COVER SHEET

SEC Registration Number

1	7	0	9	5	7				

COMPANY NAME

FILINVEST LAND, INC. AND SUBSIDIARIES

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

79 EDSA, Brgy. Highway Hills, Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
	918-8188	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,699	Second to the Last Friday of April	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Venus A. Mejia	venus.mejia@filinvestgroup.com	918-8188	

CONTACT PERSON's ADDRESS

79 EDSA, Brgy. Highway Hills, Mandaluyong City

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

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

Securities and Exchange Commission
Electronic Records Management Division
APR 13 2018
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS
ICTD

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPINES

For the calendar year ended **December 31, 2017**

SEC Identification Number **170957** BIR Tax ID **000-533-224**

Exact name of registrant as specified in its charter **FILINVEST LAND, INC.**

Philippines
Province, Country or other jurisdiction of incorporation or organization

Filinvest Bldg., #79 EDSA, Highway Hills, Mandaluyong City, Metro Mla. **1550**
Address of principal office Postal Code

02-918-8188 02-588-1678
Registrant 's telephone number, including area code

Former Address:
Former name, former address, and former fiscal year, if changed since last report

Securities registered pursuant to Section 8 and 12 of the SRC

Title of Each Class	Number of shares of Common Stock Outstanding	Amount of Long-Term Debt Outstanding
Common Stock, P 1.00 par value	24,249,759,506	₱58,084,200,548

Are any or all of these securities listed on the Philippine Stock Exchange

Yes [x] No [ ]

Check whether the issuer:

(a) has filed reports required to be filed by Section 17 of the SRC Rule 17 thereunder or Section 11 of the RSA Rule 1(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

State the aggregate market value of the voting stock held by non-affiliates. ₱17.69 Billion

A member firm of Ernst & Young Global Limited

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEAR:

Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission.

Yes ☐ Not Applicable No ☐

If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 into which the document is incorporated.

a) Any annual report to security holders;
b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
c) Any prospectus filed pursuant to SRC Rule 8.1-1

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Part 1 – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

1. 1. Brief Description and Recent Developments

Filinvest Land Inc. ("FLI" or "the Parent Company") is one of the leading real estate developers in the country, providing a wide range of real estate products to residential and commercial customers. FLI (including its predecessor's operations) has over 50 years of real estate expertise and has developed over 2500 hectares of land, having provided home/home sites for over 200,000 families.

FLI is one of the largest nationwide residential developers in 45 cities and towns in 18 provinces in the Philippines. It is also one of the largest mid-rise building (MRB) developers in the country today and a market leader in the affordable and middle-income residential segments. It currently owns a land bank of 2,247 hectares for sustainable future growth.

In 2006, FLI acquired three strategic investment properties, Festival Supermall and a 60% ownership interest in each of Filinvest Asia Corp. (FAC) and Cyberzone Properties, Inc. (CPI). In 2006, FLI also entered into a joint venture agreement with Africa-Israel Investments (Phils.), Inc. ("AIIPI") and incorporated Filinvest AII Philippines Inc. to undertake the development of Timberland Sports and Nature Club ("TSNC") and approximately 50 hectares of land comprising Phase 2 of FLI's Timberland Heights township project. TSNC started its commercial operations in October 2008. In February 2010, FLI acquired the remaining 40.0% interest of Africa-Israel Properties (Phils.), Inc. in CPI and 40.0% interest of Africa-Israel Investments (Phils.), Inc. in FAPI to obtain full ownership of the previous joint ventures.

The sale by Africa-Israel of its interests in the two companies was part of Africa-Israel's global portfolio rebalancing and consolidation activity. On the other hand, the acquisition of Africa-Israel's interests enabled FLI to consolidate its share in the strong and stable recurring revenue streams from the two companies as well as provide incremental development potential to FLI's existing revenue streams.

CPI owns and operates the IT buildings in Northgate Cyberzone, a PEZA registered BPO park located on a 10-hectare parcel of land within Filinvest City. FLI generates revenues from leasable space in seventeen office buildings with a gross leasable area of 248,872 sq. m. as of December 31, 2017.

As of the date of this report, FLI owns 60% of FAC, which owns 50% of the 52-storey, PBCom Tower which is located in the Makati's business district. PBCom Tower is a Grade A, PEZA-registered I.T./office building in Ayala Avenue, Makati City, Metro Manila with approximate GLA of 35,148 sq. m.

Festival Supermall is a four-storey premier shopping complex situated on a total land area of 10 hectares and located within FAI's Filinvest City development in Alabang, Muntinlupa City. FLI has leased from FAI the 10 hectares of land on which the mall and its adjoining structures (such as parking lots) are situated. The lease is for a term of 50 years from October 1, 2006, renewable for another 25 years, with FLI required to pay monthly rent equivalent to 10% of the monthly gross rental revenue generated by the mall.

As of this date, FLI owns and operates other retail malls like Fora Mall located in Tagaytay City and Main Square Mall located in Bacoor Cavite. It intends to undertake commercial and retail projects to complement its residential developments in selected areas.

In 2009, the Parent Company signed an agreement with the Cebu City Government to develop 50.6 hectares of the South Road Properties, a 300-hectare reclaimed land project located in Cebu City. The agreement involves purchase by FLI of the 10.6 hectares of the property to be developed into a modern urban center consisting of residential, office, commercial, hotel and leisure buildings and a public promenade which is a one kilometer long waterfront lifestyle strip that will offer a range of seaside leisure activities and the development of the remaining 40 hectares of the property under a profit-sharing arrangement with the Cebu City Government.

On February 4, 2014, Filinvest Cyberparks, Inc. (FCI), a wholly-owned subsidiary of FLI was incorporated to manage FLI's BPO leasing operations in Cebu, Pasay, Quezon City and Pasig City. As of December 31, 2017, FCI had a gross leasable area of 36,807 sq. m.

In July 2015, FLI, CPI and FAI (collectively referred to as Filinvest Consortium) won the bidding for a 19.2-hectare lot in Cebu's SRP (see Notes 9 and 12). Thereafter, in August 7, 2015, Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer's discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter), Filinvest Consortium expressed its intention to rescind the DSI.
Under the DSI, Cebu City undertook to comply with several covenants and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, 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 installment payments made to Cebu City by Filinvest 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 February 28, 2018, such payment has not been received and no formal and definitive legal proceeding has been undertaken by the parties on this matter. Consequently, as of said date, the DSI remains valid and Filinvest Consortium has the sole and rightful claim over the property.

The 19.2-hectare property mentioned above is a separate property from the other two properties within the SRP which were acquired from Cebu City: a) the 40-hectare property under a joint venture undertaking with Cebu City; and b) the 10-hectare property which was already paid in full by FLI to Cebu City as of December 31, 2015.

In September 2015, FLI won the bid for the right to own 55% of the Joint Venture Company with the BCDA that will be tasked to develop, market, manage and lease the first phase of Clark Green City. The first phase refers to 288 hectares of land that will form part of the new mixed use metropolis rising in Northern Luzon adjoining Clark Freeport Zone and Clark International Airport.

FMI, the new company formed by the consortium of FDC and FLI, registered with the SEC on March 31, 2016, has signed the lease agreement with CDC for a term of 50 years, renewable for another 25 years. FMI's primary purpose is to engage in and undertake the general business of developing, constructing, establishing, operating, leasing except financial leasing, maintaining, rehabilitating and/or managing commercial and retail centers, residential, office buildings, mixed-use development, infrastructure, utilities and tourism related activities and other allied activities. FMI is 47.5% owned by FLI and 95.0% effectively owned by the Group as of December 31, 2017,

With a more diversified portfolio, FLI expects to generate stable recurring revenue from its retail and office investment properties. These recurring revenues can, in turn, be used to provide internally generated funding for other projects. FLI is not and has never been a subject of any bankruptcy, receivership, or similar proceedings.

1.2. Form and Date of Organization

FLI was incorporated in the Philippines on November 24, 1989 as Citation Homes, Inc. and later changed its name to FLI on July 12, 1993. It started commercial operations in August 1993 after Filinvest Development Corporation (FDC), the Parent Company, spun off its real estate operations and transferred all related assets and liabilities to FLI in exchange for shares of stock of FLI. FLI was listed on the PSE on October 25, 1993.

As of December 31, 2017, FDC owns 59% of Common Stock and 100% of Preferred Stock of FLI. FDC is the holding company for real estate and other business activities of the Gotianun Family. FDC traces its origin to the consumer finance business established by Mr. Andrew Gotianun Sr. and his family in 1955. The shares of FDC and FLI are both listed in the Philippine Stock Exchange. The ultimate parent company of FLI is A. L. Gotianun, Inc.

1.3. Subsidiaries

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2017, 2016 and 2015 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	**2017**	2016	2015
Filinvest All Philippines, Inc. (FAPI)	Real estate developer	**100%**	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	**100%**	100%	100%
FCGC Corporation (FCGCC)	Real estate developer	**100%**	100%	–
Filinvest BCDA Clark, Inc. (FBCI) [1]	Real estate developer	**55%**	55%	–
Cyberzone Properties, Inc. (CPI)	Leasing	**100%**	100%	100%
Filinvest Cyberparks, Inc. (FCI)	Leasing	**100%**	100%	100%
Filinvest Asia Corporation (FAC)	Leasing	**60%**	60%	60%
Filinvest Cyberzone Mimosa, Inc. (FCMI)	Leasing	**100%**	–	–
Filinvest Lifemalls Corporation (FLC)	Property management	**100%**	100%	–
Property Specialist Resources, Inc. (Prosper)	Property management	**100%**	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	**100%**	–	–
Pro-Excel Property Managers, Inc. (Pro-Excel)[2]	Property management	**74%**	–	–
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	**100%**	–	–
Festival Supermall, Inc. (FSI)	Property management	**100%**	100%	100%
FSM Cinemas, Inc. (FSM Cinemas) 3	Theater operator	**60%**	60%	60%
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	**60%**	60%	60%
Timberland Sports and Nature Club (TSNC) [4]	Recreational Sports and Natures Club	**97%**	92%	92%
Dreambuilders Pro, Inc. (DPI)	Construction	**100%**	–	–
Property Maximizer Professional Corp. (Promax)	Marketing	**100%**	100%	100%
Leisurepro, Inc. (Leisurepro)	Marketing	**100%**	100%	100%
Property Leaders International Limited (PLIL)	Marketing	**100%**	–	–
Proleads Philippines, Inc. (PPI)	Marketing	**100%**	–	–
Realpros Philippines, Inc. (RPI)	Marketing	**100%**	–	–

1. *FBCI is owned indirectly through FCGCC.*
2. *The effective ownership interest of the Parent Company includes portion owned indirectly through CPI, FCI and FAI (see Note 1). The acquisition of Pro-Excel in 2017 was accounted for as a business combination under common control using the pooling of interest method. The retrospective adjustments resulting from this transaction are not material to the 2016 and 2015 financial position and results of operation of the Group.*
3. *FSM Cinemas is owned indirectly through FSI.*

4. *TSNC was retroactively consolidated in compliance with PIC Q&A 2016-02 which took effect beginning January 1, 2016. In 2017, the Parent Company acquired noncontrolling interest in TSNC through FAPI, representing additional 5% ownership interest for a total consideration of ₱138.85 million.*

Detailed discussion of each subsidiary follows:

- Property Maximizer Professional Corp. (Promax) incorporated on October 3, 1997.
- Homepro Realty Marketing, Inc. (Homepro) incorporated on March 25, 1997 and started commercial operations on January 1, 2004.
- Leisurepro, Inc. (Leisurepro) incorporated on April 21, 2004 and started commercial operations on January 1, 2006.
- Property Specialists Resources, Inc. (Prosper) incorporated on June 10, 2002 and started commercial operations on January 01, 2004.

Promax, Homepro and Leisurepro are engaged in real estate marketing business and handle the marketing and sale of socialized, affordable, middle income, high-end and farm estate property development projects of FLI while Prosper is engaged in the purchase, lease and management of hotel and resort properties. Homepro is now also engaged in real estate development as it acquired rawland in Taguig in 2015. Prosper is currently managing the condotel operations of a high-rise condominium (Grand Cenia) and hotel project (Quest Hotel) of the Parent Company. Prior to Prosper's condotel and hotel management business, Prosper was engaged in the business of real estate marketing. Philippine Securities and Exchange Commission (SEC) approved the amendment of the primary purpose of Prosper on February 20, 2012.

CPI was incorporated on January 14, 2000 and began commercial operations on May 1, 2001. CPI is registered with the PEZA as an Economic Zone Facilities Enterprise, which entitles CPI to certain tax benefits and non-fiscal incentives such as paying a 5% tax on its modified gross income in lieu of payment of national income taxes. CPI is also entitled to zero percent value-added tax on sales made to other PEZA-registered enterprises. CPI owns and operates the IT buildings in Northgate Cyberzone, located in a 10-hectare parcel of land within Filinvest City. Its day-to-day operations are handled by FAI. CPI also leases a parcel of land measuring 2,831 sq. m. located in EDSA on which CPI built a 5-storey BPO building with a total GLA of 7,358 sq. m.

FAPI was incorporated on September 25, 2006 to develop the TSNC and Phase 2 of Timberland Heights

Timberland Heights is a 677-hectare township project anchored by the Timberland Sports and Nature Club, which was designed to be a world-class family country club in a mountain resort setting. Timberland Heights is situated at an elevation of 320 meters above sea level and provides panoramic views of the north of Metro Manila. The master plan for Timberland Heights includes Banyan Ridge, a middle-income subdivision; Mandala Farm Estates; The Ranch and Banyan Crest, a high-end subdivision, The Glades, also a middle- income subdivision, The Leaf, a four-building 3-storey condotel development; and, a 50-hectare linear greenway that straddles the entire development which will provide a large outdoor open space for residents.

On February 4, 2014, Filinvest Cyberparks, Inc. (FCI), a wholly-owned subsidiary of the Parent Company was incorporated. 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.

FLI has 60% interest in Filinvest Asia Corporation (FAC) which made it a majority owned subsidiary. FAC is now accounted for as a subsidiary due to adoption of PFRS 10, *Consolidated Financial Statements*.

- FAC was incorporated on January 22, 1997 and as of the date of this report is 60%-owned by FLI and 40%-owned by Reco Herrra Pte.Ltd. (RHPL). RHPL is 100% beneficially owned by the Government of Singapore Investment Corporation Pte. Ltd (GIC). FAC owns 50% of the 52-storey PBCom Tower, which is strategically located at the corner of Ayala Avenue and V. A. Rufino Streets in the Makati City Central Business District. FAC owns 36,000 sq. m. of leasable office space. The remaining 50% of PBCom Tower is owned by the Philippine Bank of Communications.

  The PBCom Tower is registered as an information technology building by PEZA. Consequently, tenants occupying space in PBCom Tower are entitled to avail of certain fiscal incentives, such as a 5% tax on modified gross income in lieu of the regular corporate income tax of 30%, income tax holidays and vat exemption in certain cases.

  Leases at the PBCom Tower are typically for periods ranging from three to five years, with the lease agreements generally requiring tenants to make a three-month security deposit. Rent is paid on a fixed rate per square meter basis depending on unit size and location.

On April 15, 2015, FLI and Engie Services Philippines (ENGIE) entered into a joint venture agreement to establish Philippine DCS Development Corporation (PDDC). On July 31, 2015, PDDC was registered with the SEC to engage in the business of building and operating a district cooling system within existing and future buildings at Northgate Cyberzone Area, Filinvest City, Alabang, Muntinlupa City. PDDC is 60% owned by FLI and 40% owned by ENGIE. The incorporation of PDDC resulted to additional investment from noncontrolling interest amounting to ₱100.0 million in 2015.

On December 28, 2015, the Parent Company and Filinvest Alabang, Inc. (FAI), an associate of the Parent Company, entered into a Deed of Assignment of Shares, wherein FAI agreed to sell its rights, title and interests in the 249,995 common shares of Festival Supermall, Inc. (FSI), with par value of ₱ 1.0 per share and equivalent to 100% ownership interest, to FLI for and in total consideration of ₱0.50 million. FSI is the property manager of Festival Supermall and other commercial centers of the Group. FSI also owns 60% equity interest in FSM Cinemas, Inc. which is engaged in theater operations. The transaction was accounted for using the pooling of interest method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts.

On February 11, 2016, FCGC Corporation (FCGCC) was incorporated to undertake the development of the Clark Green City Project under the Joint Venture Agreement with Bases Conversion and Development Authority (BCDA). On March 16, 2016, Filinvest BCDA Clark, Inc. (FBCI), a joint venture company with BCDA, was incorporated to handle the development of the Clark Green City Project. FBCI is 55%-owned by FCGCC and 45%-owned by BCDA. As of December 31, 2016, FCGCC and FBCI have not started commercial operations.

On March 31, 2016, Filinvest Mimosa, Inc. (FMI) was incorporated to enter into an agreement with Clark Development Corporation (CDC) for the lease of the Mimosa Leisure Estate. As of December 31, 2017, FMI is 47.5% owned by FLI, 47.5% owned by FDC and 5% by CDC. FMI started its commercial operations in June 2016.

On July 26, 2016, the SEC approved Whiluc Realty & Mgt., Inc.'s (Whiluc) application for increase in its authorized capital stock. Likewise, FLI subscribed and paid ₱124.69 million to Whiluc. On the same date, the SEC also approved the amendments of its corporate name and principal business address. Whiluc's new corporate name is Filinvest Lifemalls Corporation (FLC). Its primary purpose is to invest in, purchase, hold, use, develop, lease, sell, assign, transfer mortgage, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, of any corporation.

In 2016, the PIC issued Q&A No. 2016-02 to clarify the accounting treatment of club shares held by an entity. FLI has evaluated the accounting treatment of its club shares following the guidance under the above PIC Q&A and has concluded that it exercises control over TSNC. Accordingly, TSNC was consolidated as of December 31, 2016 and 2015. TSNC was registered with the SEC on May 12, 2004 to operate as a not-for-profit corporation.

On January 11, 2017, Dreambuilders Pro, Inc. (DPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to engage in and carry on a general construction business. DPI started its commercial operations in February 2017.

On January 23, 2017, Filinvest Cyberzone Mimosa, Inc. (FCMI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease except financial leasing, donation or and hold for investment or otherwise deal in real estate of all kinds, nature, purpose and/or any interest or right therein. During the first quarter of 2017, FCMI started the construction of its first Business Process Outsourcing (BPO) Office, the Filinvest Cyberzone Mimosa Building 1.

On January 23, 2017, Filinvest Lifemalls Mimosa, Inc. (FLMI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease except financial leasing, donation, or otherwise, and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds, nature and purpose and/or any interest or right therein. FLMI has not started its commercial operations as of December 31, 2017.

On February 7, 2017, Property Leaders International Limited (PLIL), a company limited by shares, was registered at the territory of the British Virgin Islands. PLIL has not started its commercial operations as of December 31, 2017.

On March 29, 2017, Proleads Philippines, Inc. (PPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to provide management, organizational, and other administrative services and training. PPI started its commercial operations in November 2017.

