cash and cash equivalents earn interest at the prevailing short-term investment rates.

The amounts and the balances arising from the foregoing significant related party transactions are as follows.

	2016			
	Amount/ Volume	**Outstanding balance**	**Terms**	**Conditions**
Trade receivables				
Affiliate				
a) Rental income	**₱48,675,788**	**₱342,458**	Noninterest-bearing; payable every 15th day of the month	Unsecured
Rental expense	**(3,799,049)**	–	Noninterest-bearing; payable on demand	Unsecured
	₱44,876,739	**₱342,458**		

(Forward)

		2016			
		Amount/ Volume	**Outstanding balance**	**Terms**	**Conditions**
Accounts payable and accrued expenses (see Note 11)					
Parent					
b)	Rental expense	**₱172,944,084**	**(₱18,531,421)**	Noninterest-bearing; payable on demand	Unsecured
Affiliates					
c)	Service and management fee	**₱7,300,000**	**₱–**	Noninterest-bearing; payable on demand	Unsecured
d)	Management fee and manpower cost (Note 19)	**4,777,579**	**–**	Noninterest-bearing; payable on demand	Unsecured
		₱12,077,579	**₱–**		
Cash in bank					
Affiliate					
e)	Cash and cash equivalents	**₱65,468,635**	**₱65,468,635**	Payable every 15th day of the month; noninterest bearing	No impairment
	Interest income	**1,544,587**	**–**		
		₱67,013,222	**₱65,468,635**		

		2015			
		Amount/ Volume	Outstanding balance	Terms	Conditions
Trade receivables					
Affiliate					
a)	Rental income	₱23,577,552	₱–	Noninterest-bearing; payable every 15th day of the month	Unsecured
	Rental expense	(322,544)	–	Noninterest-bearing; payable on demand	Unsecured
		₱23,255,008	₱–		
Accounts payable and accrued expenses (see Note 11)					
Parent					
b)	Rental expense	₱134,652,331	(₱9,816,079)	Noninterest-bearing; payable on demand	Unsecured
Affiliates					
c)	Service and management fee	₱6,222,908	₱–	Noninterest-bearing; payable on demand	Unsecured
d)	Management fee and manpower cost (Note 19)	3,996,008	–	Noninterest-bearing; payable on demand	Unsecured
\		₱10,218,916	₱–		
Cash in bank					
Affiliate					
e)	Cash and cash equivalents	₱445,906,006	₱445,906,006	Payable every 15th day of the month; noninterest bearing	No impairment
	Interest income	2,516,190	–		
		₱448,422,196	₱445,906,006		

		2014			
		Amount/ Volume	Outstanding balance	Terms	Conditions
Trade receivables					
Affiliate					
a)	Rental income	₱23,577,552	₱–	Noninterest-bearing; payable every 15th day of the month	Unsecured
	Rental expense	321,744	–	Noninterest-bearing; payable on demand	Unsecured
		₱23,899,296	₱–		
Accounts payable and accrued expenses (see Note 11)					
Parent					
b)	Rental expense	₱119,703,505	(₱8,843,663)	Noninterest-bearing; payable on demand	Unsecured
Affiliates					
c)	Service and management fee	₱6,509,001	₱–	Noninterest-bearing; payable on demand	Unsecured
d)	Management fee and manpower cost (Note 19)	2,753,805	–	Noninterest-bearing; payable on demand	Unsecured
		₱9,262,806	₱–		
Cash in bank					
Affiliate					
e)	Cash and cash equivalents	₱38,258,260	₱38,258,260	Interest bearing at the prevailing market rate	No impairment
	Interest income	2,307,671	–		
		₱40,565,931	₱38,258,260		

16. **Retirement Cost**

The Company has a noncontributory, unfunded defined benefit pension plan covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The retirement plan provides retirement benefits (equivalent to 70% to 125% of the final monthly salary for every year of service) after satisfying certain age and service requirements.

The Company accrues retirement costs (included in "Retirement liability" in the Company's statements of financial position) based on an actuarially determined amount using the projected unit credit method.

Under the existing regulatory framework, Republic Act 7641 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 Company updates the actuarial valuation by hiring the services of a third party professionally qualified actuary.