On May 18, 2017, the Parent Company, and Cyberzone Properties, Inc. (CPI) and Filinvest Cyberparks, Inc. (FCI), subsidiaries of the Parent Company, subscribed to 53.0 million common shares of Pro-Excel Property Managers, Inc. (Pro-Excel). The resulting ownership interest of FLI, CPI and FCI in Pro-Excel after subscription is 32.94%, 16.97% and 16.97%, respectively (see Note 2). Prior to the Group's subscription, Pro-Excel is 100% owned by Filinvest Alabang, Inc. (FAI), an associate of the Parent Company. The primary purpose of Pro-Excel is to engage in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

On August 3, 2017, Realpros Philippines, Inc. (RPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to provide administrative support services and skills training primarily through the use of information technology, licensed software, and systems. RPI has started its commercial operations in November 2017.

On November 20, 2017, Filinvest Lifemalls Tagaytay, Inc. (FLTI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease (except financial leasing), donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds in order to develop, conduct, operation, lease, and maintenance of retail and commercial space for rent, restaurants, function halls, amusement centers, movie or cinema theaters within the compound to premises of the shopping centers. FLTI has not started its commercial operations as of December 31, 2017.

1.4. Equity Investments in FAI and FMI.

FAI was incorporated on August 25, 1993 and started commercial operations in October 1995. FLI has a 20% equity interest in FAI. FAI's current project is the master-planned development of Filinvest City, a 244-hectare premier satellite city development project which has been designed using modern and state of the art, ecological, urban planning with a mixed-use integrated development with office, retail, residential, institutional, leisure and hospitality projects in southern Metro Manila. Located at the southern end of Metro Manila and adjacent to the South Expressway, Filinvest City is approximately 16 kilometers south of Makati, the central business district in Manila and 10 kilometers from the Ninoy Aquino International Airport. Filinvest City is surrounded by over 2,800 hectares of developed high-end and middle-income residential subdivisions and commercial developments. The said project is under a joint venture agreement with the Government.

FMI was incorporated on March 31, 2016 and started commercial operations in June 2016. FLI has a 47.5% equity interest in FMI. FMI entered into a long-term lease of the Mimosa Leisure Estate after it bagged the rights to lease, develop and operate the 202 hectare estate development. There was an operating hotel with 303 rooms and 34 villas together with a 36-hole golf course.

1.5. Business Groups, Product Categories, Target Markets and Revenue Contribution

As a result of the recent business developments, FLI is now composed of two business segments with corresponding product categories, target markets and revenue contributions as follows:

1.5.1 Real Estate Sales Segment

FLI's main real estate activity since it started operations has been the development and sale of residential property, primarily housing units and subdivision lots; in certain cases, provision of financing for unit sales.

Residential Projects

FLI is able to tap the entire residential market spectrum with the following range of housing units catering to various income segments:

- *Socialized housing*: These developments are marketed and sold under FLI's Pabahay brand and consist of projects where lots typically sell for ₱160,000 or less per lot and housing units typically sell for ₱450,000 or less per unit. Buyers for these projects are eligible to obtain financing from the Government-mandated PAGIBIG Fund. Maximum sale prices for the Company's specialized housing products do not exceed the Government-mandated ceiling of ₱ 450,000 per unit. Any income realized from the development and improvement of socialized housing sites are exempt from taxation.

- *Affordable housing*: These developments are marketed and sold under FLI's Futura Homes brand and consist of projects where lots are typically sold at prices ranging from above ₱160,000 to ₱750,000 and housing units from above ₱450,000 to ₱1,500,000. FLI designs and constructs homes in this sector with the capacity and structural strength to give the owner the option to place an additional storey, which can double the available floor area. Affordable housing projects are typically located in provinces bordering Metro Manila, including Bulacan, Laguna, Batangas and Cavite, and in key regional cities such as Tarlac, Cebu and Davao. Construction of a house in this sector is usually completed approximately six months from the completion of the required down payment.

- *Middle-income housing*: These developments are marketed and sold under FLI's Filinvest brand and consist of projects where lots are typically sold at prices ranging from above ₱750,000 to ₱1,200,000 and housing units from above ₱1,500,000 to ₱4,000,000. Middle-income projects are typically located within Metro Manila, nearby provinces such as Rizal, Cavite, Pampanga and Laguna, and major regional urban centers in Cebu, Davao, and Zamboanga.

- *High-end housing*: Marketed under Filinvest Premiere brand, these developments consist of projects where lots are sold at prices above ₱1,200,000 and housing units for above ₱4,000,000. FLI's high-end projects are located both within Metro Manila and in areas immediately outside Metro Manila.

Other Real Estate Projects

In order to achieve product and revenue diversification, FLI has added the following projects so as to cater to other market niches:

a. Townships

Townships are master-planned communities to include areas reserved for the construction of anchor facilities and amenities. FLI believes that these facilities and amenities will help attract buyers to the project and will serve as the nexus for the township's community. Anchor developments could include schools, hospitals, churches, commercial centers, police stations, health centers and some other government offices; or in the case of Timberland Heights, a private membership club.

FLI has also master-planned and developed the *Ciudad de Calamba, Timberland Heights, and Havila township projects* which are respectively located along the southern, northern and eastern boundaries of Metro Manila. FLI also has a township project in Cebu called City di Mare, a seaside township project, spanning 50.6 hectares at Cebu's South Road Properties as part of a Joint Venture Agreement between FLI and the Cebu Government. Each township development is designed to include a mix of residential subdivisions from the affordable to the high-end sectors.

Ciudad de Calamba

Ciudad de Calamba is a 350-hectare development located in Calamba, Laguna. This township project is anchored by the Filinvest Technology Park-Calamba which is a PEZA-registered special economic zone. Ciudad de Calamba provides both industrial-size lots and ready-built factories to domestic and foreign enterprises engaged in light to medium non-polluting industries. FLI also donated to the city government of Calamba a parcel of land located within the Ciudad de Calamba, which will be used for a city health center and police station. The Parent Company also intends to develop the Ciudad de Calamba Commercial Center as part of this township project.

Havila

Havila, or formerly, Filinvest East County is a 335-hectare township along the eastern edge of Metro Manila, which traverses the municipalities of Taytay, Antipolo and Angono. It is anchored by two educational institutions: San Beda College – Rizal and the Rosehill School. The master plan for Havila provides for a mix of affordable, middle-income and high-end subdivisions on rolling terrain overlooking Metro Manila at an elevation of 200 meters above sea level.

Timberland Heights

Timberland Heights is a 677-hectare township project anchored by the Timberland Sports and Nature Club. It is located in the municipality of San Mateo, which is just across the Marikina river from Quezon City, and has been designed to provide residents with leisure facilities and resort amenities while being located near malls, hospitals and educational institutions located in Quezon City.

City di Mare

Inspired by the world's best-loved coastal cities, City di Mare, or "City by the Sea", spans across 50.6 hectares at Cebu's South Road Properties.

It is a master-planned development composed of different zones catering to a wide array of lifestyles and activities - Il Corso, the 10.6 hectare waterfront lifestyle strip; the 40-hectare residential clusters; and The Piazza, nestled at the heart of the residential enclaves puts lifestyle essentials such as school, church, shops, and restaurants within the neighborhood. City di Mare is envisioned to be a destination in itself, takes full advantage of the coastal ambience featuring seaside shopping, dining, beach and water sports and more, right by the water's edge.

The 10.6-hectare retail development known as Il Corso shall have a gross leasable area of approximately 32,000 square meters. City di Mare has four resort-themed residential enclaves inspired by world-class resorts, with each 10-hectare development flaunting a distinct architectural character. With over 65% of the property allocated for wide, open areas and landscaped greens, City di Mare provides the generous amenity of breathing space and a refreshing dose of nature throughout the site. Residences are spread out over the sprawling development, maximizing the abundant sunlight and allowing the invigorating sea air to circulate freely.

b. Leisure projects

FLI's leisure projects consist of its residential farm estate developments, private membership club and residential resort development.

1. Residential farm estates

FLI's residential farm estate projects serve as alternative primary homes near Metro Manila to customers, such as retirees and farming enthusiasts. Customers can purchase lots (with a minimum lot size of 750 square meters) on which they are allowed to build a residential unit (using up to 25.0% of the total lot area). The remaining lot area can be used for small-scale farm development, such as fish farming or vegetable farming. Residential farm estates are sold on a lot-only basis, with buyers being responsible for the construction of residential units on their lots. To help attract buyers, FLI personnel are available on site to provide buyers with technical advice on farming as well as to maintain demonstration farms.

At present, FLI has three residential farm estates:

- *Nusa Dua Farm Estate ("Nusa Dua")* located in Cavite province just south of Metro Manila. The amenities at the Nusa Dua development include a two-storey clubhouse and a 370 square meter swimming pool.

- *Mandala Residential Farm Estate ("Mandala")* located in Rizal province as part of the FLI's Timberland Heights township project. It offers hobby farmers generous lot cuts and Asian-inspired homes that complement the mountain lifestyle.

- *Forest Farms Residential Farm Estate ("Forest Farms")* located in Rizal province as part of Company's Havila township project. It is an exclusive mountain retreat and nature park, nestled between the hills of Antipolo and forested area of Angono.

2. Residential resort development

Kembali Coast on Samal Island, Davao is a beachfront residential resort development. This 50-hectare Asian-Balinese inspired island getaway offers low-density exclusivity and comes with a 1.8 km beach line that offers unobstructed view of the sea.

Laeuna de Taal ("Laeuna") is located in Talisay Batangas with a view of the Taal lake and a lakeside residential community, about a ten minute drive from the popular tourist destination of Tagaytay. Laeuna is an Asian Tropical-inspired community which offers three (3) residential enclaves (Arista, Bahia and Orilla) with a range of property choices for every family. Located on the water front is the Lake Club, a lakeside amenity designed for wellness, recreation and celebration.

c. Medium Rise Buildings

Medium Rise Buildings (MRB) projects are five-storey to ten-storey buildings clustered around a central amenity area. Marketed under the "Oasis" brand, FLI's MRBs are intended to provide a quiet environment within the urban setting. The buildings occupy 30% to 35% of the land area, providing a lot of open spaces. FLI currently has 24 ongoing MRB projects in Luzon, Visayas and Mindanao. Below is a list of FLI's ongoing MRB projects:

Project Name	Location
Metro Manila/ Luzon	
Asiana Oasis	Paranaque City
Bali Oasis	Pasig City
Bali Oasis 2	Pasig City
Capri Oasis	Pasig City
Fora	Tagaytay
Fortune Hill	San Juan City
Girin Oasis	Cainta, Rizal
Maui Oasis	Sta. Mesa, Manila
One Oasis Ortigas	Pasig City
One Spatial	Pasig City
Panglao Oasis	Taguig
Sorrento Oasis	Pasig City
The Signature	Balintawak, Quezon City
Verde Spatial	Quezon City
Visayas	
Amalfi Oasis	City di Mare, Cebu
Marina Spatial	Dumaguete
One Oasis Cebu	Mabolo, Cebu City
One Spatial Iloilo	Iloilo
San Remo Oasis	City di Mare, Cebu
Umi Garden	City di Mare, Cebu
Mindanao	
Centro Spatial	Davao City
Eight Spatial	Maa, Davao
One Oasis Cagayan de Oro	Cagayan de Oro
One Oasis Davao	Davao City
Veranda Resort Condos	Davao

d. High Rise Buildings

The Linear

The Linear, a master-planned residential and commercial hub in Makati City. Two-L-shaped towers, each 24-storeys high, comprise this dynamic condominium community that perfectly caters to the needs of young urban professionals.

Studio City

Studio City is a community composed of five-tower residential condominium complex within the Filinvest City to serve the demand for housing of the growing number of professionals working within Filinvest City and in the nearby Madrigal Business Park.

Since it is located within the Filinvest City, residents will enjoy proximity to Festival Supermall, Westgate Center, Northgate Cyberzone, Asian Hospital and Medical Center, and other commercial, educational and medical institutions. The development consists of 18-storeys per building with commercial units at the ground floor. All residential floors will have 25 studio units per floor. Studio Tower 5 has just been launched.

The Levels
Located at one of the highest points of Filinvest City at around 23 meters above sea level, The Levels is a one-block, four-tower residential condominium development that features laidback suburban living inside a fast-paced business district. The residential development is set in a tropical landscape, with four towers uniquely designed with terracing levels, giving it a castle-effect look. The high-rise sections will be set in lush greenery, providing residents with views of the gardens. The second tower has just been launched.

Vinia Residences
Vinia is a 25-storey condominium development located along EDSA in Quezon City, right across TriNoma and just steps away from the MRT-North Avenue station. With its coveted location, it offers a world of ease and convenience to yuppies and families looking for quality homes, as well as budding entrepreneurs who want to start a home-based business at the heart of the city.

Studio Zen
Studio Zen is a 21-storey condominium development located along Taft Avenue in Metro Manila. Student-oriented amenities, Zen-inspired features, and functional building facilities makes it an ideal residence for students living independently and a great investment opportunity for entrepreneurs who want to take advantage of the ready rental market in the area.

Studio A
Studio A is a single tower 34-storey hi-rise residential condominium located in Loyola Heights in Quezon City. A community conveniently situated near premier universities, the LRT 2 line and other commercial establishments.

100 West
100 West is a single tower 38-storey high-rise commercial and residential condominium with office spaces located in Gen. Gil Puyat Avenue corner Washington St. in Makati City. 100 West is in the Makati Business District and accessible to both north and south of Metro Manila.

Studio 7
Studio 7 is a mixed-use development that will have office and residential towers complemented with retail outlets, located in Quezon City along EDSA very close to the GMA-Kamuning MRT station. Studio 7 will have studios as well as one-bedroom residential units.

e. Condotel

Grand Cenia
The *Grand Cenia* Hotel and Residences is a 25-storey development located along Archbishop Reyes Avenue in Banilad, Cebu, on the 4,211 sq. m. property strategically located close to the Cebu Business Park. Some unit buyers/owners entered their units into a rental pool to operate collectively as hotel. In January 2012, the hotel started operating as the Quest Hotel and Conference Center, a three-star hotel complete with business and conference facilities. The 25-storey structure has 432 condotel rooms and 119 residential condominium units.

The Leaf
The Leaf is a condotel type development stategically located on a mountainside setting beside the Timberland Sports and Nature Club in Timberland Heights. *The Leaf* consists of eight (8) low density mid-rise buildings of three (3) floors each with an average size of 31 sq. m. each unit. *The Leaf* is approximately 300 meters above sea level with a 180 degrees view of Metro Manila.

Analysis of Real Estate Sales
The table below shows a comparative breakdown of FLI's journalized real estate sales by product categories for the years ended December 31, 2017 and 2016 (in Thousands).

Category	Years ended December 31			
	2017		2016	
	Amount	**% to total**	Amount	% to total
Residential Lots and House & Lot Packages				
Socialized	**₱172,211**	**1.25%**	₱523,445	3.67%
Affordable	**2,692,725**	**19.59%**	2,670,935	18.74%
Middle Income	**9,461,392**	**68.82%**	8,893,026	62.38%
High-end & Others	**1,189,179**	**8.65%**	1,859,359	13.04%
Industrial Lots	**21,545**	**0.16%**	27,362	0.19%
Residential Farm Lots	**149,884**	**1.09%**	147,350	1.03%
Leisure	**61,487**	**0.44%**	134,443	0.94%
Total	**₱13,748,423**	**100.00%**	₱14,255,920	100.00%

Analysis of Cost of Sales
The table below shows a comparative breakdown of FLI's journalized cost of sales into various categories for the years ended December 31, 2017 and 2016 (in thousands):

	2017	2016
Land acquisition cost	**₱1,852,330**	₱1,858,146
Land development and construction cost	**6,199,106**	6,453,790
Cost of club share	**468**	10,338
	₱8,051,904	₱8,322,274

1.5.2. Leasing Segment

FLI's investment properties are categorized as retail and office segments.

2017 turned out to be a milestone year for the Filinvest Lifemalls' Commercial Centers. The opening of several malls fortified the company's thrust to expand its retail foot print.

Festival Alabang
The landmark project, Festival Alabang, carries on its position as the prime destination for recreation and retail in southern Metro Manila. With more 'firsts' on its offerings and a better shopping ambiance, the mall has altered the retail experience in the south.

As the existing mall continued to have major improvements undertaken for its facilities, architectural works that gave the mall a refreshed look and modernized ambiance complementing the opening of its expansion. Festival took the market by surprise when it opened its doors for Decathlon, a French sporting goods retailer with approximately more than 3,500 sq. m of leasable space, which added to the roster of anchors pulling in drove of shoppers from catchments all over Luzon.

Simultaneously, the tenants of the mall expansion with over 46,000 sq. m of gross leasable area, have gradually opened in 2017 bringing in a mix of fashion and food concepts such as Powermac, Cole Haan, Anello, Cotton On, Keds, Geox, Boarding Gate among others.

The introduction of new and unique food establishments has made Festival a gastronomic destination having brands such as Mary Grace, Cinnabon, Petit Bistro, Café Seolhwa, Gustav Café, Tenya, Tori Ichi, All for U, NY Café, and Mesa to name a few, ushering in new markets and strengthening traffic of its core target market. Festival Mall Expansion's new supermarket and department store partner anchor, Landmark, occupying around 50,000 sq. m of floor area, opened during the second half of 2017, further made the mall and Filinvest City's traffic more dynamic. Festival patrons are also enjoying the Water Garden, a distinctly refreshing outdoor amenity and convergence zone.

In 2017, two new additional malls, Fora in Tagaytay and Main Square in Bacoor, have opened which contributed more than 50,000 sq. m of leasable space.

Fora Mall
Conveniently located right by the city's landmark, Tagaytay Rotunda is Fora Mall, the first regional mall in the area fronting a mixed-use leisure development consisting of a condotel and residential buildings. This prime retail destination provides about 31,000 sq.m of leasable space amidst nature, open spaces, and a beautifully-landscaped amphitheater, primarily serving the strengthening local market and burgeoning tourist influx from the city and neighboring towns. It has partnered with brands such as Uniqlo, Giordano, Levi's, Mujosh, Vision Express, Penshoppe, Regatta, ForMe, Oxygen, Memo, etc for its fashion offerings. A number of local and popular food concepts, coupled with national brands, have initially opened. A strong wellness category is also in place and junior anchors such as Ace Hardware, Abenson and La Sedia. Super Metro, its anchor, opened last June 2017 with the first hypermarket format operating for 24 hours. The four digital cinemas launched last November 2017 is now the locals' go to place for recreation.

Main Square
With a smaller format of over 18,000 sq.m leasable area, Main Square is the first and only mall along Bacoor Blvd, close to Bacoor City Hall and fronting Princeton Heights. Positioned as the reliable one-stop hub for neighboring gated villages of Bacoor, it provides basic shopping, wellness, service and convenience offerings from partner brands such as Anytime Fitness, Watson's, Ace Hardware, Western Appliances, Japan Home, and DIY. The mall's supermarket anchor for this development is Robinsons Supermarket which has become the most convenient basic shopping destination in the area.

PBCom Tower

The PBCom Tower, is a 52 floor, Grade A, PEZA-designated I.T. office building in Ayala Avenue, Makati City, Metro Manila. FLI owns part of the PBCom Tower thru Filinvest Asia Corporation. FLI earns 60% of revenues from the 36,000 sq. m. leasable space owned by Filinvest Asia Corp. in this building. Colliers International had been hired to provide day-to-day property management services for PBCom Tower. In addition, pursuant to a management agreement, FAI provides the following services: general management services, accounting services, operations, legal review and documentation, office rental services and recruitment and training services.

Northgate Cyberzone

Northgate Cyberzone is a PEZA registered BPO park within Filinvest City. FLI earns revenues from approximately 212,527 sq. m. leasable space.

Construction is ongoing for the following new BPO office buildings located at Northgate Cyberzone:

- Axis (formerly Megablock) Towers 1 and 2 with combined GLA of 78,681 sq. m.

Current buildings with leases are the following:

- Plaza A: This is a six-storey building with an approximate GFA of 11,575 sq. m. and an approximate GLA of 10,860 sq. m.
- Plaza B and Plaza C: Plaza B and Plaza C are four-storey buildings, each with an approximate GFA of 7,150 sq. m. Plaza B has an approximate GLA of 6,488 sq. m. and Plaza C, 6,540 sq. m. for a combined GLA of 13,028 sq. m.
- Plaza D: This is a six-storey building with the same specifications as Plaza A and with an approximate GFA of 11,575 sq. m. and an approximate GLA of 10,860 sq. m.
- Plaza E: This is a twelve-storey building, situated between Plaza A and Plaza D, with approximate GFA of 16,281 sq. m. and an approximate GLA of 14,859 sq. m.
- Convergys Building: This is a three-storey building with an approximate GFA of 6,466 sq. m. and an approximate GLA of 6,399 sq. m. It was a "built-to-suit" (BTS) building to meet the requirements of Convergys.
- HSBC Building: This is another building that was constructed on a BTS basis to meet the requirements of HSBC. The HSBC building has an approximate GLA of 18,000 sq. m.
- IT School: This is a three-storey building with an approximate GFA of 3,297 sq. m. and an approximate GLA of 2,595 sq. m.
- Building 5132: This is a six-storey building with an approximate GFA of 10,560 sq. m. and an approximate GLA of 9,408 sq.m
- iHub I and iHub II: This is a two-tower complex (one with six-storey and the other with nine-storey) iHub I has an approximate GLA of 9,480 sq. m. iHub II has an approximate GLA of 14,181 sq. m. • Vector One: an 11-storey building with an approximate GFA of 19,545 sq. m. and an approximate GLA of 17,764 sq. m.
- Vector Two: This building has the same configuration as with Vector One. It is also 14 storeys high with an approximate GLA of 17,889 sq. m.
- Filinvest One *(formerly called AZ Building)*: This is a 10-storey building with a GLA of approximately 19,637 sq. m.
- Filinvest Two and Three: This is a twin-tower project located along Alabang Zapote Road. Each building has a GLA of approximately 23,784 sq. m or a total of 47,568 sq. m. The buildings were completed in the 4th quarter of 2015.
- Vector Three with a GLA of 36,345 sq. m. was completed in 2017.

EDSA Transcom Building

This five-storey BPO building is located along EDSA in Mandaluyong City and have approximately 7,358 sq. m. of GLA. This is FLI's first BPO office building outside Northgate Cyberzone.

Other projects outside Alabang

To tap the lucrative opportunities in the BPO sector, FLI is expanding its office portfolio in more areas outside of Northgate to meet the demands of the industry. The following are the ongoing new BPO office buildings located in various locations:

- *Filinvest Cyberzone Pasay* is the first development of Filinvest Cyberparks, Inc. and is the Filinvest Group's first LEED-certified project in Metro Manila outside of Northgate Cyberzone. Rising nine storeys within the Bay Reclamation Area in Pasay City, it will provide a total of 80,000 sq. m. of office space. To be developed in three phases, it is meant to cater to the office accommodation needs of the still growing outsourcing sector, and address retail support requirements of companies and government agencies that will set up shop in the surrounding area. Phase 1 has been completed and is comprised of Towers 1 and 2 with approximately 36,438 sq. m. of office GLA.

- *Filinvest Cebu Cyberzone* Tower 1 is the first BPO building located at the 1.2 - hectare joint venture project with the Provincial Government of Cebu. This is the first building of the four-building complex with 13 storeys and approximate GLA of 19,937 sq. m. Tower 2 is already near completion.

- *Clark Mimosa Cyberzone* Building 1 of the planned 6 buildings has been completed with a GLA of 8,410 sq. m.

- Construction is underway for two sites along Epifanio delos Santos Avenue for the development of mixed-use complexes that both contain BPO office spaces. *Studio 7*, a mixed-use project in South Triangle near GMA Network, will have a BPO office component, aside from residential and retail facilities. Its office portion, called *Studio 7 Cyberzone*, will provide 36,594 sq. m. of GLA by 2019. Another dynamic mixed-use development located at the corner of EDSA and Aurora Boulevard, which shall be called *Activa*, will also play host to BPO offices by providing an estimated 49,700 sq. m. of GLA.

- Planning activities for the development of Filinvest Ortigas which will have traditional office and retail components are currently underway. This is located in the Ortigas Business District (former Philcomcen property).

The Group will continue to carry out an intensive marketing campaign so to maintain high occupancy rates in its investment properties to maximize leasing revenues.

The table below shows a breakdown of FLI's recorded gross leasing related revenues for the year ended December 31, 2017 & 2016 (amounts in Thousands of Pesos, except percentages).

	Years ended December 31			
	2017		2016	
	Amount	**% to total**	Amount	% to total
Office	**₱2,838,640**	**64.30%**	₱2,107,205	62.27%
Retail/Commercial	**1,576,025**	**35.70%**	1,276,977	37.73%
Total	**₱4,414,665**	**100.00%**	₱2,952,759	100.00%

1.6. Marketing and Sales

1.6.1 Real Estate Sales Segment

FLI develops customer awareness through marketing and promotion efforts and referrals from satisfied customers. The Parent Company has a real estate marketing team, a network of sales offices located in the Philippines and tie-ups with independent brokers in Europe, Hongkong, the Middle East, Japan, and Singapore. FLI's marketing personnel, together with in-house sales agents and accredited agents, gather demographic and market information to help assess the feasibility of new developments and to assist in future marketing efforts for such developments.

FLI conducts advertising and promotional campaigns principally through print and broadcast media, including billboards, fliers, and brochures designed specifically for the target market. Advertising and promotional campaigns are conceptualized and conducted by FLI's marketing personnel and by third-party advertising companies. These campaigns are complemented with additional advertising efforts, including booths at shopping centers, such as Festival Supermall, and other high traffic areas, to promote open houses and other events.

FLI also believes that the OFW population, as well as expatriate Filipinos, constitute a significant portion of the demand for affordable and middle-income housing either directly or indirectly by remitting funds to family members in the Philippines to purchase property. To this end, the Parent Company has appointed and accredited independent brokers in countries and regions with large concentrations of OFWs and expatriate Filipinos, such as Italy, Japan, the United Kingdom and the Middle East. These brokers act as the Parent Company's marketing and promotion agents in these territories to promote the Parent Company and its products.

The Parent Company also sponsors road shows to promote its projects, including road shows in Europe and the United States of America, targeting the OFW and Filipino expatriate markets. FLI also markets its properties using the Internet.

Sales for FLI's housing and land development projects are made through both in-house sales agents and independent brokers. Both FLI's in-house sales agents and independent brokers are compensated through commissions on sales. In-house sales agents also receive a monthly allowance and are provided administrative support by FLI, including office space and expense allowances.

In addition to in-house sales agents and independent brokers, FLI also employs representatives who staff its sales offices and provide customers with information about FLI's products, including financing and technical development characteristics. FLI also assigns each project a sales and operations coordinator who will provide customers with assistance from the moment they make their sales reservation, during the process of obtaining financing, and through the steps of establishing title on their new home. FLI also has personnel who can advise customers on financing options, collecting necessary documentation and applying for a loan. FLI also helps design down payment plans for its low-cost housing customers that are tailored to each customer's economic situation. Further, once a house is sold and delivered, FLI has customer service personnel who are available to respond to technical questions or problems that may occur after delivery of the property.

1.6.2 Leasing Segment

Various professional, multinational commercial real estate leasing agents (including, but not limited to Jones Lang LaSalle, CB Richard Ellis and Colliers) are accredited to find tenants for its PBCom Tower and CPI office space. These brokers work on a non-exclusive basis and earn commissions based on the term of the lease.

FLI also maintains, through its subsidiaries, an in-house leasing team to market its office & commercial spaces.

1.7. Customer Financing for Real Estate Projects

The ability of customers to obtain financing for purchases of subdivision lots or housing units is a critical element in the success of FLI's housing and land development business. Customer financing is particularly important in relation to sales of FLI's socialized housing projects, where most prospective buyers require financing for up to 100% of the purchase price. FLI therefore assists qualified homebuyers in obtaining mortgage financing from government-sponsored mortgage lenders, particularly for its socialized housing projects, and from commercial banks. FLI also provides a significant amount of in-house financing to qualified buyers.

In-house financing

FLI offers in-house financing to buyers who chose not to avail of Government or bank financing. FLI typically finances 80% of the total purchase price, which is secured primarily by a first mortgage over the property sold. The loans are then repaid through equal monthly installments over periods ranging from 5 to 10 years. The interest rates charged by FLI for in-house financing typically range from 13.5% per annum to 19.0% per annum, depending on the term of the loan.

PAG-IBIG Fund

A substantial number of buyers of the Parent Company's socialized housing units finance their purchases through the Home Development Mutual Fund, or PAGIBIG Fund. To provide a liquidity mechanism to private developers, the PAGIBIG Fund has instituted a take-out mechanism for conditional sales, installment contract receivables and mortgages and repurchases of receivables from housing loans of its members.

Mortgage loans

Mortgage loans from commercial banks are usually available to individuals who meet the credit risk criteria set by each bank and who are able to comply with each bank's documentary requirements. In addition to taking security over the property, a bank may also seek repayment guarantees from the Home Guaranty Corporation ("HGC"). To assist prospective buyers obtain mortgage financing from commercial banks, FLI also has arrangements with several banks to assist qualified customers to obtain financing for housing unit purchases.

Deferred cash purchases

In recent years, in addition to the aforementioned financing arrangements, FLI has offered so-called "deferred cash" purchases, particularly for its high-end and leisure developments. Under this arrangement, the entire purchase price is amortized in equal installments over a fixed period, which is typically 24 months. Title to the property passes to the buyer only when the contract price is paid in full or when the buyer executes a real estate mortgage in favor of the Parent Company which can be annotated on the title to the property.

1.8. Real Estate Development

FLI's real estate development activities principally include the purchase of undeveloped land or entering into joint venture agreements covering undeveloped land, the development of such land into residential subdivisions or other types of development projects, the sale of lots, the construction and sale of housing units and the provision of financing for some sales.

The development and construction work is contracted out to a number of qualified independent contractors on the basis of either competitive bidding or the experience FLI had with a contractor on prior project. FLI weighs each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments.

FLI maintains relationships with over 100 independent contractors and deals with them on an arm's length basis.

FLI does not enter into long-term arrangements with contractors. Construction contracts typically cover the provision of contractor's services in relation to a particular project or phase of a project. FLI also provides, in certain cases, financial guarantees of payment to FLI-specified suppliers for purchases of construction materials. Progress payments are made to contractors during the course of a project development upon the accomplishment of pre-determined project performance milestones. Generally, FLI retains 10% of each progress payment in the form of a guarantee bond or cash retention for up to one year from the date the contracted work is completed and accepted by FLI to meet contingency costs.

FLI is not and does not expect to be dependent upon one or a limited number of suppliers or contractors. Its agreements with its contractors are in the nature of supply of labor and materials for the development and/or construction of its various real estate projects.

During 2017, the Parent Company launched a total of 14 new projects and phases with an estimated sales value of P14.5 billion. This brought to 197 the number of ongoing projects and phases as of the end of 2017.

1.9. Competition

1.9.1. Real Estate Sales Segment

Real estate development and selling is very competitive. FLI believes it is strongly positioned in the affordable housing income to middle-income residential subdivision market and in the farm estates. Success in these market segments depends on acquiring well-located land at attractive prices often in anticipation of the direction of urban growth.

The Parent Company believes that its name and reputation it has built in the Philippine property market contributes to its competitive edge over the other market players. On the basis of publicly available information and its own market knowledge, FLI's management believes that it is among the leading housing and land project developers in the Philippines, particularly in the socialized to middle-income housing sectors. FLI's management also believes that FLI is able to offer competitive commissions and incentives for brokers, and that FLI is able to compete on the basis of the pricing of its products, which encompasses products for different market sectors, as well as its brand name and its track record of successful completed quality projects.

FLI directly competes with other major real estate companies positioned either as a full range developer or with subsidiary companies focused on a specific market segment and geographic coverage. Its direct competitors include Ayala Land Inc., Vista Land, Robinsons Land, SMDC and DMCI.

The Parent Company faces significant competition in the Philippine property development market. In particular, the Parent Company competes with other developers in locating and acquiring, or entering into joint venture arrangements to develop, parcels of land of suitable size in locations and at attractive prices. This is particularly true for land located in Metro Manila and its surrounding areas, as well as in urbanized areas throughout the Philippines.

FLI's continued growth also depends in large part on its ability either to acquire quality land at attractive prices or to enter into joint venture agreements with land-owning partners under terms that can yield reasonable returns. Based on the Parent Company's current development plans, the Parent Company believes that it has sufficient land reserves for property developments for the next several years. If the Philippine economy continues to grow and if demand for residential properties remains relatively strong, the Parent Company expects that competition among developers for land reserves that are suitable for property development (whether through acquisitions or joint venture agreements) will intensify and that land acquisition costs, and its cost of sales, will increase as a result.

1.9.2. Leasing Segment

With regard to the Parent Company's assets dedicated to office space leasing and shopping mall operations, the Parent Company competes with property companies such as Ayala Land Inc., Robinsons Land Corp. and SM Prime Holdings in retail space leasing. In office space leasing, particularly to call centers and other BPO operators, the Parent Company competes with companies such as Robinsons Land, Inc., Ayala Land, Inc., Eton Corporation, SM Prime, and Megaworld Corporation.

1.10. Related-Party Transactions

The Parent Company is a member of the Filinvest Group. The Parent Company and its subsidiaries, in their ordinary course of business, engage in transactions with FDC and its subsidiaries. The Parent Company's policy with respect to related-party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

The Parent Company's major related-party transactions include:

Interest and non-interest bearing cash advances made to and received from FDC, FAPI, and other affiliates in order to meet liquidity and working capital requirements. Interest rates on these cash advances are determined on an arm's-length basis and are based on market rates.

Sharing jointly with other members of the Filinvest Group, expenses relating to common facilities and services used by each member of the Filinvest Group, such as payroll services, supplies and utilities.

A 50-year lease agreement with FAI for the 10-hectare property on which the Festival Supermall and its related structures are located.

FAC and CPI's management contracts with FAI pursuant to which FAI provides accounting, business development and other management services to FAC and CPI.

The Parent Company's contract with FSI, which provides services relating to the operation of the Festival Supermall and other commercial center being built. Under the terms of the contract, FSI is entitled to receive monthly management fees.

Savings and current accounts and time deposits with East West Bank ("EWB"), a member of the Filinvest Group.

Lease agreement between EWB and the Parent Company, and with FAC; covering an office space for the bank's branches in Grand Cenia Hotel and Residences building in Cebu, and in PBCom Tower in Makati City.

A development agreement with GCK Realty Corp. ("GCK"), in which members of the Gotianun family has shareholdings, for the development by FLI of Grand Cenia Hotel and Residences building on certain parcels of land owned by GCK in Bgry. Camputhaw, Cebu City.

A development agreement with Fernandez Hermanos, Inc., which is owned and managed by an officer and stockholder, Mr. Luis T. Fernandez, and his siblings, for the subdivision development of parcels of land owned by the latter company in Brgy. Matanos, Kaputian, Samal Island in the province of Davao.

1.11. Intellectual Property

The "Filinvest" trademark was registered with the Intellectual Property Office on September 15, 2011. "Filinvest" is the brand FLI uses and by which it is known to the public.

Below are FLI service marks registered with the Intellectual Property Office:

TRADEMARK	DATE OF REGISTRATION
One Oasis	10 Dec 2009
One Oasis Ortigas	10 Dec 2009
One Oasis Ortigas & Design	10 Dec 2009
We Build the Filipino Dream (Slogan)	10 Dec 2009
The Linear Makati & Design	12 Aug 2010
Filinvest (New Logo)	15 Sept 2011
Studio A	20 Dec 2012
The Signature	17 Apr 2014
Fortune Hill	22 May 2014

(Forward)

TRADEMARK	DATE OF REGISTRATION
Fora Rotunda Tagaytay	14 Aug 2014
The Leaf	20 Nov 2014
Vinia	20 Nov 2014
Citi di Mare	25 Dec 2014
One Binondo	12 Feb 2015
I-Go	20 Feb 2015
Bali Oasis	26 Feb 2015
Bali Oasis 2	26 Feb 2015
Citi di Mare (Logo and Tagline)	26 Feb 2015
Kembali	26 Feb 2015
One Spatial	26 Feb 2015
Serulyan Mactan	26 Feb 2015
Capri Oasis	05 Mar 2015
Timberland Heights (Horizontal Orientation)	14 May 2015
Timberland Heights (Stacked Orientation)	14 May 2015
Kembali (Reversed Logo)	25 June 2015
The Glades	09 July 2015
100 West	23 July 2015
Activa	13 Aug 2015
The Veranda	27 Aug 2015
Studio 7	12 Nov 2015

(Forward)

TRADEMARK	DATE OF REGISTRATION
Umi Garden Suites	11 Feb 2016
Filinvest (Reversed Logo)	24 Mar 2016
Filinvest Premiere	24 Mar 2016
Futura	24 Mar 2016
The Ranch	12 May 2016
The Prominence	26 May 2016
Aldea Real	07 July 2016
Filinvest Technology Park	07 July 2016
La Brisa Townhomes	07 July 2016
Montebello	07 July 2016
Punta Altezza	07 July 2016
Springfield View	07 July 2016
The Glens	07 July 2016
Vista Hills	07 July 2016
Woodville	07 July 2016
Panglao Oasis	14 July 2016
Amare Homes	04 Aug 2016
Nusa Dua	04 Aug 2016
Pineview	04 Aug 2016
Santoso Villas	04 Aug 2016
Blue Palm Estate	11 Aug 2016
Bluegrass County	11 Aug 2016

(Forward)

TRADEMARK	DATE OF REGISTRATION
Pueblo Solana	11 Aug 2016
Summerbreeze	11 Aug 2016
Savannah Fields	01 Sept 2016
Meridian Place	08 Sept 2016
Alta Spatial	30 Sept 2016
Kembali Coast	30 Sept 2016
The Tropics	30 Sept 2016
Maui Oasis	20 Oct 2016
Ashton Fields	03 Nov 2016
Sandia Homes	24 Nov 2016
Valle Alegre	24 Nov 2016
Valle Dulce	24 Nov 2016
Havila	08 Dec 2016
Princeton Heights	08 Dec 2016
Asenso Village	29 Dec 2016
Hampton Orchards	29 Dec 2016
Tierra Vista	29 Dec 2016
Blue Isle	19 Jan 2017
Palmridge	19 Jan 2017
Cyberzone Properties, Inc.	16 Feb 2017
Spring Heights	27 April 2017
The Enclave at Filinvest Heights	27 Apr 2017

(Forward)

TRADEMARK	DATE OF REGISTRATION
Filinvest International	04 May 2017
The Filinvest IT Zone	11 May 2017
8 Spatial	22 June 2017
Ciudad de Calamba	06 July 2017
Verde Spatial	06 July 2017
One Filinvest	14 July 2017
Marina Town	30 July 2017
The Levels	30 July 2017
Marina Spatial	10 Aug 2017
Grand Cenia Residences	17 Aug 2017
Sanremo Oasis	17 Aug 2017
East Spatial	24 Aug 2017
Phuket Oasis	24 Aug 2017
Sorrento Oasis	24 Aug 2017
Studio Zen	24 Aug 2017
Austine Homes	14 Sept 2017
Palm Estates	14 Sept 2017
Park Spring	02 Nov 2017
Aspire by Filinvest	07 Dec 2017
Filinvest Aspire	07 Dec 2017
Filinvest Futura	07 Dec 2017
Filinvest Prestige	07 Dec 2017

(Forward)

TRADEMARK	DATE OF REGISTRATION
Futura by Filinvest	07 Dec 2017
Prestige by Filinvest	07 Dec 2017
Brentville International Community	17 Dec 2017
New Leaf	04 Jan 2018
The Wood Estates	18 Jan 2018

The Company has pending applications with the Intellectual Property Office for the following trademarks:

The Enclave Alabang	Eastbay Palawan
Manna Estates	Studio City
Asiana Oasis	Laeuna de Taal
Amalfi	The Peak
Filinvest Cyberzone	Rosewood Place
The Wood Estates	New Leaf
Ventura Real	Nature Grove
Belize Aspire	

The Company has likewise filed an application with the World Intellectual Property Office (WIPO) for the international registration of the "Filinvest" trademark under the Madrid Protocol. Accordingly, "Filinvest" is now registered in the following countries:

COUNTRY	DATE REGISTERED
Malaysia	04 Mar 2015
United States of America	08 Mar 2016
Qatar	15 May 2016
Kuwait	04 Sept 2016

Statements of Certificate of Protection of the "Filinvest" trademark have also been issued by the following countries:

COUNTRY	DATE
United Kingdom	14 April 2015
Australia	01 July 2015
Denmark	14 Sept 2015
Norway	16 Sept 2015
Switzerland	11 Dec 2015

1.12. Government and Environmental Regulations

The real estate business in the Philippines is subject to significant Government regulations over, among other things, land acquisition, development planning and design, construction and mortgage financing and refinancing.