The following tables summarize the components of retirement expense recognized in the statements of comprehensive income and pension liability recognized in the statements of financial position for the existing retirement plan.

Net pension expenses included in the statements of comprehensive income are as follows:

	2016	2015	2014
Net pension expenses in profit or loss:			
Current service cost	**₱171,032**	₱308,805	₱198,801
Net interest expense	**34,762**	75,479	67,177
	205,794	384,284	265,978
Remeasurements in other comprehensive income:			
Actuarial changes arising from experience adjustments	**(1,048,247)**	–	293,151
Actuarial changes arising from changes in financial assumptions	**(489,228)**	–	(56,885)
	(1,537,475)	–	236,266
	(₱1,331,681)	₱384,284	₱502,244

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

	2016	2015	2014
Balance at beginning of year	**₱2,025,127**	₱1,640,843	₱1,138,599
Current service cost	**171,032**	308,805	198,801
Interest expense	**34,762**	75,479	67,177
Actuarial changes arising from experience adjustments	**(1,048,247)**	–	293,151
Actuarial changes arising from changes in financial assumptions	**(489,228)**	–	(56,885)
Balance at end of year	**₱693,446**	₱2,025,127	₱1,640,843

The principal assumptions used in determining pension benefits are as follow:

	2016	2015	2014
Discount rates	**5.8%**	4.6%	4.6%
Salary increase rates	**7.0%**	8.0%	8.0%

The sensitivity analysis for significant assumptions as at December 31, 2016, 2015 and 2014 is shown below:

	Increase (decrease) in basis points	**Impact on defined benefit obligation**
Discount rates	**+100**	**(₱545,703)**
	-100	**884,801**
Salary rates	**+100**	**880,383**
	-100	**(545,948)**

The sensitivity analysis has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting date, assuming if all other assumptions were held constant. Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level of the remaining life of the obligation. If the discount rate would be 100 basis points lower, the defined benefit obligation would increase by ₱273,465 in 2015 and 2014.

17. Income Tax

On June 6, 2000, the Company was registered with the Philippine Economic Zone Authority (PEZA) pursuant to the provisions of Republic Act 7916 as an Economic Zone (ECOZONE) Facilities Enterprise. As a registered enterprise, the Company is entitled to certain tax benefits and nontax incentives such as exemption from payment of national and local taxes and in lieu thereof a special tax rate of five percent (5%) of gross income. The Company is also entitled to zero percent (0%) value added tax for sales made to ECOZONE enterprises.

The breakdown of provision for income tax shown in the statements of income follows:

	2016	2015	2014
At 5% statutory income tax rate	**₱63,664,051**	₱28,418,505	₱29,156,869
Net result from non-PEZA activities:			
Current	**(4,489,168)**	45,549,971	11,313,028
Deferred	**63,839,044**	865,037	13,690,918
	₱123,013,927	₱74,833,513	₱54,160,815

The component of the Company's net deferred tax assets (liability) follows:

	2016	2015	2014
Deferred tax assets			
Deferred rent payable	**₱23,519,867**	₱19,306,775	₱7,899,700
Advance rentals	**26,454,718**	17,647,396	6,682,198
Provision for future major repairs	**1,812,946**	1,812,946	1,812,946
Accrual of pension obligation	**156,432**	607,538	492,253
Unrealized foreign currency exchange loss	**19,472**	19,472	23,400
Provision for doubtful accounts	**85,577**	21,471	(1,039,924)
	52,049,012	39,415,598	15,870,573
Deferred tax liability			
Capitalized borrowing costs	**(92,423,242)**	(48,200,887)	(27,047,335)
PAS 17 adjustment	**(35,967,855)**	(3,256,510)	–
	(128,391,097)	(51,457,397)	(27,047,335)
	(₱76,342,085)	(₱12,041,799)	(₱11,176,762)

The reconciliation of provision for income tax at the statutory tax rate to provision for income tax shown in the statements of comprehensive income follows:

	2016	2015	2014
Tax at statutory rate	**₱441,207,205**	₱259,185,404	₱209,549,891
Adjustments for:			
Income tax at 5% preferential rate	**(317,650,650)**	(183,321,544)	(154,824,001)
Interest income subjected to final tax	**(542,628)**	(1,030,347)	(565,075)
	₱123,013,927	₱74,833,513	₱54,160,815