After the project plan for subdivision is prepared, FLI applies for a development permit with the local government. If the land is designated agricultural land, FLI applies with the Department of Agrarian Reform (DAR) for a Certificate of Conversion or Exemption, as may be proper. A substantial majority of FLI's existing landbank is subject to the DAR conversion process.

Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Approvals must be obtained at both the national and local levels. Evidently, the Parent Company's results of operations are expected to continue to be affected by the nature and extent of the regulation of its business, including the relative time and cost involved in procuring approvals for each new project, which can vary for each project.

The Parent Company is also subject to the application of the Maceda Law, which gives purchasers of real property purchased on an installment basis certain rights regarding cancellations of sales and obtaining refunds from developers.

FLI believes that it has complied with all applicable Philippine environmental laws and regulations. Compliance with such laws, in FLI's opinion, is not expected to have a material effect on FLI's capital expenditures, earning or competitive position.

1.13. Employees and Labor

As of December 31, 2017, FLI had a total of 1,163 employees that includes 227 permanent full-time managerial employees, 927 support employees and 9 consultants. Management believes that FLI's current relationship with its employees is generally good and neither FLI nor any of its subsidiaries have experienced a work stoppage or any labor related disturbance as a result of labor disagreements. None of FLI's employees or any of its subsidiaries belongs to a union. FLI currently does not have an employee stock option plan.

FLI anticipates that there will be no significant change in the number of its employees in 2018.

FLI provides managers, supervisors and general staff the opportunity to participate in both in-house and external training and development programs which are designed to help increase efficiency and to prepare employees for future assignments. FLI has also provided a mechanism through which managers and staff are given feedback on their job performance, which FLI believes will help to ensure continuous development of its employees. FLI also offers employees benefits and salary packages that it believes are in line with industry standards in the Philippines and which are designed to help it compete in the marketplace for quality employees.

1.14. Major Risk Factors

There are major risk factors that may affect the Parent Company or its operations. Property values in the Philippines are influenced by the general supply and demand of real estate as well as political and economic developments in the country. In the event new supply exceeds demand as a result of economic uncertainty or slower growth, political instability, or increased interest rates, the financial condition and results of operations of FLI will be materially affected.

Demand for, and prevailing prices of, developed land and house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers ("OFWs"). Demand for the Parent Company's housing and land developments is also affected by social trends and changing spending patterns in the Philippines, which in turn are influenced by economic, political and security conditions in the Philippines. The residential housing industry is cyclical and is sensitive to changes in general economic conditions in the Philippines such as levels of employment, consumer confidence and income, availability of financing for property acquisitions, construction and mortgages, interest rate levels, inflation and demand for housing.

The demand for the Parent Company's projects from OFWs and expatriate Filipinos may decrease as a result of the following possibilities, i.e. reduction in the number of OFWs, the amount of their remittances and the purchasing power of expatriate Filipinos. Factors such as economic performance of the countries and regions where OFWs are deployed, changes in Government regulations such as taxation on OFWs' income, and, imposition of restrictions by the Government/other countries on the deployment of OFWs may also affect the demand for housing requirements.

There are risks that some projects may not attract sufficient demand from prospective buyers thereby affecting anticipated sales. Stringent government requirements for approvals and permits of new projects may take substantial amount of time and resources. In addition, the time and the costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including unstable prices and supply of materials and equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Further, the failure by the Parent Company to substantially complete construction of a project to its planned specifications or schedule may result in contractual liabilities to purchasers and lower returns.

The Parent Company's cost of sales is affected by volatility in the price of construction materials such as lumber, steel and cement. While the Parent Company, as a matter of policy, attempts to fix the cost of materials component in its construction contracts, in cases where demand for steel, lumber and cement are high or when there are shortages in supply, the contractors the Parent Company hires for construction or development work may be compelled to raise their contract prices. As a result, rising cost of any construction materials will impact the Parent Company's construction costs, and the price for its products. Any increase in prices resulting from higher construction costs could adversely affect demand for the Parent Company's products and the relative affordability of such products as compared to competitors' products. This could reduce the Parent Company's real estate sales.

The Parent Company is also exposed to risks associated with the ownership and operation of its investment properties. Financial performance of the Parent Company's leasing segment, could be affected by a number of factors, including:

1. the national and international economic climate;
2. changes in the demand for call center and other BPO operations in the Philippines and around the world;
3. trends in the Philippine retail industry, insofar as the Festival Supermall is concerned;
4. changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, environment, taxes and government charges;
5. the inability to collect rent due to bankruptcy of tenants or otherwise;
6. competition for tenants;
7. changes in market rental rates;
8. the need to periodically renovate, repair and re-let space and the costs thereof;
9. the quality and strategy of management; and,
10. FLI's ability to provide adequate maintenance and insurance.

Item 2. PROPERTIES

2.1. Land Bank

Since its incorporation, the Parent Company has invested in properties situated in what the Parent Company believes are prime locations across the Philippines for existing and future housing and land development projects. It is important for the Parent Company to have access to a steady supply of land for future projects. In addition to directly acquiring land for future projects, the Parent Company has also adopted a strategy of entering into joint venture arrangements with landowners for the development of raw land into future project sites for housing and land development projects. This allows FLI to reduce its capital expenditures for land and substantially reduces the financial holding costs resulting from owning land for development.

Under the joint venture agreements, the joint venture partner contributes the land free from any lien, encumbrance, tenants or informal settlers and the Parent Company undertakes the development and marketing of the products. The joint venture partner is allocated either the developed lots or the proceeds from the sales of the units based on pre-agreed distribution ratio.

Potential land acquisitions and participation in joint venture projects are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market, the suitability or the technical feasibility of the planned development. The Parent Company identifies land acquisitions and joint venture opportunities through active search and referrals.

As of December 31, 2017, the Parent Company had a land bank of approximately 2,247 hectares of raw land for the development of its various projects, including approximately 245 hectares of land under joint venture agreements, which the Parent Company's management believes is sufficient to sustain several years of development and sales.

Details of the Parent Company's raw land inventory as of December 31, 2017 are set out in the table below:

FLI Land Bank as of December 31, 2017 Area in Hectares				
Location	Company Owned	Under Joint Ventures	Total	% to Total
Luzon Metro Manila	31.29	-	31.29	1.39%

(Forward)

FLI Land Bank as of December 31, 2017 Area in Hectares				
Location	Company Owned	Under Joint Ventures	Total	% to Total
Rizal	720.75	8.88	729.63	32.47%
Bulacan	254.21	-	254.21	11.31%
Bataan	12.27	-	12.27	0.55%
Pampanga	-	59.05	59.05	2.63%
Tarlac	-	0.15	0.15	0.01%
Pangasinan	3.25	-	3.25	0.14%
Cavite	347.04	69.28	416.32	18.52%
Laguna	272.11	0.71	272.82	12.14%
Batangas	143.50	42.07	185.56	8.26%
Palawan	-	-	-	0.00%
Sub-total	1,784.40	180.14	1,964.54	87.41%
Visayas				
Cebu	21.87	36.56	58.44	2.60%
Iloilo	11.44	-	11.44	0.51%
Negro Occidental	51.04	-	51.04	2.27%
Sub-total	84.36	36.56	120.92	5.38%
Mindanao				
Cagayan de Oro	-	-	-	0.00%
Davao	20.63	28.47	49.10	2.18%
Zamboanga del Sur	12.29	-	12.29	0.55%
South Cotabato	100.56	-	100.56	4.47%
Sub-total	133.48	28.47	161.95	7.21%
Total	2,002.24	245.17	2,247.41	100.00%

2.2. Current Development Projects

The following table sets out all of FLI's projects with ongoing housing and/or land development or marketing as of December 31, 2017.

Category / Name of Project	Location
SOCIALIZED	
Belmont Hills	General Trias, Cavite
Belvedere Townhomes	Tanza , Cavite
Blue Isle	Sto. Tomas, Batangas
Castillon Homes	General Trias, Cavite
Country Meadow	General Trias, Cavite
Melody Plains	San Jose Del Monte, Bulacan
Mistral Plains	General Trias, Cavite
Southern Heights	San Pedro, Laguna
Sunrise Place	Tanza, Cavite
Sunrise Place Mactan	Lapu-Lapu City, Cebu

(Forward)

Category / Name of Project	Location
Valle Alegre	Calamba City, Laguna
AFFORDABLE	
8 Spatial	Davao City, Davao Del Sur
Aldea del Sol	Lapu-Lapu City, Cebu
Aldea Real	Calamba City, Laguna
Alta Vida Expansion	San Rafael, Bulacan
Alta Vida Prime	San Rafael, Bulacan
Amare Homes	Tanauan City, Batangas
Anila Park	Antipolo City, Rizal
Anila Park Residences	Antipolo City, Rizal
Anila Park Townhomes	Antipolo City, Rizal
Asenso Village, Gen. Trias	General Trias, Cavite
Austine Homes	Mabalacat, Pampanga
Bluegrass County	Sto. Tomas, Batangas
Brookside Lane	General Trias, Cavite
Castlespring Heights	Caloocan City
Centro Spatial	Davao City, Davao Del Sur
Citation Homes	Meycauayan, Bulacan
Claremont Village	Mabalacat, Pampanga
Futura Homes - Iloilo	Leganes, Iloilo
Futura Homes - Koronadal	Koronadal City, South Cotabato
Futura Homes - Mactan	Lapu-Lapu City, Cebu
Futura Homes - Palawan	Puerto Princesa, Palawan
Futura Homes - Palm Estates	Talisay, Negros Occidental
Futura Homes - San Pedro	San Pedro, Laguna
Futura Homes - Zamboanga	Zamboanga City,
Futura Homes Davao	Davao, Davao Del Sur
La Brisa Townhomes	Calamba City, Laguna
Marina Spatial	Dumaguete City, Negros Oriental
Meridian Place	General Trias, Cavite
New Fields at Mana	Teresa, Rizal
Oakridge	Dasmariñas, Cavite
One Spatial	Pasig City
One Spatial Iloilo	Iloilo City, Iloilo
Palmridge	Sto. Tomas, Batangas
Park Spring	San Pedro, Laguna
Pineview	Tanza, Cavite
Primrose Townhomes	Angono, Rizal
Punta Altezza	Calamba City, Laguna
Sandia Homes	Tanauan City, Batangas
Savannah Fields	General Trias, Cavite
Springfield View	Tanza , Cavite
Summerbreeze Townhomes	Sto. Tomas, Batangas
The Glens at Park Spring	San Pedro, Laguna
The Residences @ Castillon Homes	General Trias, Cavite
Tierra Vista	San Rafael, Bulacan

(Forward)

Category / Name of Project	Location
Valle Dulce Phase 1	Calamba City, Laguna
Verde Spatial	Quezon City
Villa Mercedita	Davao City
Villa Montserrat	Taytay, Rizal
Villa Montserrat 1D	Taytay, Rizal
Villa Montserrat 3B	Taytay, Rizal
Villa Montserrat 3C	Taytay, Rizal
Villa Montserrat Expansion	Taytay, Rizal
Vista Hills	Calamba City, Laguna
Westwood Mansions	Tanza, Cavite
Windward Hills	Dasmariñas, Cavite
MIDDLE-INCOME	
100 West	Makati City
Amarilyo Crest	Taytay, Rizal
Amarilyo Crest	Taytay, Rizal
Aria at Serra Monte	Cainta, Rizal
Asenso Village Calamba	Calamba City, Laguna
Ashton Fields	Calamba , Laguna
Asiana Oasis	Paranaque, Metro Manila
Auburn Place	Las Piñas City
Bali Oasis 1	Pasig City
Bali Oasis 2	Pasig City
Banyan Crest	San Mateo, Rizal
Banyan Ridge	San Mateo, Rizal
Capri Oasis	Pasig City
Corona Del Mar	Talisay City, Cebu
East Bay Palawan	Puerto Princesa City, Palawan
Filinvest Homes - Butuan	Butuan City, Agusan Del Norte
Filinvest Homes- Tagum	Tagum City, Davao Del Norte
Fuente de Villa Abrille	Davao City
Hampton Orchards	Bacolor, Pampanga
Highlands Pointe	Taytay, Rizal
Irvine Place	Antipolo City, Rizal
Manor Ridge at Highlands	Taytay, Rizal
Maui Oasis	Sta. Mesa, Manila
Mission Hills - Sta Sophia	Antipolo, Rizal
Mission Hills - Sta. Cecilia	Antipolo, Rizal
Mission Hills - Sta. Isabel	Antipolo, Rizal
Montebello	Calamba City, Laguna
Nusa Dua (Santoso)	Tanza, Cavite
Ocean Cove	Davao City
One Oasis Cagayan de Oro	Cagayan De Oro City, Misamis Oriental
One Oasis Cebu	Cebu City, Cebu
One Oasis Davao	Davao City, Davao Del Sur
One Oasis Ortigas	Pasig City

(Forward)

Category / Name of Project	Location
Orange Grove	Davao City, Davao Del Sur
Panglao Oasis	Taguig City
Princeton Heights	Bacoor, Cavite
San Remo Oasis	South Road Properties, Cebu
Somerset Lane	Tarlac City, Tarlac
Sorrento Oasis	Pasig City
Southpeak	San Pedro, Laguna
Spring Country	Quezon City
Spring Heights	Quezon City
Studio 7	Quezon City
Studio A	Quezon City
Studio Zen	Pasay City
Tamara Lane (formerly Imari)	Caloocan City
The Enclave at Filinvest Heights	Quezon City
The Enclave at Highlands Pointe	Taytay, Rizal
The Glades	San Mateo , Rizal
The Levels	Muntinlupa City, Metro Manila
The Linear	Makati City
The Mactan Tropics	Lapu-Lapu City, Cebu
The Manors At Southpeak	San Pedro, Laguna
The Pines	San Pedro, Laguna
The Terraces Ph 1B & Ph 2	Taytay, Rizal
The Tropics	Cainta, Rizal
The Villas	Taytay, Rizal
Umi Garden	City di Mare
Villa San Ignacio	Zamboanga City
Vinia Residences & Versaflats	Quezon City
West Palms	Puerto Princesa, Palawan
HIGH-END	
Amalfi Oasis	South Road Properties, Cebu
Arista	Talisay, Batangas
Brentville International	Biñan, Laguna
Enclave Alabang	Las Piñas City
Fora	Tagaytay, Cavite
Fortune Hill	San Juan City
Le Jardin De Villa Abrille	Davao City, Davao Del Sur
Mission Hills - Sta. Barbara	Antipolo, Rizal
Mission Hills - Sta. Catalina	Antipolo, Rizal
Mission Hills - Sta. Clara	Antipolo, Rizal
Mission Hills - Sta. Monica	Antipolo, Rizal
The Grove	Angono, Rizal
The Peak	Taytay, Rizal
The Prominence	Quezon City
The Ranch	San Mateo, Rizal
The Signature	Quezon City
Village Front	Biñan, Laguna

(Forward)

Category / Name of Project	Location
Viridian at Southpeak	San Pedro, Laguna
LEISURE - FARM ESTATES	
Forest Farms	Angono, Rizal
Mandala Residential Farm	San Mateo, Rizal
Nusa Dua	Tanza, Cavite
LEISURE PRIVATE MEMBERSHIP CLUB	
Kembali Coast	Samal Island, Davao
Laeuna De Taal	Talisay, Batangas
Veranda Resort Condominiums	Samal Island, Davao
INDUSTRIAL/COMMERCIAL	
Filinvest Technology Park	Calamba, Laguna
CONDOTEL	
Grand Cenia Hotel & Residences	Cebu City

On-going developments of the abovementioned projects are expected to require additional funds but FLI believes that it will have sufficient financial resources for these anticipated requirements, both from debt financing and generation from operations.

In 2018, FLI intends to retain its dominant position as the leader in MRB projects by launching 5 new projects nationwide and 5 additional buildings of existing projects, with an estimated sales value of P7.0 billion. This will bring the FLI's total MRB projects to 32 (excluding condotel). These new MRB projects are part of the total P16.0 billion estimated sales value of new projects slated for launch by FLI in 2018.

Aside from the MRB's, FLI has pipelined 17 horizontal residential projects with an estimated revenue of about P6.2 billion and 1 high-rise building (mixed-use) with an estimated sales value of P2.8 billion.

2.3. Investment Properties

FLI has the following operating strategic investment properties: Festival Supermall, Fora Mall, Main Square Molino, PBCom Tower, Northgate Cyberzone, EDSA Transcom Building, Cebu Cyberzone, Pasay Cyberzone and Clark Mimosa Cyberzone.

FLI has currently several projects under development that will be rental assets when completed. Please refer to Section 1.5.2 for a detailed discussion of these properties.