18. **Leases**

As lessor, future minimum rentals under operating leases are as follows:

	2016	2015	2014
Within one year	**₱1,405,502,507**	₱1,014,667,641	₱955,123,305
After one year but not more than five years	**3,304,809,053**	1,753,371,911	1,498,620,353
More than five years	**1,446,952,784**	169,749,547	–
	₱6,157,264,344	₱2,937,789,099	₱2,453,743,658

The Company is engaged in office leasing operations and entered into lease agreements with third parties and related parties (see Note 15). These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

As lessee, future minimum rentals under operating lease as of December 31 are as follows:

	2016	2015	2014
Within one year	**₱176,758,800**	₱138,646,899	₱153,433,428
After one year but not more than five years	**451,941,016**	286,271,539	290,595,461
More than five years	**695,054,747**	597,594,129	465,103,266
	₱1,323,754,563	₱1,022,512,567	₱909,132,155

The Company entered into a land lease arrangements with third parties and related parties (see Note 15). Rental is based on a monthly rate with rate escalation on a yearly basis and certain percentages of the Company's gross rental income.

19. **Other Income**

	2016	2015	2014
Tenant reimbursements	**₱725,223,681**	₱659,065,612	₱641,112,213
Expenses incurred (Note 8):			
Utilities	**(448,339,129)**	(422,502,419)	(461,765,649)
Services	**(104,631,985)**	(84,705,375)	(77,289,414)
Repairs and maintenance	**(75,069,001)**	(55,857,398)	(65,011,049)
Depreciation	**(20,008,703)**	(15,687,123)	(13,741,831)
Salaries and wages (Note 15)	**(13,910,709)**	(11,652,823)	(9,185,833)
Insurance	**(6,322,050)**	(10,497,357)	(6,355,236)
Others	**(8,046)**	(7,234)	(136,232)
	(668,289,623)	(600,909,729)	(633,485,244)
Net reimbursement	**56,934,058**	58,155,883	7,626,969
Service fee income	**5,546,651**	–	–
Commission income	**5,363,967**	1,331,572	–
Miscellaneous (Note 5)	**451,461,578**	4,474,145	2,683,088
	₱519,306,254	₱63,961,600	₱10,310,057

Miscellaneous income in 2016 includes claims for liquidating damages from a contractor relating to lost revenue amounting to ₱450.0 million. These claims were offset against the related accounts and retention payable with the contractor (see Note 11). The agreement with the contractor provides that the Company has right to impose and deduct whatever liquidated damages against any sum or sums due to the contractor and the contractor hereby unconditionally authorizes the Company to deduct any liquidated damages without incurring any liability whatsoever, for such deductions and the contractor hereby releases or quitclaims the Company for such liability, if any.

20. Interest Income

Interest income consists of:

	2016	2015	2014
Interest income - banks	**₱1,808,761**	₱3,434,489	₱1,885,731
Interest income - tenants	**848,128**	2,647,517	6,613,390
	₱2,656,889	₱6,082,006	₱8,499,121

21. Earnings Per Share

	2016	2015	2014
a. Net income	**₱1,347,676,755**	₱789,117,832	₱644,338,821
b. Number of outstanding common shares	**1,163,426,668**	1,163,426,668	1,163,426,668
Basic/diluted EPS (a/b)	**₱1.16**	₱0.68	₱0.55

The Company assessed that there were no potential dilutive common shares as of December 31, 2016, 2015 and 2014.

22. Segment Reporting

The Company has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Company meets the qualifications of an operating segment as defined by PFRS 8, *Operating Segments.*

The Company's leasing operations is its only income generating activity and such is the measure used by the chief operating decision maker (CODM) in allocating resources.

The Company does not report its results based on geographical segments. The Company has no significant customer which contributes 10% of more to the revenues of the Company.

23. Fair Value Measurement

The table below summarizes the carrying values and fair market values of the Company's investment properties and security and other deposits as of December 31, 2016, 2015 and 2014.

	2016		2015		2014	
	Carrying value	Fair Value Significant unobservable inputs (Level 3)	Carrying value	Fair Value Significant unobservable inputs (Level 3)	Carrying value	Fair Value Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed						
Investment properties	**₱10,392,125,309**	**₱26,378,544,133**	₱8,281,980,398	₱25,818,584,000	₱6,510,078,849	₱10,268,035,717
Liabilities for which fair values are disclosed						
Loans payable	**₱6,889,526,515**	**₱6,373,798,924**	₱5,475,375,000	₱5,241,213,843	₱4,370,500,000	₱4,210,202
Security and other deposits	**565,272,277**	**532,464,316**	458,351,195	445,176,366	365,302,478	342,255,070
	₱7,454,798,792	**₱6,906,263,240**	₱5,933,726,195	₱5,686,390,209	₱4,735,802,478	₱346,465,272

Due to the short-term nature of the transactions, the carrying values of cash and cash equivalents, receivables and accounts payable and accrued expenses approximate the fair market values.

Estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date. Long term debt subjected to quarterly repricing is not discounted since it approximates fair value. The discount rates used range from 3.81% to 5.45% as of December 31, 2016 and 4.00% to 5.37% as of December 31, 2015 and 2014.

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are:

- Investment properties: The fair value is computed based on the income approach using discounted cash flow analysis. The values used are based on a third party appraisal performed that were updated using December 31, 2016, 2015 and 2014 year-end values and assumptions. In the income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations.

- Security and other deposits: The discount rates used ranges from 2.4% to 3.9% as of December 31, 2016, 2015 and 2014. Fair value is computed based on the expected future cash outflows.

24. **Financial Risk Management Objectives and Policies**

The Company's financial instruments comprise of cash and cash equivalents, receivables, long-term debt, accounts payable and accrued expenses and security and other deposits. The main purpose of the long-term debt is to finance the Company's operations while all other financial instruments resulted from the conduct of business.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Company's risk management policies are summarized below:

a. *Interest rate risk*
The Company's exposure to market risk for changes in interest rates relates primarily to the Company's long-term debt. Interest rates are dependent on floating interest rates, subject to repricing as determined by the creditor bank during the term of the loan. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax.

	Increase (decrease) in basis points	Effect on income before income tax/capitalized borrowing costs
2016	**+100**	**(₱68.9 million)**
	-100	**68.9 million**
2015	+100	(54.8 million)
	-100	54.8 million
2014	+100	(43.7 million)
	-100	43.7 million

There is no impact on the Company's equity other than those already affecting the statements of comprehensive income.

b. *Credit risk*
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company trades only with recognized, creditworthy third parties. It is the Company's practice that prospective tenants are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company which comprise cash and cash equivalents, the Company's exposure to credit risk relates to default of the counterparty with a maximum exposure equal to the carrying amount of the instruments.

The table below shows the credit quality, based on the Company's credit rating system as of December 31, 2016, 2015 and 2014:

	2016				
	Neither Past Due nor Impaired				
	High Grade	**Standard Grade**	**Past Due but not Impaired**	**Past Due and Impaired**	**Total**
Cash and cash equivalents*	**₱88,236,921**	**₱–**	**₱–**	**₱–**	**₱88,236,921**
Receivables	**260,398,009**	**–**	**5,830,128**	**285,258**	**266,513,395**
Deposits	**2,213,461**	**–**	**–**	**–**	**2,213,461**
	₱350,848,391	**₱–**	**₱5,830,128**	**₱285,258**	**₱356,963,777**

**Excludes cash on hand amounting to ₱33,000.*

	2015				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	₱674,969,741	₱–	₱–	₱–	₱674,969,741
Receivables	91,829,989	–	42,905,256	162,587	134,897,832
Deposits	2,224,842	–	–	–	2,224,842
	₱769,024,572	₱–	₱42,905,256	₱162,587	₱812,092,415

**Excludes cash on hand amounting to ₱23,000.*

	2014				
	Neither Past Due nor Impaired		Past Due but	Past Due	
	High Grade	Standard Grade	not Impaired	and Impaired	Total
Cash and cash equivalents*	₱283,157,422	₱–	₱–	₱–	₱283,157,422
Receivables	155,753,260	–	43,405,665	3,480,306	202,639,231
Deposits	9,258,065	–	–	–	9,258,065
	₱448,168,747	₱–	₱43,405,665	₱3,480,306	₱495,054,718