2.4. Property and Equipment

FLI's corporate headquarters is located along EDSA, Mandaluyong City. FLI is also renting spaces for its sales offices in Quezon City, Rizal, Pampanga, Tarlac, Puerto Princesa City, Davao City, Butuan, Tagum, Cagayan de Oro, and Zamboanga City. The terms of the leases are usually for one year, and thereafter, the terms of the lease shall be on a month-to-month basis or upon the option of both parties, a new contract is drawn. The Parent Company does not intend to acquire properties for the next 12 months except as needed in the ordinary course of business.

Item 3. LEGAL PROCEEDINGS

The Company is subject to lawsuits and legal actions in the ordinary course of its real estate development and other allied activities. However, the Company does not believe that any such lawsuits or legal actions will have a significant impact on its financial position or results of its operations.

Noteworthy are the following cases involving the Company:

(a) FLI vs. Abdul Backy Ngilay, et. al.

G.R. No. 174715
Supreme Court

This is a civil action for the declaration of nullity of deeds of conditional and absolute sale of certain real properties located in Tambler, General Santos City covered by free patents and executed between FLI and the plaintiff's patriarch, Hadji Gulam Ngilay. The Regional Trial Court ("RTC") of Las Piñas City (Br. 253) decided the case in favor of FLI and upheld the sale of the properties. On appeal, the Court of Appeals rendered a decision partly favorable to FLI but nullified the sale of some properties involved. FLI filed a petition for review on certiorari to question that portion of the decision declaring as void the deeds of sale of properties covered by patents issued in 1991.

The Supreme Court affirmed the decision of the Court of Appeals but declared with finality that FLI's purchase of sales patents issued in 1991 was void and ordered the Ngilays to return ₱14,000,000.00 to FLI. The Regional Trial Court issued a Writ of Execution dated February 16, 2015. To satisfy the monetary judgment in favor of FLI, four parcels of land owned by the Ngilays and covered by Transfer Certificates of Title ("TCT") Nos. P-6886, 147-2014005034, 147-2014000465, and 147-2014000468, were levied on execution and sold at public auction to FLI as highest bidder. The Sheriff's Certificate of Sale over the properties was registered with the Registry of Deeds of General Santos Santos City. FLI filed a motion for the surrender of the certificates of title of the Ngilays so that FLI's affidavit of consolidation of ownership can be annotated on the titles and new certificates of title will be issued in FLI's name. This motion is pending.

(b) Republic of the Philippines vs. Rolando Pascual, et. al.

G.R. No. 222949
Supreme Court

The National Government through the Office of the Solicitor General filed suit against Rolando Pascual, Rogelio Pascual, and FLI for cancellation of title and reversion in favor of the Government of properties subject of a joint venture agreement between the said individuals and FLI. The Government claims that the subject properties covering about 73.33 hectares are not alienable and disposable being forest land. The case was dismissed by the RTC of General Santos City (Branch 36) on November 16, 2007 for lack of merit. On appeal, the Court of Appeals reversed the Decision of the RTC and ordered the case to be remanded for a full-blown trial on the merits. FLI filed a Motion for Partial Reconsideration, which was denied by the CA. On April 4, 2016, FLI filed its Petition for Review with the Supreme Court, but the SC also affirmed the Decision of the CA remanding the case for reversion filed by the Republic of the Philippines to the RTC of General Santos City for further proceedings. The RTC of General Santos City (Branch 36) set a hearing on June 5, 2018.

(c) Antonio E. Cenon and Filinvest Land, Inc. vs. San Mateo Landfill, Mayor Rafael Diaz, Brgy. Pintong Bukawe, Director Julian Amador and the Secretary, Department of Environment and Natural Resources

Civil Case No. 2273-09
Branch 75, Regional Trial Court, San Mateo, Rizal
CA-G.R. CV No. 107682
Court of Appeals, Manila

On February 9, 2009, FLI and its First Vice President, Engr. Antonio E. Cenon ("Plaintiffs") filed an action for injunction and damages against the respondents to stop and enjoin the construction of a 19-hectare landfill in a barangay in close proximity to Timberland Heights in San Mateo, Rizal. Plaintiffs sought preliminary and permanent injunctive reliefs and damages and the complete and permanent closure of the dump site. After presenting evidence, plaintiffs rested their case. Defendant San Mateo

Sanitary Landfill and defendant Mayor separately filed a Demurrer to Evidence. In an Order dated August 22, 2016, the Court granted both Demurrers to Evidence and dismissed the case for insufficiency of evidence. Plaintiffs filed a Notice of Appeal which was granted by the Regional Trial Court in an Order dated September 23, 2016. The Court of Appeals issued a Notice to File Brief dated November 3, 2016 which required Plaintiffs to file their Appellants' Brief. On February 15, 2017, plaintiffs filed their Appellants' Brief. San Mateo Sanitary Landfill filed its Brief dated April 7, 2017. Plaintiffs filed their Reply Brief on June 5, 2017. San Mateo Sanitary Landfill filed an Omnibus Motion for Leave to File Rejoinder and to Admit Rejoinder dated June 27, 2017. Pursuant to the October 20, 2017 Resolution of the Court of Appeals, plaintiffs filed their Comment on the Omnibus Motion on December 18, 2017.

(d) Manila Paper Mills International, Inc. vs. Filinvest Land, Inc., et al.

Civil Case No. DC-721-17
Regional Trial Court
Branch 90, Dasmariñas City, Cavite

In its Complaint dated July 14, 2017, Manila Paper Mills International, Inc. ("MPMII") claims it owns three parcels of land in Dasmariñas City, Cavite covered by TCT Nos. T-636128, T-636130 and T0636131 with the following respective areas: 79,999 square meters, 40,000 square meters, and 104,340 square meters, or a total area of 224,339 square meters. These areas allegedly overlap with FLI's lots which now form part of FLI's project, The Glens located in San Pedro Laguna. According to MPMII, plotting for The Glens conducted by a Licensed Geodetic Engineer through Google Maps revealed that portions of the project encroached on said MPMII properties for a total of 208,256 square meters. The Complaint prays for the cancellation of FLI's certificates of title that overlap with MPMII's as well as the payment of damages. MPMII also prayed for the issuance of a temporary restraining order or preliminary injunction to enjoin FLI from possessing, altering, transferring ownership, or disposing of the subject properties. MPMII subsequently amended its complaint to address issues raised by FLI in its first Motion to Dismiss. The main subject of amendment was the change in the plaintiff from MPMII to "Trustees and Shareholders of MPMII."

In response to the amended complaint, FLI filed its second Motion to Dismiss, where FLI argued, among others, that: (a) the court has no jurisdiction over the amended complaint's prayer for injunctive relief; (b) the amended complaint should be dismissed because the original complaint lacks cause of action (because MPMII's corporate personality has ceased in 2004) and may not therefore be subject to amendment; (c) the correct filing fees were not paid and in view of its impropriety, the amendment circumvents the need for separate filing and payment of new docket fees.

During the proceedings, the court allowed MPMII to present evidence on its prayer for injunction even before the resolution of FLI's motions to dismiss which raised serious grounds. The presiding judge also showed bias in favor of MPMII in proceeding with the hearing of the latter's evidence without the presence and participation of FLI's counsel. Thus, FLI filed a Motion to Recuse which is still pending. In the meantime, the proceedings have not continued.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There was no matter which was submitted to a vote of security holders in 2017.

Part II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

The shares were listed on the Philippine Stock Exchange (PSE) in 1993. The following table shows, for the periods indicated, the high, low and period end closing prices of the shares as reported in the PSE:

Period		Share Prices		
		High	Low	End
2017	4th Quarter	2.11	1.75	1.88
	3rd Quarter	2.25	1.67	2.03
	2nd Quarter	1.79	1.60	1.67
	1st Quarter	1.82	1.53	1.64
2016	4th Quarter	1.89	1.50	1.53
	3rd Quarter	2.04	1.82	1.83
	2nd Quarter	2.08	1.77	1.99
	1st Quarter	1.84	1.32	1.77

On December 31, 2017, FLI's shares closed at the price of P1.88 per share. The number of shareholders of record as of said date was 5,699. Common shares outstanding as of December 31, 2017 is 24,249,759,506.

Top 20 Stockholders (common shares) as of December 31, 2017:

NAME	NO. OF SHARES	% OF TOTAL
1. Filinvest Development Corporation	14,409,926,733	59.42%
2. PCD Nominee Corporation (Non-Filipino)	6,836,633,954	28.19%
3. PCD Nominee Corporation (Filipino)	2,694,511,824	11.11%
4. Phil. International Life Insurance	50,000,000	00.21%
5. Phil. International Life Insurance Co., Inc.	20,000,000	00.08%
6. Michael Gotianun	11,235,913	00.05%
7. Lucio W. Yan &/or Clara Y. Yan	10,687,500	00.04%
8. Joseph M. Yap &/or Josephine G. Yap	7,694,843	00.03%
9. Berck Y. Cheng	7,000,000	00.03%
10. Joseph M. Yap	6,444,115	00.03%
11. Executive Optical, Inc.	5,040,647	00.02%
12. R Magdalena Bosch	4,877,928	00.02%
13. Luis L. Fernandez	4,064,940	00.02%
14. Luis L. Fernandez Or Veronica P. Fernandez ITF Marco	4,064,940	00.02%
15. Luis Rodrigo P. Fernandez	4,064,940	00.02%
16. Luis L. Fernandez Or Veronica P. Fernandez ITF Carlo	4,064,940	00.02%
17. Enrique P. Fernandez	4,064,940	00.02%
18. Veronica P. Fernandez	4,064,940	00.02%
19. Team Gladiola, Inc.	3,828,000	00.02%
20. Emily Benedicto	3,468,750	00.01%

The Parent Company's entire preferred shares of 8 billion shares were all issued to FDC.

No securities were sold within the past three years which were not registered under the Revised Securities Act and/or Securities Regulation Code.

Dividends

On January 8, 2007, the Board of Directors approved an annual cash dividend payments ratio for the Parent Company's issued shares of twenty percent (20%) of its consolidated net income for the preceding year, subject to compliance with applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends, including, but not limited to, when Company undertakes major projects and developments requiring substantial cash expenditures, or when the Parent Company is restricted from paying cash dividends by its loan covenants, if any. The Board of Directors may at any time modify such dividend payout ratio depending on the results of operations, future projects and plans of the Parent Company.

On May 9, 2014, the BOD approved the declaration from unappropriated retained earnings of cash dividend of ₱0.050 per share or a total of ₱1.21 billion for all shareholders of records as of June 6, 2014.

On May 8, 2015, the BOD approved the declaration from unappropriated retained earnings of cash dividend of ₱0.056 per share or a total of ₱1.37 billion for all shareholders of record as of June 5, 2015.

On April 22, 2016 the BOD approved the declaration and payment of cash dividend of ₱0.061 per share or a total of ₱1.48 billion for all shareholders of record as of May 22, 2016.

On April 21, 2017 the BOD approved the declaration and payment of cash dividend of ₱0.0613 per share or a total of ₱1.49 billion for all shareholders of record as of May 21, 2017.

Item 6. BOND ISSUANCES

On November 19, 2009, FLI issued fixed rate bonds (the "Bonds") with aggregate principal amount of ₱5.00 billion, comprised of three (3)-year fixed rate bonds due in 2012 and five (5)-year fixed rate bonds due in 2014. FLI raised net proceeds of ₱ 4,934,064,000 after deducting fees, commissions and expenses relating to the issuance of the bonds.

The three-year bonds have a fixed interest rate of 7.53% per annum. Interest is payable quarterly in arrears starting on February 19, 2010. The five (5)-year bonds have a fixed interest rate of 8.46% per annum. Interest is payable quarterly in arrears starting on February 20, 2010. The ₱ 0.50 billion and ₱4.50 billion three (3)-year fixed rate bond was paid by FLI on November 16, 2012 and November 19, 2014, respectively.

On July 7, 2011, FLI issued another fixed rate bonds with principal amount of ₱3.00 billion, to finance its capital requirements in 2011 and 2012. The term of the bonds is five (5) years from the issue date with fixed interest rate of 6.2% per annum, payable quarterly in arrears starting on October 7, 2011. FLI raised net proceeds of ₱2,978,835,000 after deducting fees, commissions and expenses relating to the issuance of the bonds.

On June 8, 2012, FLI issued another fixed rate bonds with aggregate principal amount of ₱7.00 billion and term of seven (7) years from the issue date. The fixed interest rate is 6.27% per annum, payable quarterly in arrears starting on September 8, 2012. FLI raised net proceeds of ₱6,915,976,960 after deducting fees, commissions and expenses relating to the issuance of the bonds.

On November 8, 2013, the Group issued fixed rate bonds with aggregate principal amount of ₱7.00 billion comprised of ₱4.30 billion seven (7)-year bonds with interest of 4.86% per annum due in 2020 and ₱2.70 billion ten (10)-year bonds with interest of 5.43% per annum due in 2023. Interest for both bonds is payable quarterly in arrears starting on February 8, 2014. FLI raised net proceeds of ₱6,917,093,003 after deducting fees, commissions and expenses relating to the issuance of the bonds.

On December 4, 2014, FLI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱ 7.00 billion comprising of ₱5.30 billion seven (7)-year fixed rate bonds due in 2021 and ₱ 1.70 billion ten (10)-year fixed rate bonds due in 2024. The seven-year bonds carry a fixed rate of 5.4% per annum while the ten-year bonds have a fixed interest rate of 5.64% per annum. FLI raised net proceeds of ₱ 6,922,093,063.

On August 20, 2015, FLI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱8.00 billion comprising of ₱7.00 billion 7-year fixed rate bonds due in 2022 and ₱1.00 billion 10-year fixed rate bonds due in 2025. The 7-year bonds carry a fixed rate of 5.36% per annum while the 10-year bonds have a fixed rate of 5.71% per annum. FLI raised net proceeds of ₱7,913,188,532 after deducting fees, commissions and expenses relating to the issuance of the bonds.

On July 7, 2017, CPI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱6.00 billion and term of five and a half (5.5) years due in 2023. The bonds carry a fixed rate of 5.05% per annum, payable quarterly in arrears starting on October 7, 2017.

These bonds require FLI to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x, DSCR of 1.1x and no current ratio requirement). As of December 31, 2017 and 2016, FLI is not in breach of any of these debt covenants.

Item 7. MANAGEMENT DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

Plan of Operations for 2018

FLI's business strategy has placed emphasis on the development and sale of residential lots and housing units to lower and middle-income markets throughout the Philippines.

FLI expects to remain focused on core residential real estate development business which includes medium-rise buildings (MRB) and high-rise condominium projects, residential farm estates, entrepreneurial communities, and leisure developments in response to the demands of the Philippine market. The Parent Company is also expanding its retail and BPO office-building portfolio to generate recurring revenues.

In 2018, FLI intends to retain its dominant position as the leader in MRB projects by launching 5 new projects nationwide and 5 additional buildings of existing projects, with an estimated sales value of ₱7.0 billion. This will bring FLI's total MRB projects to 32. These new MRB projects are part of the total ₱16.0 billion estimated sales value of new projects slated for launch by FLI in 2018.

Aside from the MRBs, FLI has pipelined 17 horizontal residential projects with an estimated revenue of about ₱6.2 billion and one high-rise building (HRB) (mixed-use) with an estimated sales value of ₱2.8 billion.

In line with FLI's strategic goal of tripling the GLA of its BPO office buildings by 2019, FLI is targeting to complete five more office buildings: Axis 1 (formerly Megablock) with a GLA of 38,899 sq. m. and Axis 2 with a GLA of 38,899 sq. m. in Northgate Cyberzone, Pasay Cyberzone A and D with a combined GLA of 34,702 sq. m. in the Bay Area and Clark Mimosa Building 2 with a GLA of 13,036 sq. m.

For its retail portfolio, Il Corso lifestyle strip, a retail project in South Road Properties in Cebu, will contribute a GLA of around 35,000 sq. m. when fully completed.

Results of Operations for 2017

Year ended December 31, 2017 compared to year ended December 31, 2016

For the year ended December 31, 2017, FLI's operating regular net income registered a year on year growth of 9.03% or P483.39 million from ₱5,350.79 million in 2016 to ₱5,834.18 million in 2017.

Revenues and other income

Total consolidated revenues went up by ₱769.06 million or 3.94% from ₱19,500.59 million in 2016 to ₱20,269.65 million in 2017. Increase in revenue is attributable to 30.45% or ₱1,030.49 million increase in rental and other related services revenue from P3,384.18 million in 2016 to P4,414.67 million in 2017. Vector Three, located in Northgate Cyberzone Alabang has been completed and turned over, adding 36,000 square meters of GLA to the office portfolio. FLI now operates 22 buildings totaling 348,000 square meters of GLA. For retail, Fora Mall in Tagaytay and Main Square Mall in Bacoor were completed adding 50,000 square meters GLA to the retail portfolio.

Real estate sales slightly decreased by ₱507.50 million or by 3.56% from ₱14,255.92 million in 2016 to ₱13,748.42 million in 2017. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 69% (inclusive of MRB and HRB); Affordable 20%; High-End 9%; Farm Estate 1%; Socialized and others 1%.

Interest income increased by ₱63.33 million or by 7.26% from ₱871.97 million in 2016 to ₱935.30 million in 2017. The increase was due to higher interest income derived from cash and cash equivalents and contracts receivable.

Costs and Expenses

Cost of real estate sales decreased by ₱270.37 million or by 3.25% from ₱8,322.27 million in 2016 to ₱8,051.90 million in 2017. The decrease was mainly due to decline in the amount of real estate sales booked during the current period. Cost of rental services on the other hand, increased by ₱256.57 million or 34.56% from ₱742.49 million in 2016 to ₱999.06 million in 2017 basically due to depreciation of newly completed investment properties.

Total operating expenses increased to ₱2,860.83 million in 2017 from ₱2,508.76 million in 2016. General and administrative expenses increased by ₱575.19 million or by 44.11% to ₱1,879.14 million in 2017 from ₱1,303.95 million in 2016. The increase was due to operating expenses related to opening of new malls and BPO buildings for lease. Likewise, business permits and real property taxes increased as a result of higher revenues and completion of more buildings during the year. Selling and marketing expenses decreased by P223.11 million or by 18.52% from ₱1,204.80 million in 2016 to ₱981.69 million in 2017 mainly due to lower broker's commission released during the year and managed advertising costs.

Provision for Income Tax

Total provision for income tax decreased by 2.84% from ₱1,503.62 million in 2016 to ₱1,460.98 million in 2017. Provision for current income tax increased to ₱705.04 million in 2017 from ₱385.79 million in 2016 or an increase of ₱319.25 million or by 82.75% due to higher taxable income generated from increased revenues

Provision for deferred income tax decreased by P361.88 million or by 32.37% from ₱1,117.82 million in 2016 to ₱755.94 million in 2017 due to temporary differences between financial and taxable income.

Financial Condition

As of December 31, 2017, FLI's total consolidated assets stood at ₱145.12 billion, higher by 12.13% or by ₱15.70 billion than the ₱129.43 billion total consolidated assets as of December 31, 2016. The following are the material changes in account balances:

55.47% Increase in Cash and cash equivalents
Inflows of cash mainly came from proceeds of loans and bonds during the year together with strong collection of receivables offset by expenditures on projects and acquisitions of land and property investments and debt repayments.

20.93% Decrease in Contracts receivable
Contracts receivable decreased due to strong collections during the period. Majority of collections came from middle-income projects.

31.97% Increase in Other receivables
Increase is mainly due to higher receivables from tenants due to new leasable areas, escalations of rents etc.

29.14% Increase in Real estate inventories
Inventories increased due to rawland acquisitions and accelerated spending on saleable real estate project costs.

16.67% Increase in Other current assets
Other current assets increased due to higher prepaid expenses and CWTs during the year.

16.74% Increase in Investment property
The increase was mainly due to the additional construction costs of new buildings intended for office and commercial buildings for lease. These are primarily located in Northgate Cyberzone in Alabang, Filinvest Cyberzone in Pasay Bay Area, Filinvest Mimosa, Fora Mall in Tagaytay, Main Square in Cavite, and Il Corso in Cebu.

28.86% Increase in Property, plant and equipment
The increase was primarily due to the completion of the DCS plant (District Cooling System) which supplies the chilled water for the Northgate Cyberzone buildings.

2.88% Increase in Other noncurrent assets
The increase in this account was mainly construction costs of the Filinvest Cebu Cyberzone, classified under non-current other assets pursuant to BTO agreement with the Government of Cebu.

53.36% Increase in Accounts payable and accrued expenses
The increase in this account was mainly due to the accrual for the purchase of rawland and payables to contractors and suppliers for project constructions.

4.69% Decrease in Loans payable
The increase in mainly due to the ₱3.23 billion newly availed loans offset by ₱4.37 billion repayments

20.77% Increase in Bonds payable
The increase was due to bond issuance of ₱6 billion during the year by CPI, a 100% subsidiary of FLI.

18.23% Decrease in Due to related parties
The decrease was due to payments of the liability to affiliates for the Group's share in expenses incurred in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the following year.

15.74 % Increase in Retirement liabilities
The increase was due to the accrual of the current service cost and interest cost to the retirement fund for the year.

17.33% Increase in Deferred Income Tax Liabilities
The increase was mainly due to the additional capitalized borrowing cost on long-term loans and other temporary differences between financial and taxable income.

Performance Indicators

Financial Ratios	***Particulars***	**2017**	**2016**
Earnings per Share	*Basic*[1]	0.23	0.22
Earnings per Share	*Diluted*[2]	0.23	0.22
Debt to Equity Ratio	*Notes Payable & Long-term Debt* / *Total Stockholder's Equity*	0.91	0.90
Debt Ratio	*Total Liabilities* / *Total Assets*	0.56	0.54
EBITDA to Total Interest Expense	*EBITDA* / *Total Interest Expense*	3.07	3.16
Price Earnings Ratio	*Closing Price of Share* / *Earnings Per share*	8.17	6.95

[1]*Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.*

[2]*Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.*

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

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

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from its continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

Results of Operations for 2016

Year ended December 31, 2016 compared to year ended December 31, 2015

For the year ended December 31, 2016, FLI's operating regular net income registered a year on year growth of 4.95% or ₱252.22 million from ₱5,098.56 million in 2015 to ₱5,350.79 million in 2016.

Revenues and other income

Total consolidated revenues went up by ₱1,197.73 million or 6.54% from ₱18,302.85 million in 2015 to ₱19,500.59 million in 2016. Increase in revenue is attributable to 14.61% or ₱431.42 million increase in rental and other related services revenue from ₱2,952.76 million in 2015 to ₱3,384.18 million in 2016. FLI completed three new buildings in the last quarter of 2015 and these have started to generate revenues in 2016. FLI now operates 21 buildings totaling 312,000 square meters of gross leasable area (GLA). Likewise, real estate sales increased by ₱205.21 million or by 1.46% from ₱14,050.71 million in 2015 to 14,255.92 million in 2016. Real estate sales booked during the current period broken down by product type are as follows: Middle Income 72% (inclusive of Medium-Rise Buildings and High-Rise Buildings); Affordable 19%; High-End 3%; Farm Estate 1%; Socialized and others 5%.

Interest income increased by ₱63.59 million or by 7.87% from ₱808.38 million in 2015 to ₱871.97 million in 2016. The increase was due to higher interest income derived from cash and cash equivalents. Other income increased by 156.09% or by ₱490.96 million from ₱314.53 million in 2015 to ₱805.49 million in 2016 mainly due to a ₱450.00 income from liquidated damages qualified to be recognized as income as of December 31, 2016.

Costs and Expenses

Cost of real estate sales increased by ₱190.12 million or by 2.34% from ₱8,132.15 million in 2015 to ₱8,322.27 million in 2016. The increase was mainly due to movement in the amount of sales booked during the current period. Cost of rental services likewise increased by 8.14% from ₱686.58 million in 2015 to ₱742.49 million in 2016 basically due to depreciation of newly completed investment properties.

Total operating expenses increased to ₱2,508.76 million in 2016 from ₱2,226.73 million in 2015.

General and administrative expenses increased by ₱165.93 million or by 14.58% to ₱1,303.95 million in 2016 from ₱1,138.02 million in 2015. The increase was due to some repairs expensed out in 2016, and increases in outside temporary services, rent and utilities expenses for the current period.

Selling and marketing expenses increased by ₱116.10 million or by 10.66% to ₱1,204.80 million in 2016 from ₱1,088.71 million in 2015 mainly due to increase in broker's commission.

Interest and other financial charges increased by ₱188.91 million or by 21.38% to ₱1,072.66 million in 2016 from ₱883.76 million in 2015. This was due to interest expense of the newly availed loans in 2016.

Provision for Income Tax

Provision for income tax increased by 17.92% from ₱1,275.07 million in 2015 to ₱1,503.62 million in 2016. Provision for current income tax decreased to ₱385.79 million in 2016 from ₱407.15 million in 2015 or a decrease of ₱19.98 million or by 4.92% due to lower taxable income brought about by tax incentives and nontaxable financial revenues.

Provision for deferred income tax increased by ₱248.52 million or by 28.59% from ₱867.92 million in 2015 to ₱1,117.82 million in 2016 due to temporary differences of financial and taxable income.

Financial Condition

As of December 31, 2016, FLI's total consolidated assets stood at ₱129,425.23 million, higher by 6.79% or by ₱8,230.06 million than the ₱121,195.17 million total consolidated assets (as restated) as of December 31, 2015. The following are the material changes in account balances:

26.13% Decrease in Cash and cash equivalents
Funds were used for the development of existing and new projects and for the construction of new buildings (investment properties) and for raw land acquisitions, coupled with bond and loan payments.

11.98% Increase in Contracts receivable
Contracts receivable increased due to additional sales booked during the period. Several attractive financing schemes are being offered by the Group to its real estate buyers to further increase sales.

15.20% Decrease in Other receivables
Decrease is mainly due to recoupment of advances from contractors and suppliers.

16.05% Decrease in Financial assets at fair value through other comprehensive income
This account decreased due to management's reassessment of control over TSNC. TSNC is now treated as a subsidiary with the investment in Club shares eliminated at consolidation.

18.71% Increase in Investment property
The increase was mainly due to the additional construction costs of new buildings in Northgate Cyberzone and Filinvest Cebu Cyberzone. Moreover, additional costs were incurred for the construction of buildings for commercial lease.

33.60% Increase in Property, plant and equipment
The increase was mainly due to consolidation of TSNC which has a material cost of Club classified as property, plant and equipment.

87.06% Increase in Deferred income tax assets
The increase in deferred income tax assets is basically due additional advance rental payments for the year.

21.50% Increase in Other assets
The increase in this account was mainly construction costs of the non-current assets acquired in relation to BTO agreement with the Government of Cebu.

16.03% Decrease in Accounts payable and accrued expenses
The decrease in this account was mainly due to the settlement of payables to contractors and suppliers with the completion of project constructions.

53.36% Increase in Loans payable
The increase in mainly due to the ₱10.48 billion newly availed loans by the Group offset by the ₱1.93 billion repayments.

9.30% Decrease in Bonds payable
The decrease was due to repayment of the ₱3 billion fixed-rate bonds.

44.68% Increase in Income tax payable
The increase in income tax payable was attributable to increased taxable income due to increased revenues.

28.92% Decrease in Due to Related Parties
The decrease was due to pay offs of the liability to affiliates for the Group's share in expenses in the regular course of business. The remaining unpaid charges are expected to be paid or liquidated within the first quarter of the following year.

38.99 % Increase in Retirement Liabilities
The increase was due to the accrual of the liability to the retirement fund for the year based on the latest actuarial valuation, net of cash contributions to the fund.

32.71% Increase in Deferred Income Tax Liabilities
The increase was mainly due to the additional capitalized borrowing cost on long-term loans and other temporary differences of financial and taxable income.

Performance Indicators

Financial Ratios	***Particulars***	**2016**	2015
Earnings per Share	*Basic*[1]	**0.22**	0.21
Earnings per Share	*Diluted*[2]	**0.22**	0.21
Debt to Equity Ratio	*Notes Payable & Long-term Debt* / *Total Stockholder's Equity*	**0.90**	0.85
Debt Ratio	*Total Liabilities* / *Total Assets*	**0.54**	0.54
EBITDA to Total Interest Expense	*EBITDA* / *Total Interest Expense*	**3.16**	3.09
Price Earnings Ratio	*Closing Price of Share* / *Earnings Per share*	**6.95**	8.62

[1]Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

[2]Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

There are no known trends, events or uncertainties that have had or are reasonably expected to have favorable or unfavorable impact on net sales or revenues or income from continuing operations of FLI. Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from the Parent Company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

Results of Operations for 2015

Year ended December 31, 2015 compared to year ended December 31, 2014

For the year ended December 31, 2015, FLI's operating regular net income registered a year on year growth of 10.51% or ₱485.07 million from ₱4,613.49 million in 2014 to ₱5,098.56 million in 2015.

Revenues and other income

Total consolidated revenues went up by 7.35% to ₱18,302.85 million in 2015 from ₱17,056.62 million in 2014. The increase resulted from the continued robust real estate sales that reached ₱14,050.71 million (up by ₱846.27 million or by 6.41%) and revenues from rental and related services of ₱2,952.76 million (higher by ₱318.60 million or 12.09%). Real estate sales booked during the current period broken down by product type are as follows: Middle Income 79% (inclusive of Medium-Rise Buildings and High-Rise Buildings); Affordable 14%; High-End 2%; Farm Estate 1%; Socialized and others 4%. Major contributors to the good sales performance during the period included the launching of new MRB's and House and Lot projects in diverse new locations, intensive marketing activities and attractive pricing. The increase in rental and related services revenues from the mall and office spaces was brought about mainly by higher rental revenues generated by CPI from Northgate Cyberzone buildings resulting from full occupancy/take up rate of "Plaza E" and partial occupancy of newly completed buildings in 2015 namely "Filinvest Two" and "Filinvest Three" and Filinvest Cebu Cyberzone Tower 1. FLI currently operates 14 office buildings including the three (3) newly completed buildings bringing the office portfolio to 274,971 sq. m. In addition, cinema ticket sales and snackbar sales, parking and income from amusement centers which are all included in revenues from rental and related services, increased due to higher occupancy rate during the year.

Interest income increased by ₱56.20 million or by 7.47% from ₱752.18 million in 2014 to ₱808.38 million in 2015. The increase was due to higher interest income derived from cash and cash equivalents and from contract receivables. Other income decreased by 24.21% or by ₱100.47 million from ₱415.00 million in 2014 to ₱314.53 million in 2015 mainly due to the decrease in forfeited reservations and collections.

Costs and Expenses

Cost of real estate sales increased by ₱405.99 million or by 5.25% from ₱7,726.16 million in 2014 to ₱8,132.15 million in 2015. The increase was mainly due to higher amount of sales booked during the current period. Cost of rental services likewise increased by 7.71% from ₱637.43 million in 2014 to ₱686.58 million in 2015 basically due to increase in mall operations expenses and depreciation of investment properties.

Total operating expenses decreased to ₱2,226.73 million in 2015 from ₱2,353.38 million in 2014.

General and administrative expenses decreased by ₱161.31 million or by 12.41% to ₱1,138.02 million in 2015 from ₱1,299.33 million in 2014. The decrease was due to lower salaries wages, and employee benefits, transportation and travel and communications, light and water; offset by increases in EDP, outside services and other charges recorded for the current period.

The Company maintained its level of spending in selling and marketing expenses with minimal increase from prior year amounting to ₱34.65 million or by 3.29% to ₱1,088.71 million in 2015 from ₱1,054.06 million in 2014.

Interest and other financial charges increased by 36.46% to ₱883.76 million in 2015 from ₱647.62 million in 2014. This was due to interest expense of the bonds issued in December 2014.

Provision for Income Tax

Provision for income tax increased by 18.22% from ₱1,078.53 million in 2014 to ₱1,275.07 million in 2015. Provision for current income tax decreased to ₱407.15 million in 2015 from ₱718.24 million in 2014 or a decrease of ₱312.47 million or by 43.51% due to lower taxable income brought about by tax incentives and nontaxable financial revenues.

Provision for deferred income tax increased by ₱509.02 million or by 141.28% from ₱ 360.28 million in 2014 to ₱867.92 million in 2015 due to capitalization of interest expense and other temporary differences of financial and taxable income.

Financial Condition

As of December 31, 2015, FLI's total consolidated assets stood at ₱121,195.17 million, higher by 13.91% or by ₱14,813.21 million than the ₱106,519.84 million total consolidated assets as of December 31, 2014. The following are the material changes in account balances:

53.10% Increase in Cash and cash equivalents
The increase is due to additional loan proceeds during the period to be used as fund for the development of existing and new projects and for the construction of new buildings (investment properties) and for raw land acquisitions.

14.63% Increase in Contracts receivable
Contracts receivable increased due to additional sales booked during the period. Several attractive financing schemes are being offered by the Group to its real estate buyers to further increase sales.

73.33% Increase in Due from related parties
The decrease was due to charges to affiliates for the share in expenses incurred in the regular course of business. Outstanding balances are expected to be collected within the following year.

22.03% Decrease in Financial assets at fair value through other comprehensive income
This account decreased due to return of investments received from certain shares from an electric power distributor.

7.37% Increase in Real Estate Inventories
Increase in the account is mainly due to construction costs of new projects for the year.

21.55% Increase in Investment property
The increase was mainly due to the additional construction costs of new buildings in Northgate Cyberzone and Filinvest Cebu Cyberzone. Moreover, additional costs were incurred for the expansion of Festival Supermall.

49.23% Decrease in Deferred income tax assets
The decrease in deferred income tax assets is due the advances on rent applied in 2015.

48.32% Increase in Other assets
The increase in this account was mainly due to deposits for various prospected land acquisitions and construction costs of the non-current assets acquired in relation to BTO agreement with the Government of Cebu.

25.76% Increase in Accounts payable and accrued expenses
The increase in this account is due to the increase in various deposits such as customer's deposits, registration deposits, deposits for land acquisitions and retention fees.

72.76% Decrease in Income tax payable
The decrease in income tax payable is due to excess of the creditable withholding taxes applied to income taxes payable of the parent. Remaining payable position is attributable to the subsidiaries of the parent.

33.48% Increase in Bonds payable
The increase was due to the issuance of fixed-rate bonds by the Parent Company with an aggregate principal amount of ₱8 billion in August 2015 to finance the various projects of the Parent Company.

18.34% Increase in Due to Related Parties
The increase was due to charges from affiliates for the Group's share in expenses in the regular course of business. These advances are expected to be paid or liquidated within the first quarter of the following year.

21.77% Increase in Retirement Liabilities
The increase was due to the accrual of the liability to the retirement fund for the year, net of cash contributions to the fund.

34.30% Increase in Deferred Income Tax Liabilities
The increase was mainly due to the additional capitalized borrowing cost on long-term loans and other temporary differences of financial and taxable income.

Performance Indicators

Financial Ratios	***Particulars***	**2015**	**2014**
Earnings per Share	*Basic*[1]	0.21	0.19
Earnings per Share	*Diluted*[2]	0.21	0.19
Debt to Equity Ratio	*Notes Payable & Long-term Debt* / *Total Stockholder's Equity*	0.85	0.77
Debt Ratio	*Total Liabilities* / *Total Assets*	0.54	0.51
EBITDA to Total Interest Expense	*EBITDA* / *Total Interest Expense*	3.09	3.03
Price Earnings Ratio	*Closing Price of Share* / *Earnings Per share*	8.62	8.05

[1]Basic earnings per share amounts are calculated by dividing net income for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

[2]Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Other Disclosures

Aside from the possible material increase in interest rates of the outstanding long-term debts with floating rates, there are no known trends, events or uncertainties or any material commitments that may result to any cash flow or liquidity problems of FLI within the next 12 months. The Parent Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments, or any significant amount in its accounts payable that have not been paid within the stated terms.

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

Except for income generated from retail leasing, there are no seasonal aspects that have a material effect on FLI's financial conditions or results of operations.

The operating activities of FLI are carried uniformly over the calendar year; there are no significant elements of income or loss that did not arise from the Parent Company's continuing operations.

There are no known events that will trigger the settlement of a direct or contingent financial obligation that is material to the Parent Company.

There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships to the Parent Company with unconsolidated entities or other persons created during the reporting period, except those discussed.

The Group does not have any contingent liability or borrowings wherein financial assets were pledged to secure payment nor does it have borrowings wherein properties were mortgaged to secure a loan.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANT ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip, Gorres, Velayo & Co (SGV) has been the duly appointed independent auditors for the years covered by this report.

SGV has been recommended for election as external auditor for the year 2017. FLI, in compliance with SRC Rule 68(3)(b)(iv) relative to the five-year rotation requirement of its external auditors, has designated Ms. Dhonabee B. Seneres as its engagement partner starting CY 2013. Thus, Ms. Seneres is qualified to act as such until year 2018. The representatives of SGV are expected to be present at the annual meeting where they will have the opportunity to make a statement if they desire to do so. They are expected to be available to respond to appropriate questions at the meeting.