**Excludes cash on hand amounting to ₱23,000.*

The analysis of trade receivables which are past due but not impaired as of December 31, 2016, 2015 and 2014 follow:

	Past Due but not Impaired					
	< 30 days	30-60 days	61-90 days	91-120 days	>120 days	Total
2016	**₱5,741,855**	**₱9,113**	**₱58,073**	**₱20,686**	**₱401**	**₱5,830,128**
2015	4,741,462	80,561	137,602	28,602	37,917,029	42,905,256
2014	16,360,948	10,563,734	82,444	203,746	16,194,793	43,405,665

c. *Liquidity risk*
Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial assets. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Company's practice is that float will be kept at a minimum.

The tables below summarize the maturity profile of the Company's financial assets held to manage liquidity as at December 31, 2016, 2015 and 2014:

	2016							
	On demand	**< 30 days**	**30 - 60 days**	**61 - 90 days**	**> 90 days**	**Up to a year total**	**> 1 year but < 5 years**	**Total**
Cash and cash equivalents	**₱88,269,921**	**₱–**	**₱–**	**₱–**	**₱–**	**₱88,269,921**	**₱–**	**₱88,269,921**
Receivables	**260,398,009**	**5,741,855**	**9,113**	**58,073**	**21,087**	**266,228,137**	**–**	**266,228,137**
Deposits	**–**	**–**	**–**	**–**	**–**	**–**	**2,213,461**	**2,213,461**
	₱348,667,930	**₱5,741,855**	**₱9,113**	**₱58,073**	**₱21,087**	**₱354,498,058**	**₱2,213,461**	**₱356,711,519**

	2015							
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱347,695,005	₱327,297,736	₱–	₱–	₱–	₱674,992,741	₱–	₱674,992,741
Receivables	91,829,989	4,741,462	80,561	137,602	37,945,631	134,735,245	–	134,735,245
Deposits	–	–	–	–	–	–	2,224,842	2,224,842
	₱439,524,994	₱332,039,198	₱80,561	₱137,602	₱37,945,631	₱809,727,986	₱2,224,842	₱811,952,828

	2014							
	On demand	< 30 days	30 - 60 days	61 - 90 days	> 90 days	Up to a year total	> 1 year but < 5 years	Total
Cash and cash equivalents	₱200,598,495	₱82,581,927	₱–	₱–	₱–	₱283,180,422	₱–	₱283,180,422
Receivables	155,753,260	16,360,948	10,563,734	82,444	16,398,539	199,158,925	–	199,158,925
Deposits	–	–	–	–	–	–	9,258,065	9,258,065
	₱356,351,755	₱98,942,875	₱10,563,734	₱82,444	₱16,398,539	₱482,339,347	₱9,258,065	491,597,412

Maturity profile of the Company's financial liabilities, as at December 31, 2016, 2015 and 2014 is shown below (in thousands):

	2016									
	On demand	In 30 days	30 to 60 days	61 to 90 days	Over 90 days	Up to a year total	1 - 3 years	> 3 - 5 Years	Over 5 years	Total
Long-term debt	₱–	₱30,000	₱45,042	₱40,227	₱550,390	₱665,659	₱4,523,451	₱1,700,417	₱–	₱6,889,527
Interest on long-term debt*	42,806	–	–	–	–	42,806	832,544	214,174	60,154	1,149,678
Payable to contractors	37,109	–	–	–	–	37,109	–	–	–	37,109
Retention payable	268,608	–	–	–	–	268,608	–	–	–	268,608
Payable to land owner	–	–	–	–	140,794	140,794	140,794	–	–	281,588
Advances from tenants	332,733	–	–	–	–	332,733	–	–		332,733
Accrued rent payable and other accruals	228,868	–	–	–	–	228,868	–	–	–	228,868
Security and other deposits	276,830	–	76,975	–	–	353,805	71,816	139,651	–	565,272
	₱1,186,954	₱30,000	₱122,017	₱40,227	₱691,184	₱2,070,382	₱5,568,605	₱2,054,242	₱60,154	₱9,753,383

*Includes future interest payable.