There has been no disagreement with FLI's independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND PRINCIPAL OFFICERS OF THE REGISTRANT

Jonathan T. Gotianun *Chairman of the Board*	Mr. Gotianun, 64, Filipino, was first elected as a Director of FLI on June 17, 1994. He also serves as the Chairman of the Board of Directors of FDC and EWBC, both publicly-listed companies. He is also the President of Davao Sugar Central Co., Inc. and Cotabato Sugar Central Co., Inc., and Director and Chairman of the Executive Committee of FDCUI and its subsidiary power companies. He served as Director and Senior Vice President of Family Bank & Trust Co. until 1984. He obtained his Master's Degree in Business Administration from Northwestern University in 1976.
Lourdes Josephine G. Yap *President and Chief Executive Officer*	Mrs. Yap, 62, Filipino, was first elected as a Director of FLI on November 24, 1989. Mrs. Yap, who was elected as the President and CEO of FLI on October 31, 2012, is also a Director and the President and CEO of FDC, a publicly-listed company and FAI, and a Director in FDCUI and EWBC, a publicly-listed company. She obtained her Master's Degree in Business Administration from the University of Chicago in 1977.
Mercedes T. Gotianun *Director*	Mrs. Gotianun, 89, Filipino, was a Director of FLI from 1991 to 2010 and its Chief Executive Officer from 1997 to 2007. She was first elected as a Director of FLI on November 24, 1989. She serves as a Director of EWBC and FDC, both publicly-listed companies, and also as a Director of FAI, PSHC and FDCUI. She was involved in the operations of Family Bank and Trust Co. since its founding in 1970 and was President and Chief Executive Officer of the bank from 1978 to 1984. She obtained her university degree from the University of the Philippines.
Andrew T. Gotianun, Jr. *Co-Vice Chairman*	Mr. Gotianun, 66, Filipino, was first elected as a Director of FLI on November 24, 1989. He is also a Director of FDC, a publicly-listed company, and a Director in FAI, FDCUI and TSNC. He served as a director of Family Bank and Trust Co. from 1980 to 1984. He has been in the realty business for more than 16 years. He obtained his Bachelor of Science (Major in Accounting) degree from Republican College in 1981.
Michael Edward T. Gotianun *Director*	Mr. Gotianun, 60, Filipino, was first elected as a Director of FLI on May 8, 2015. He is also a Director of FAI and Festival Supermall, Inc. He served as the general manager of Filinvest Technical Industries from 1987 to 1990 and as loans officer at Family Bank from 1979 to 1984. He obtained his Bachelor's Degree in Business Management from the University of San Francisco in 1979. He has been serving the Company as Vice President for more than five (5) years. He is not a Director in any publicly-listed company.
Efren C. Gutierrez *Director*	Mr. Gutierrez, 82, Filipino, was a Director of FLI from 1994 to 2001, and was re-elected to FLI's Board in 2006. He was first elected as a Director of FLI on June 17, 1994. He served as the President of FAI from 1999 to 2005. He is a Director of The Palms Country Club, Inc. He is not a Director of any other publicly-listed company. He obtained his Bachelor of Laws degree from the University of the Philippines.
Francis Nathaniel C. Gotianun	Mr. Gotianun, 34, Filipino, was first elected as a director of FLI on April 22, 2016. He is the Vice President of Filinvest Hospitality Corporation, a subsidiary of FDC, the primary role of which is to evaluate, plan, develop and optimize potential and current hospitality investments of the Filinvest Group. He serves as a director of The Palms Country Club, Inc. and Filinvest Mimosa, Inc. He is not a Director of any other publicly-listed company. He obtained his Bachelor's Degree in Commerce from the University of Virginia in 2005 and his Master's in Business Administration degree in IESE Business School – University of Navarra in 2010.

Lamberto U. Ocampo *Independent Director*	Mr. Ocampo, 92, Filipino, was an independent director of FLI from 2002 to 2008, having been first elected as an independent director of FLI on May 30, 2002. In 2012, Mr. Ocampo was re-elected as an independent director of FLI. He is a Civil Engineer by profession. He served as director of DCCD Engineering Corporation from 1957 to April 2001, as its Chairman of the Board from 1993 to 1995, and President from 1970 to 1992. He is not a Director of any other publicly-listed company. He obtained his Master's Degree in Engineering from the University of California-Berkeley.
Val Antonio B. Suarez *Independent Director*	Mr. Suarez, 59, Filipino, was first elected as an independent director of FLI on May 8, 2015. He is also an independent director of FDC, a publicly-listed company. He is the Managing Partner of the Suarez & Reyes Law Offices and was the former President and Chief Executive Officer of The Philippine Stock Exchange. Mr. Suarez is also an independent director of Lepanto Consolidated Mining Company and a member of the Integrated Bar of the Philippines (Makati Chapter) and New York Bar. He obtained his Bachelor of Laws degree from the Ateneo de Manila University School of Law and a Master of Laws degree from Georgetown University Law Center.
Nelson M. Bona *Chief Financial Officer*	Mr. Bona, 67, Filipino, was appointed as FLI's Chief Financial Officer in January 2007. He was formerly an Executive Vice President of EWBC and Managing Director of Millenia Broadband Communications, Inc. and Filinvest Capital, Inc.
Ana Venus A. Mejia *Treasurer/Deputy Chief Financial Officer*	Ms. Mejia, 52, Filipino, has been with the Filinvest Group for 20 years and has served the Group in various capacities. She was appointed as Treasurer of FLI in 2012She is a Certified Public Accountant and a Magna Cum Laude graduate of Pamantasan ng Lungsod ng Maynila. She obtained her Master's Degree in Business Administration from Kellogg School of Management of Northwestern University and the Business School of HongKong University of Science and Technology
Elma Christine R. Leogardo *Corporate Secretary and Compliance Officer*	Atty. Leogardo, 59, Filipino, was appointed by the Board of Directors as Corporate Secretary and Compliance Officer on May 8, 2015. She concurrently serves as a Vice President of the Legal Department of the Company. Prior to joining the Company, she was a senior partner at Villaraza Cruz Marcelo & Angangco. She is a fellow of the Institute of Corporate Directors, a trustee of the Legal Management Council of the Philippines, was former President and current trustee of the Maritime Law Association of the Philippines, and a member of the Integrated Bar of the Philippines and the Philippine Bar Association. She holds a Bachelor of Arts degree, *cum laude*, from the University of the Philippines, and a Bachelor of Laws degree from the same university.

The members of the Nomination Committee of FLI are Efren C. Gutierrez (Chair), Mercedes T. Gotianun, Lourdes Josephine Gotianun Yap, Lamberto U. Ocampo (Independent Director) and Rizalangela L. Reyes. Ms. Reyes sits in the committee in an ex-officio capacity as the head of FLI's Human Resources Department.

The Audit Committee of FLI is composed of Val Antonio B. Suarez (Chair/Independent Director), Jonathan T. Gotianun and Efren C. Gutierrez.

The directors of FLI are elected at the annual stockholders' meeting to hold office for one (1) year and until their respective successors have been duly appointed or elected and qualified. Officers and committee members are appointed or elected by the Board of Directors typically at its first meeting following the annual stockholders' meeting, each to hold office until his successor shall have been duly elected or appointed and qualified.

There is no person who is not an executive officer of the Parent Company who is expected to make a significant contribution to the business. The Parent Company, however, engages the regular services of consultants. At December 31, 2017, the Parent Company had 9 consultants in the area of business development, marketing, planning and design and construction management.

Except as discussed in section 1.10, there are no transactions or any proposed transactions during the last two years, to which the Parent Company was or is to be a party, in which any director or officer, any nominee for election as a director, any security holder or any member of the immediate family or any of the persons mentioned in the foregoing had or is to have a direct or indirect material interest.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

Except for the following cases, none of the members of FLI's Board nor its executive officers are involved in any major criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to December 31, 2017, nor have they been found by judgment or decree to have violated securities or commodities laws and enjoined from engaging in any business, securities, commodities or banking activities: (a) the complaint for estafa filed by Manila Paper Mills International, Inc. ("MPMII") with the Office of the City Prosecutor of Dasmariñas, Cavite against certain directors and officers of FLI, which was dismissed, although MPMII filed a Petition for Review now pending before the Secretary of Justice; and (b) a criminal complaint for selling without a license to sell against certain officers of FLI filed by Elsa P. Herbolario with the Office of the City Prosecutor of Dasmariñas Cavite.

Item 10. EXECUTIVE COMPENSATION

The aggregate compensation paid or incurred during the last two fiscal years and the estimate for this year are as follows:

	Estimated 2018			2017			2016		
Name & Principal Position	**Salaries**	**Bonus**	**Total**	**Salaries**	**Bonus**	**Total**	**Salaries**	**Bonus**	**Total**
L. Josephine G. Yap *President/Chief Exec. Officer* Steve Chien Liang Ta *Senior Vice President* Nelson M. Bona *CFO/Senior Vice President* Venus A. Mejia *(Deputy Chief Financial Officer/Treasurer/ Senior Vice President)* Francis V. Ceballos *Senior Vice President*									
CEO and top four (4) highest compensated officers	₱25.44	₱7.10	₱32.54	₱24.23	₱6.77	₱31.00	₱23.22	₱7.55	₱30.77
All officers and directors as a group unnamed	₱47.21	₱12.73	₱59.94	₱44.97	₱12.12	₱57.09	₱43.11	₱13.13	₱56.24

Except for a per diem of ₱50,000 being paid to each director for every meeting attended, there are no other arrangements for the payment of compensation or remuneration to the directors in their capacity as such.

There is no action to be taken at the annual meeting of the stockholders on April 20, 2018 with respect to any bonus, profit sharing or other compensation plan, contract or arrangement, and pension or retirement plan, in which any director, nominee for election as a director, or executive officer of FLI will participate. Neither is there any proposed grant or extension to any such person of any option, warrant or right to purchase any securities of FLI.

Item 11. Security Ownership of Certain Beneficial Owners and Management

11.1. Security Ownership of Certain Beneficial Owners as of December 31, 2017:

Title of Class of Securities	*Name/ Address of Record Owner and Relationship with FLI*	*Name of Beneficial Owner/Relationship with Record Owner*	*Citizenship*	*No. of Shares Held*	*% of Ownership*
Preferred	Filinvest Development Corporation *The Beaufort, BGC, Taguig City, MM*	N.A.	Filipino	8,000,000,000 (R)	100%
Common	Filinvest Development Corporation *The Beaufort, BGC, Taguig City, MM*	N.A.	Filipino	14,409,926,733 (R)	59.42%
Common	PCD Nominee Corporation (Non-Filipino) *G/F, Philippine Stock Exchange Tower, Ayala Ave., Makati City*	Invesco Hong Kong Limited (more than 5%)	Non-Filipino	6,836,633,954 (R)	28.19%
Common	PCD Nominee Corporation (Filipino) *G/F, Philippine Stock Exchange Tower, Ayala Avenue, Makati City*	(No single shareholder owns at least 5% of total shares)	Filipino	2,694,511,824 (R)	11.11%

Total number of shares of all record and beneficial owners as a group is 8,000,000,000 preferred shares representing 100% of the total outstanding preferred shares, and 24,249,759,506 common shares representing 100% of the total outstanding common shares.

Ms. Josephine G. Yap is usually appointed by Filinvest Development Corporation ("FDC") as its representative with authority to vote FDC's shares in stockholders' meetings of FLI.

11.2. Security Ownership of Management as of December 31, 2017

Title of Class of Securities	Name and Office Address/Residence	Amount and Nature of Ownership	Citizenship	% of Ownership
Common	Mercedes T. Gotianun The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig City 1634, Metro Manila	76 (D) 37,493,662(I)**	Filipino	0.00% (D) 0.43% (I)
Common	Andrew T. Gotianun, Jr. Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	406,571(D) 1,916 (I)*	Filipino	0.0017% (D) 0.00% (I)
Common	Lourdes Josephine Gotianun Yap Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	7,694,919(D)*** 39,585,690(I)****	Filipino	0.0317% 0.22%
Common	Jonathan T. Gotianun The Beaufort, 5th Avenue corner 23rd Street, Bonifacio Global City, Taguig City 1634, Metro Manila	61(D) 323,534 (I)*	Filipino	0.00% 0.00%
Common	Michael Edward T. Gotianun Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City	11,235,913(D) 47,131,422(I)*	Filipino	0.05% (D) 0.00% (I)
Common	Efren C. Gutierrez Ayala Alabang Village, Muntinlupa City	13,083(D) 1,388 (I)*	Filipino	0.0001% (D) 0.00% (I)
Common	Francis Nathaniel C. Gotianun Vector One Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City	32,518(D) 0 (I)	Filipino	0.0001% (D) 0.00% (I)

(Forward)

Title of Class of Securities	Name and Office Address/Residence	Amount and Nature of Ownership	Citizenship	% of Ownership
Common	Val Antonio B. Suarez Unit 2111 BSA Suites, 103 Carlos Palanca St. Legaspi Village Makati City	1(D) 1(I) *	Filipino	0.00%
Common	Lamberto U. Ocampo Magallanes Village, Makati City	1(D) 0 (I)	Filipino	0.00%
Common	Luis L. Fernandez Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	4,064,940 (D) 369,960 (I)*	Filipino	0.0168% (D) 0.00% (I)
Not Applicable	Nelson M. Bona Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0 (D) 24,664 (I)*	Filipino	0.00%
Not Applicable	Ana Venus A. Mejia Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	Not Applicable
Not Applicable	Lian-Ta C. Chien Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Taiwanese	Not Applicable
Not Applicable	Francis V. Ceballos Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	Not Applicable
Common	Antonio E. Cenon Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	81,297 (D) 0 (I)	Filipino	0.0003%
Common	Winnifred H. Lim Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0 (D) 1,026,563 (I)	Filipino	0.00% 0.0042%
Not Applicable	Reynaldo A. Ascano Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	Not Applicable
Not Applicable	Tristaneil D. Las Marias Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	Not Applicable
Not Applicable	Vince Lawrence Abejo Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	Not Applicable
Not Applicable	Reynaldo Juanito S. Nieva II Filinvest Building, 79 EDSA, Highway Hills, Mandaluyong City, Metro Manila	0	Filipino	Not Applicable

* Shares of stock in Filinvest Development Corporation

** Includes shares of stock in Filinvest Development Corporation under the name Andrew Sr. &/or Mercedes Gotianun

*** Includes shares of stock in Filinvest Land, Inc. under the name Joseph &/or Josephine Yap

**** Includes shares of stock in Filinvest Development Corporation under the name Joseph &/or Josephine Yap

Total ownership of all directors and officers as a group is 0.20%.

a) No person holds more than 5% of the common stock under a voting trust or similar agreement.

b) There has been no change in control of FLI since the beginning of last year.

11.3. Voting Trust Holders of 5% or more

There are no persons holding 5% or more of a class of shares under any voting trust or similar agreement.

11.4. Changes in Control

There are no arrangements that may result in change in control of the Parent Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Parent Company and its subsidiaries, in their normal course of business, have certain related party transactions with affiliates principally consisting of advances and intercompany charges.

Please refer to the Detailed Discussion on the Parent Company's Subsidiaries, Joint Ventures, Affiliate and Related Party Transactions in Section 1.3, 1.4, 1.5 and 1.10, respectively.

PART IV – COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

FLI is in full compliance with its Revised Manual for Corporate Governance as demonstrated by the following: (a) the election of two (2) independent directors to the Board; (b) the appointment of members of the audit, nomination and compensation committees; (c) the conduct of regular quarterly board meetings and special meetings, the faithful attendance of the directors at these meetings and their proper discharge of duties and responsibilities as such directors; (d) the submission to the SEC of reports and disclosures required under the Securities Regulation Code; (e) FLI's adherence to national and local laws pertaining to its operations; and (f) the observance of applicable accounting standards by FLI.

In order to keep itself abreast with the leading practices on corporate governance, FLI encourages the members of top level management and the Board to attend and participate at seminars on corporate governance initiated by accredited institutions.

FLI welcomes proposals, especially from institutions and entities such as the SEC, PSE and the Institute of Corporate Directors, to improve corporate governance.

There is no known material deviation from FLI's Revised Manual on Corporate Governance.

Per SEC Memorandum Circular No. 15, Series of 2017, the Integrated Annual Corporate Governance Report for 2017 shall be submitted to the SEC on or before May 30, 2018 and is no longer required to be attached to the Annual Report.

PART V – EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS ON SEC Form 17-C

a) Exhibits

Exhibits as indicated in the Index to Exhibits are either not applicable to the Parent Company or require no answer.

b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed during the last six months of 2017:

Report Date	Items Reported
November 27, 2017	Attendance of Board of Directors and Key Officers in Corporate Governance Training
November 13, 2017	Press Release on 9-month results
November 7, 2017	Notice of Analysts Briefing for 9-month 2017

(Forward)

Report Date	Items Reported
September 26, 2017	Clarification on the news report "Megawide seeks P800 million from FLI"
August 14, 2017	Press Release on 1st Half Results
July 31, 2017	Annual Corporate Governance Report (amended)
July 13, 2017	Notice of Analysts'/Investors' Briefing on August 11, 2016
July 7, 2017	Press Release on Cyberzone Properties Inc. Maiden Retail Bond Issuance

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Form 17 A, Item 7

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements
Certificate on the Compilation Services for the Preparation of the Financial Statements and Notes to the Financial Statements
Report of Independent Public Accountant
Consolidated Balance Sheets as of December 31, 2017 and 2016
Consolidated Statements of Income and Retained Earnings for the years ended December 31, 2017, 2016, and 2015
Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016, and 2015
Notes to Consolidated Financial Statements

Supplementary Schedules

Report of Independent Auditors on Supplementary Schedules
Group Supplementary Information and Disclosures Required by SRC Rule 38, As Amended (2011)
Schedule of All Effective Standards and Interpretations under PFRS as of December 31, 2017
Schedule of Bond Issuances – Securities Offered to the Public
Group Unappropriated Retained Earnings Available for Dividend Distribution
Financial Soundness Indicators
Group Structure

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong, Metro Manila on March 21, 2018.

By:

Jonathan T. Gotianun
Chairman

Lourdes Josephine G. Yap
President and CEO

Nelson M. Bona
Chief Financial Officer

Elma Christine R. Leogardo
Corporate Secretary

APR 05 2018

SUBSCRIBED AND SWORN to before me this _____ day of _____ affiants exhibiting to me their Competent evidence of identity as follows:

Name	Competent evidence of Identity	Issue Date	Expiry Date	Place issued
Jonathan T. Gotianun	Passport no. EB9194744	20-Sept-13	19-Sept-20	DFA/Manila
L. Josephine G. Yap	Passport no. P1463447A	7-Jan-17	6-Jan-22	DFA/NCR East
Nelson M. Bona	Driver's License N11-70-029982	27-July-2016	27-July-19	LTO NCR
Atty. Elma Christine R. Leogardo	Driver's License N26-13-020722	4-Nov.-2015	26-Oct.-18	LTO/ Pasig City

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Page No. 12
Book No. 18
Series of 2018

JOVENCIO SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0265-17 UNTIL DECEMBER 31, 2018
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 3368587; 1-3-18; MANDALUYONG
MCLE COMPLIANCE NO IV - 0014673 14 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY

FILINVEST LAND, INC.

79 EDSA, Highway Hills
Mandaluyong City, Metro Manila
Trunk line: (632) 918-8188
Customer hotline: (632) 588-1688
Fax number: (632) 918-8189
www.filinvestland.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FILINVEST LAND, INC. and SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor, appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JONATHAN T. GOTIANUN
Chairman of the Board

SUBSCRIBED AND SWORN TO BEFORE ME in the City of Mandaluyong this ___ day of MAR 20 2018 ___, affiant exhibiting to me his/her _____ as competent evidence of identity.

LOURDES JOSEPHINE GOTIANUN-YAP
President/CEO

NELSON M. BONA
Chief Finance Officer

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-17 UNTIL DECEMBER 31, 2018
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 3388587; 1-3-18; MANDALUYONG
MCLE COMPLIANCE NO. IV - 0014673 14 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY

Signed this 8th day of March, 2018

Doc. No. 391
Page No. 80
Book No. 15
Series of 2018

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for Filinvest Land, Inc. and Subsidiaries for the period ending December 31, 2017.

In discharging this responsibility, I hereby declare that:

I, am the General Accounting Staff of Filinvest Land, Inc.