	2015									
	On demand	In 30 days	30 to 60 days	61 to 90 days	Over 90 days	Up to a year total	1 - 3 years	> 3 - 5 Years	Over 5 years	Total
Long-term debt	₱–	₱–	₱–	₱–	₱335,848	₱ 335,848	₱1,438,277	₱3,298,750	₱402,500	₱5,475,375
Interest on long-term debt*	38,778	–	–	–	247,317	286,095	436,428	233,801	15,330	971,654
Payable to contractors	44,826	–	–	–	–	44,826	–	–	–	44,826
Retention payable	375,339	–	–	–	–	375,339	–	–	–	375,339
Payable to land owner	–	–	–	–	197,799	197,799	281,588	–	–	479,387
Advances from tenants	238,725	–	–	–	–	238,725	–	–	–	238,725
Accrued rent payable and other accruals	235,540	–	–	–	–	235,540	–	–		235,540
Security and other deposits	144,428	–	–	–	–	144,428	176,462	137,461	–	458,351
	₱1,077,636	₱–	₱–	₱–	₱780,964	₱1,858,600	₱2,332,755	₱3,670,012	₱417,830	₱8,279,197

*Includes future interest payable.

	2014									
	On demand	In 30 days	30 to 60 days	61 to 90 days	Over 90 days	Up to a year total	1 - 3 years	> 3 - 5 Years	Over 5 years	Total
Long-term debt	₱–	₱–	₱–	₱–	₱165,125	₱165,125	₱1,166,924	₱1,870,951	₱1,167,500	₱4,370,500
Interest on long-term debt*	31,576	–	–	–	206,862	238,438	384,724	250,913	66,204	940,279
Payable to contractors	11,579	–	–	–	–	11,579	–	–	–	11,579
Retention payable	330,472	–	–	–	–	330,472	–	–	–	330,472
Advances from tenants	212,177	–	–	–	–	212,177	–	–		212,177
Accrued rent payable and other accruals	181,662	–	–	–	–	181,662	–	–	–	181,662
Security and other deposits	77,964	–	–	–	–	77,964	146,185	141,154	–	365,303
	₱845,430	₱–	₱–	₱–	₱371,987	₱1,217,417	₱1,697,833	₱2,263,018	₱1,233,704	₱6,411,972

Capital Management

The Company's primary objective is to maintain its current sound financial condition and strong debt service capabilities as well as to continuously implement a prudent financial management program.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. It closely monitors its capital and cash positions and carefully manages its capital expenditures. Furthermore, the Company may also, from time to time, seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions. The Company continues to fund its project developments using medium to long-term financing, which can help mitigate any negative effects of a sudden downturn in the Philippine economy or a sudden rise in interest rates.

The Company monitors capital using a debt-to-equity ratio, which is total debt divided by total stockholders' equity. The Company includes within debt, interest-bearing loans and external borrowings whether in the form of short-term notes or long-term notes and bonds.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2016, 2015 and 2014.

The following table shows how the Company computes for its debt-to-equity ratio as of December 31, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Loans payable	**₱6,889,527**	₱5,475,375	₱4,370,500
Other liabilities	**1,812,939**	1,886,898	1,123,448
Total liabilities	**8,702,466**	7,362,273	5,493,948
Total equity	**₱4,821,996**	₱4,066,590	₱3,470,718
Debt-to-equity ratio	**1.80:1**	1.81:1	1.58:1

Other liabilities include accounts payable and accrued expenses, income tax payable, retirement liability and other liabilities.

25. Events After Reporting Period

Rescission of Purchase of the 19.2-hectare South Road Properties (SRP)
In a letter to the Cebu City Mayor dated February 7, 2017, the Filinvest Consortium (which includes the Company, FLI and FAI) expressed its decision to rescind the Deed of Sale on Installment (DSI) covering its acquisition of the 19.2-hectare SRP lot from Cebu City Government (Cebu City) in 2015. Under the DSI, Cebu City undertook to comply with several covenants, undertakings and obligations no later than February 7, 2016 (or 180 days from the execution of the DSI). The letter pointed out that as of date, the said covenants, undertakings and obligations have not been complied with and it does not appear that these will be complied with within a foreseeable reasonable period of time.

The rescission of the DSI shall only take effect upon return by Cebu City of the down payment and instalment payments made to Cebu City by the Consortium, plus interests, within ninety (90) days from receipt of the letter in accordance with Section 5.7 of the DSI. Pending receipt of such payments, the DSI shall remain valid and subsisting by and among the parties. As of June 9, 2017, details and processes to consummate the rescission are still being finalized, including the arrangements for the return of the down and installment payments made, plus interests.

Offering of ₱5.00 billion Fixed-Rate Bonds
On March 22, 2017, the BOD authorized the Company to offer and issue fixed-rate bonds with principal amount of ₱5.00 billion, with oversubscription of up to ₱1.0 billion, to finance its capital requirements in 2017 and 2018. The term of the bonds is five and a half (5.5) years from the issue date. On the same date, the Company was also authorized by the BOD for the listing of such fixed-rate bonds. As of June 9, 2017, the Company is in the process of securing the necessary regulatory approvals.

CYBERZONE PROPERTIES, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

SGV
Building a better working world

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ey.com/ph

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
Cyberzone Properties, Inc.
5th-7th Floors, Vector One Building, Northgate Cyberzone
Filinvest City, Alabang, Muntinlupa City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Cyberzone Properties, Inc. (the Company) as at December 31, 2016, 2015 and 2014 and for the years then ended and have issued our report thereon dated June 9, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company'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 financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-1 (Group A),
June 30, 2015, valid until June 29, 2018
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5908762, January 3, 2017, Makati City

June 9, 2017

CYBERZONE PROPERTIES, INC.

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED

DECEMBER 31, 2016

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribes the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Company. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Long term debt

Below is the schedule of long-term debt of the Company (amounts in thousands). Each loan balance is presented net of unamortized deferred costs.

Type of Obligation	Amount	Current	Noncurrent
Developmental loans			
Unsecured loan obtained in April 6, 2015 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum. 50% of the principal is payable in 11 quarterly and 50% payable at maturity on January 31,2020	₱800,000	₱133,333	₱666,667
Unsecured 7-year loan obtained on July 7, 2014 and will mature on July 7, 2021 with interest rate equal to PDS Treasury Fixing. 50% of the principal is payable in 20 quarterly payments starting October 2016; 50% payable at maturity	682,500	70,000	612,500
Unsecured 7-year loan obtained on December 16, 2013 and will mature on December 16, 2020 with interest rate equal to PDST plus spread of 1% subject to repricing at the end of the 7th year. 50% of the principal is payable in 20 quarterly payments starting March 2016; 50% payable at maturity	612,500	70,000	542,500
Unsecured loan obtained on November 7, 2014 and will mature on November 7, 2019 with fixed interest rate payable lump sum at maturity	500,000	–	500,000
Unsecured loan obtained on December 28, 2016 and will mature on December 28, 2023 with fixed interest. 50% of the principal is payable in 13 quarterly payments starting March 2020; 50% payable at maturity	500,000	–	500,000
Unsecured loan obtained on June 28, 2016 and will mature on December 28, 2021 with fixed interest. 50% of the principal is payable in 11 quarterly payments starting September 2018; 50% payable at maturity	500,000	–	500,000
Unsecured loan obtained on August 5, 2013 and will mature on August 20, 2020 with interest rate of PDST-F plus 1% spread. 50% of the principal is payable in 20 quarterly payments starting August 2015; 50% payable at maturity.	437,500	50,000	387,500
Unsecured loan obtained on March 3, 2014 and will mature on March 3, 2019 with interest rate of PDST-F. 50% of the principal is payable in 11 quarterly payments starting June 2016; 50% payable at maturity.	431,818	90,909	340,909

(Forward)

Type of Obligation	Amount	Current	Noncurrent
Unsecured loan obtained on August 3, 2015 and will mature on August 3, 2020 with interest rate of PDST-F plus 1.5%. This is payable lump sum at maturity.	₱430,000	₱–	₱430,000
Unsecured loan obtained on November 19, 2016 and will mature on November 19, 2023 with fixed interest rate. The principal is payable in 15 quarterly payments starting June 2016; 50% payable at maturity.	400,000	–	400,000
Unsecured loan obtained on July 26, 2016 and will mature on July 26, 2021 with fixed interest rate. The principal is payable in 11 quarterly payments starting October 2018; 50% payable at maturity.	350,000	–	350,000
Unsecured loan obtained on May 7, 2015 and will mature on May 7, 2020 with fixed interest rate. The principal is payable in 11 quarterly payments starting May 2017; 50% payable at maturity.	300,000	25,000	275,000
Unsecured loan obtained on January 30, 2015 and will mature on January 30, 2020 with fixed interest rate for 3 years, repricing at the end of 3rd year. The principal is payable in 11 quarterly payments starting January 2017; 50% payable at maturity.	300,000	50,000	250,000
Unsecured loan obtained on May 14, 2015 and will mature on May 14, 2020 with fixed interest rate for 3 years, repricing at the end of 3rd year. The principal is payable in 11 quarterly payments starting May 2017; 50% payable at maturity.	270,000	33,750	236,250
Unsecured loan obtained on May 17, 2012 and will mature on May 17, 2019 subject to quarterly repricing. The principal is payable in 20 quarterly payments starting November 2014; 50% payable at maturity.	225,000	30,000	195,000
Unsecured loan obtained on May 8, 2013 and will mature on May 8, 2018 with PDST interest The principal is payable in 12 quarterly payments starting August 2015.	150,000	100,000	50,000
Unsecured loan obtained on February 12, 2013 and will mature on February 12, 2018 with PDST interest rate .The principal is payable in 12 quarterly payments starting May 2015.	208	167	41
	₱6,889,526	₱653,159	₱6,236,367

Schedule B. Indebtedness to Related Parties

Below is the list of outstanding payables to related parties of the Company presented in the Company statements of financial position as of December 31, 2016 (amounts in thousands):

	Relationship	**Nature**	Balance at beginning of period	Balance at end of period
Filinvest Alabang, Inc.	Affiliate	A, C, D	₱722	₱609
			₱722	₱609

Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

a. Expenses - these pertain to the share of the Parent Company in various common selling and marketing and general and administrative expenses.
b. Advances - these pertain to temporary advances from related parties for working capital requirements
c. Management and marketing fee
d. Reimbursable expenses
e. Rentals
f. Purchase of land

Schedule D. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as 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
Common Shares	1,163,426,668	1,163,426,663	–	–	5	None

CYBERZONE PROPERTIES, INC.

UNAPPROPIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION

DECEMBER 31, 2016

Unappropriated Retained Earnings, beginning		₱2,800,428,441
Beginning deferred tax assets		(39,415,598)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning as at December 31, 2016		2,761,012,843
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	1,347,676,755	
Less: Non actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain-net (except those attributable to Cash and Cash equivalents)	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Deferred tax asset that reduced the amount of income tax expense	12,633,414	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Net income actually earned during the period	1,335,043,341	
Add (less):		
Dividend declarations during the period	(593,347,601)	
Appropriations of retained earnings during the period	(2,500,000,000)	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	(1,758,304,260)
TOTAL UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION		**₱1,002,708,583**

CYBERZONE PROPERTIES, INC.
(A Wholly Owned Subsidiary of Filinvest Land, Inc.)

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2016**		**Adopted**	**Not Early 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			✓
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 PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2016**		**Adopted**	**Not Early Adopted**	**Not Applicable**
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
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	✓		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS12 and PAS27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term Receivable and Payables	✓		
	Amendments to PFRS 12: Portfolio Exception			✓
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: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
PAS 2	Inventories			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
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: Regional Market Issue Regarding Discount Rate			✓
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 PAS24 Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
	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: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 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: Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture - Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Company for the year ended December 31:

Financial Ratios		2016	2015
Current ratio	Current assets / Current Liabilities	0.62	1.03
Long-term debt-to-equity ratio	Long-term debt / Equity	1.43	1.35
Debt ratio	Total liabilities / Total assets	0.64	0.64
EBITDA to total interest paid	EBITDA / Total interest paid	6.43	4.18
Quick asset ratio	Current assets - Inventories / Current Liabilities	0.62	1.03
Solvency ratio	Net income + Depreciation / Total Liabilities	0.17	0.13
Interest coverage ratio	EBIT / Interest Expense	15.54	–
Net profit margin	Net Income / Revenue	0.67	0.65
Return on equity	Net Income / Shareholder's Equity	0.28	0.19

Group Structure

Below is a map showing the relationship between the Company and its parent company, ultimate parent company and affiliates as of December 31, 2016.