Furthermore, in my compilation services for the presentation of Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of SyCip Gorres Velayo & Co. who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME: John Symon S. Rosita

PROFESSIONAL IDENTIFICATION CARD NO. 0155131
VALID UNTIL: April 17, 2019

ACCREDITATION NUMBER: 4448 Bd. Res. No. 6 dtd. Februar 1, 2018
Valid Until: April 17, 2020

SUBSCRIBED AND SWORN TO BEFORE ME THIS MAR 20 2018
of Mandaluyong this ____ day of _____
affiant exhibiting to me his/her _____
as competent evidence of Identity.

NOTARY PUBLIC

Doc. No. 471
Page No. 95
Book No. 15
Series of 2018 _____

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-17 UNTIL DECEMBER 31, 2018
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 3388587; 1-3-18; MANDALUYONG
MCLE COMPLIANCE NO. IV - 0014673 14 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SECRegistrationNumber

1	7	0	9	5	7					

COMPANY NAME

FILINVEST LAND, INC. AND SUBSIDIARIES

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

79 EDSA, Brgy. Highway Hills,
Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
	918-8188	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,699	Every 2nd to the last Friday of April Each Year	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Venus A. Mejia	venus.mejia@filinvestgroup.com	918-8188	

CONTACT PERSON's ADDRESS

79 EDSA, Brgy. Highway Hills, Mandaluyong City

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

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

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
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

The Stockholders and the Board of Directors
Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

Opinion

We have audited the accompanying consolidated financial statements of Filinvest Land, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Group as at December 31, 2017 and 2016, and its financial performance and its cash flows for the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
MELINA PRISCA S. RANJO

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

Accounting for Real Estate Revenue under Percentage of Completion Method

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on physical completion of the real estate project. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs which is based on POC accounts for 54% of total consolidated revenue from real estate sales and 53% of the total consolidated cost of real estate sales, respectively, for the year ended December 31, 2017. The assessment of the physical stage of completion and the total estimated costs requires technical determination by management's project engineers. The assessment of the stage of completion and total estimated costs involves significant management judgment.

Refer to Note 3 to the consolidated financial statements for the disclosures about real estate revenue accounted for using POC method.

Audit Response

We obtained an understanding of the Group's processes for determining the POC, and for determining and updating of total estimated costs, and performed tests of the relevant controls over these processes. We obtained the certified POC reports prepared by the project engineers for mid-rise real estate developments and third party project engineers for high-rise real estate developments. We assessed the competence and objectivity of the engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the major activities of the project construction. For selected projects, we also obtained the approved total estimated costs and any revisions thereto, including the supporting details.

Assessment of Goodwill

Under PFRS, the Group is required to test the amount of goodwill for impairment. As of December 31, 2017, the Group's goodwill attributable to Festival Supermall structure, Filinvest Asia Corporation, and Cyberzone Properties, Inc. which are considered significant to the consolidated financial statements amounted to ₱3,745.95 million, ₱494.74 million and ₱326.55 million, respectively. In addition, management's assessment process requires significant judgment and is based on assumptions, including revenue growth rates, gross margins, discount rates and terminal growth rates.

Refer to Notes 3 and 4 to the consolidated financial statements for the disclosures about goodwill.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
MELINA PRISCA S. RANJO

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rates, gross margins, discount rates and terminal growth rates.

We compared the key assumptions used, such as revenue growth rate against the historical performance of the cash-generating units, and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for Other Information. Other Information comprises the information included in SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

BUREAU OF INT[illegible] NUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
MELINA PRISCA S. RANJO

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

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

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

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

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

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

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

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

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.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
MELINA PRISCA S. RANJO

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

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. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 6621331, January 9, 2018, Makati City

February 28, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
MELINA PRISCA S. RANJO

Securities and Exchange Commission
Electronic Records Management Division
APR 13 2018
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands of Pesos)

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 18 and 29)	**₱7,576,090**	₱4,873,025
Contracts receivable (Notes 3, 7 and 29)	**4,535,296**	4,631,719
Other receivables (Notes 8 and 29)	**1,882,416**	1,426,369
Real estate inventories (Notes 3 and 9)	**33,455,903**	25,905,712
Other current assets (Notes 3 and 10)	**6,106,621**	5,234,008
Total Current Assets	**53,556,326**	42,070,833
Noncurrent Assets		
Contracts receivable - net of current portion (Notes 3, 7 and 29)	**12,690,696**	17,153,861
Land and land development (Notes 3 and 9)	**18,877,344**	17,594,754
Investment in associates (Notes 3 and 11)	**4,197,002**	4,046,789
Investment properties (Notes 3 and 12)	**44,321,475**	37,964,948
Property and equipment (Notes 3 and 13)	**3,408,312**	2,645,084
Deferred income tax assets (Notes 3 and 27)	**48,655**	23,714
Goodwill (Notes 3 and 4)	**4,567,242**	4,567,242
Other noncurrent assets (Notes 3 and 14)	**3,454,867**	3,358,007
Total Noncurrent Assets	**91,565,593**	87,354,399
TOTAL ASSETS	**₱145,121,919**	₱129,425,232
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 15 and 29)	**₱14,259,062**	₱9,297,660
Due to related parties (Notes 18 and 29)	**199,315**	243,736
Income tax payable	**49,219**	48,063
Current portion of loans payable (Notes 16, 25 and 29)	**3,661,118**	2,424,288
Total Current Liabilities	**18,168,714**	12,013,747
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 16, 25 and 29)	**19,647,418**	22,032,310
Bonds payable (Notes 17, 25 and 29)	**34,775,665**	28,796,051
Net retirement liabilities (Notes 3 and 23)	**517,929**	447,475
Deferred income tax liabilities - net (Note 27)	**5,298,440**	4,516,003
Other noncurrent liabilities (Notes 15 and 29)	**3,212,710**	2,207,009
Total Noncurrent Liabilities	**63,452,162**	57,998,848
	81,620,876	70,012,595

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
MELINA PRISCA S. RANJO

	December 31	
	2017	2016
Equity		
Common stock (Note 25)	**₱24,470,708**	₱24,470,708
Preferred stock (Note 25)	**80,000**	80,000
Additional paid-in capital	**5,612,321**	5,612,321
Treasury stock (Note 25)	**(221,041)**	(221,041)
Retained earnings (Note 25)	**33,099,891**	29,015,356
Revaluation reserve on financial assets at fair value through other comprehensive income	**(2,619)**	(2,619)
Remeasurement losses on retirement plan - net of tax (Note 23)	**(155,336)**	(158,973)
Share in other components of equity of an associate (Note 11)	**361,794**	361,794
Equity attributable to equity holders of the parent	63,245,718	59,157,546
Noncontrolling interests (Note 2)	255,325	255,091
Total Equity	**63,501,043**	59,412,637
TOTAL LIABILITIES AND EQUITY	**₱145,121,919**	₱129,425,232

See accompanying Notes to Consolidated Financial Statements

BUREAU OF INT[illegible] NUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
MELINA PRISCA S. RANJO

FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands of Pesos, Except Earnings Per Share Figures)

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Real estate sales (Note 3)	**₱13,748,423**	₱14,255,920	₱14,050,710
Rental and related services (Notes 12, 14 and 24)	**4,414,665**	3,384,182	2,952,759
EQUITY IN NET EARNINGS OF ASSOCIATES (Note 11)	**350,213**	183,020	176,475
OTHER INCOME			
Interest income (Notes 6, 7, 18 and 21)	**935,302**	871,972	808,380
Others - net (Notes 18 and 22)	**821,048**	805,492	314,529
	20,269,651	19,500,586	18,302,853
COSTS			
Real estate sales (Notes 3 and 9)	**8,051,904**	8,322,274	8,132,153
Rental and related services (Notes 12, 13 and 14)	**999,057**	742,489	686,583
OPERATING EXPENSES			
General and administrative expenses (Note 19)	**1,879,135**	1,303,954	1,138,021
Selling and marketing expenses (Note 20)	**981,693**	1,204,804	1,088,705
INTEREST AND OTHER FINANCE CHARGES (Notes 16, 17 and 21)	**1,062,705**	1,072,664	883,756
	12,974,494	12,646,185	11,929,218
INCOME BEFORE INCOME TAX	**7,295,157**	6,854,401	6,373,635
PROVISION FOR INCOME TAX (Note 27)	**1,460,976**	1,503,615	1,275,071
NET INCOME	**₱5,834,181**	₱5,350,786	₱5,098,564
Net income attributable to:			
Equity holders of the parent	**₱5,685,394**	₱5,247,262	₱5,011,815
Noncontrolling interest	**148,787**	103,524	86,749
	₱5,834,181	₱5,350,786	₱5,098,564
Basic/Diluted Earnings Per Share (Note 26)	**₱0.23**	₱0.22	₱0.21

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
MELINA PRISCA S. RANJO

FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2017	2016	2015
NET INCOME	**₱5,834,181**	₱5,350,786	₱5,098,564
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss			
Remeasurement gains (losses) on retirement plan, net of tax (Notes 23 and 27)	**3,637**	(36,625)	(7,106)
TOTAL COMPREHENSIVE INCOME	**₱5,837,818**	₱5,314,161	₱5,091,458
Total comprehensive income attributable to:			
Equity holders of the parent	**₱5,689,031**	₱5,210,637	₱5,004,709
Noncontrolling interest	**148,787**	103,524	86,749
	₱5,837,818	₱5,314,161	₱5,091,458

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
MELINA PRISCA S. RANJO

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018
TSIS
BUREAU RISCA S. RANJO

FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands of Pesos)

	Attributable to Equity Holders of the Parent										
	Common Stock (Note 25)	Preferred Stock (Note 25)	Additional Paid-in Capital	Treasury Stock (Note 25)	Retained Earnings (Note 25)	Revaluation Reserve on Financial Assets at FVTOCI (Note 10)	Remeasurement Losses on Retirement Plan (Note 23)	Share in Other Components of Equity of an Associate (Note 11)	Total	Noncontrolling Interest	Total Equity
For the Year Ended December 31, 2017											
Balances as of January 1, 2017	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱29,015,356	(₱2,619)	(₱158,973)	₱361,794	₱59,157,546	₱255,091	₱59,412,637
Net income	–	–	–	–	5,685,394	–	–	–	5,685,394	148,787	5,834,181
Other comprehensive income	–	–	–	–	–	–	3,637	–	3,637	–	3,637
Total comprehensive income	–	–	–	–	5,685,394	–	3,637	–	5,689,031	148,787	5,837,818
Dividends declared (Note 25)	–	–	–	–	(1,486,510)	–	–	–	(1,486,510)	–	(1,486,510)
Dividend distribution to noncontrolling interest	–	–	–	–	–	–	–	–	–	(146,000)	(146,000)
Investment from noncontrolling interest	–	–	–	–	–	–	–	–	–	21,951	21,951
Acquisition of noncontrolling interest (Note 2)	–	–	–	–	(114,349)	–	–	–	(114,349)	(24,504)	(138,853)
Balances as of December 31, 2017	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱33,099,891	(₱2,619)	(₱155,336)	₱361,794	₱63,245,718	₱255,325	₱63,501,043
For the Year Ended December 31, 2016											
Balances as of January 1, 2016	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱25,247,329	(₱2,619)	(₱122,348)	₱361,794	₱55,426,144	₱271,117	₱55,697,261
Net income	–	–	–	–	5,247,262	–	–	–	5,247,262	103,524	5,350,786
Other comprehensive income	–	–	–	–	–	–	(36,625)	–	(36,625)	–	(36,625)
Total comprehensive income	–	–	–	–	5,247,262	–	(36,625)	–	5,210,637	103,524	5,314,161
Dividends declared (Note 25)	–	–	–	–	(1,479,235)	–	–	–	(1,479,235)	–	(1,479,235)
Dividend distribution to noncontrolling interest	–	–	–	–	–	–	–	–	–	(120,000)	(120,000)
Investment from noncontrolling interest	–	–	–	–	–	–	–	–	–	450	450
Balances as of December 31, 2016	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱29,015,356	(₱2,619)	(₱158,973)	₱361,794	₱59,157,546	₱255,091	₱59,412,637

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018
MELINA PRISCA S. RANJO

	Attributable to Equity Holders of the Parent										
	Common Stock (Note 25)	Preferred Stock (Note 25)	Additional Paid-in Capital	Treasury Stock (Note 25)	Retained Earnings (Note 25)	Revaluation Reserve on Financial Assets at FVTOCI (Note 10)	Remeasurement Losses on Retirement Plan (Note 23)	Share in Other Components of Equity of an Associate (Note 11)	Total	Noncontrolling Interest	Total Equity
	For the Year Ended December 31, 2015										
Balances as of January 1, 2015	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱21,600,891	(₱2,619)	(₱115,242)	₱361,794	₱51,786,812	₱184,368	₱51,971,180
Net income	–	–	–	–	5,011,815	–	–	–	5,011,815	86,749	5,098,564
Other comprehensive income	–	–	–	–	–	–	(7,106)	–	(7,106)	–	(7,106)
Total comprehensive income	–	–	–	–	5,011,815	–	(7,106)	–	5,004,709	86,749	5,091,458
Dividends declared (Note 25)	–	–	–	–	(1,365,377)	–	–	–	(1,365,377)	–	(1,365,377)
Dividend distribution to noncontrolling interest	–	–	–	–	–	–	–	–	–	(100,000)	(100,000)
Investment from noncontrolling interest	–	–	–	–	–	–	–	–	–	100,000	100,000
Balances as of December 31, 2015	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱25,247,329	(₱2,619)	(₱122,348)	₱361,794	₱55,426,144	₱271,117	₱55,697,261

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱7,295,157	₱6,854,401	₱6,373,635
Adjustments for:			
Interest income (Note 21)	(935,302)	(871,972)	(808,380)
Interest expense and amortization of transaction costs (Note 21)	1,038,511	1,034,036	858,751
Depreciation and amortization (Notes 5, 12, 13 and 14)	769,461	520,789	491,714
Equity in net earnings of associates (Note 11)	(350,213)	(183,020)	(176,475)
Dividend income	–	–	(4,048)
Net pension expense, net of contribution and benefits paid (Note 23)	78,600	56,008	34,981
Operating income before changes in operating assets and liabilities	7,896,214	7,410,242	6,770,178
Changes in operating assets and liabilities			
Decrease (increase) in:			
Contracts receivable	4,559,588	(2,330,309)	(2,482,924)
Other receivables	(630,904)	777,730	(244,915)
Real estate inventories	(5,859,345)	1,402,152	(998,156)
Other assets	(669,372)	(983,443)	(1,669,445)
Increase (decrease) in accounts payable and accrued expense	5,665,098	(2,400,741)	2,561,434
Cash generated from operations	10,961,279	3,875,631	3,936,172
Income taxes paid, including creditable withholding taxes	(878,726)	(562,696)	(591,945)
Interest received	935,302	871,972	810,368
Net cash provided by operating activities	11,017,855	4,184,907	4,154,595
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Land (Note 9)	(1,859,946)	(898,758)	(1,421,677)
Investment properties and property and equipment (Notes 12 and 13)	(6,854,429)	(6,353,151)	(4,058,991)
Investment in associate (Note 11)	–	(37,829)	–
Noncontrolling interest (Note 2)	(138,853)	–	–
Dividends received (Note 11)	200,000	155,225	10,727
Redemption of shares of stock (Note 14)	–	1	5,274
Net cash used in investing activities	(8,653,228)	(7,134,512)	(5,464,667)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Loans payable (Notes 16 and 29)	3,225,000	10,475,000	7,845,000
Bonds payable (Notes 17 and 29)	6,000,000	–	8,000,000
Payments of:			
Loans payable (Note 16)	(4,370,198)	(1,932,827)	(8,429,042)
Bonds payable (Note 17)	–	(3,000,000)	–
Cash dividend (Note 25)	(1,486,510)	(1,479,235)	(1,365,377)
Interest and transaction costs	(2,861,384)	(2,617,989)	(2,447,320)
Dividends paid to noncontrolling interest	(146,000)	(120,000)	(100,000)
Decrease in amounts due to related parties	(44,421)	(99,149)	(5,474)
Investment from noncontrolling interest	21,951	450	100,000
Net cash provided by financing activities	338,438	1,226,250	3,597,787
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,703,065	(1,723,355)	2,287,715
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,873,025	6,596,380	4,308,665
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱7,576,090	₱4,873,025	₱6,596,380

See accompanying Notes to Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2018 TSIS
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1. Corporate Information

Filinvest Land, Inc. (the "Parent Company" or "FLI") is a property developer engaged mainly in the development of residential subdivisions, construction of housing units and leasing activities. It was incorporated and is domiciled in the Philippines where its shares are publicly traded. Formerly Citation Homes, Inc., the Parent Company was incorporated on November 24, 1989 with the expiration of its corporate life 50 years thereafter, and later changed to its present name on July 12, 1993. The Parent Company and its subsidiaries (collectively referred to as "the Group") offer a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club, condotels, and condominium buildings. The Group also leases out commercial and office spaces in Muntinlupa City, Makati City, Pasay City, Cebu City, Tagaytay City, and Cavite, its major locations for leasing.

The Group's parent company is Filinvest Development Corporation (FDC), a publicly listed entity. A.L. Gotianun, Inc. (ALG) is the Group's ultimate parent company. FDC and ALG were incorporated in the Philippines.

The Parent Company's registered business address is at 79 E. Delos Santos Ave. (EDSA), Brgy. Highway Hills, Mandaluyong City.

On November 20, 2017, Filinvest Lifemalls Tagaytay, Inc. (FLTI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease (except financial leasing), donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds in order to develop, conduct, operation, lease, and maintenance of retail and commercial space for rent, restaurants, function halls, amusement centers, movie or cinema theaters within the compound to premises of the shopping centers. FLTI has not started its commercial operations as of December 31, 2017.

On August 3, 2017, Realpros Philippines, Inc. (RPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to provide administrative support services and skills training primarily through the use of information technology, licensed software, and systems. RPI has started its commercial operations in November 2017.

On May 18, 2017, the Parent Company, and Cyberzone Properties, Inc. (CPI) and Filinvest Cyberparks, Inc. (FCI), subsidiaries of the Parent Company, subscribed to 53.0 million common shares of Pro-Excel Property Managers, Inc. (Pro-Excel). The resulting ownership interest of FLI, CPI and FCI in Pro-Excel after subscritption is 32.94%, 16.97% and 16.97%, respectively (see Note 2). Prior to the Group's subscription, Pro-Excel is 100% owned by Filinvest Alabang, Inc. (FAI), an associate of the Parent Company. The primary purpose of Pro-Excel is to engage in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

On March 29, 2017, Proleads Philippines, Inc. (PPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to provide management, organizational, and other administrative services and training. PPI started its commercial operations in November 2017.

BUREAU OF INTERNAL REVENUE
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On February 7, 2017, Property Leaders International Limited (PLIL), a company limited by shares, was registered at the territory of the British Virgin Islands. PLIL has not started its commercial operations as of December 31, 2017.

On January 23, 2017, Filinvest Lifemalls Mimosa, Inc. (FLMI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease except financial leasing, donation, or otherwise, and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds, nature and purpose and/or any interest or right therein. FLMI has not started its commercial operations as of December 31, 2017.

On January 23, 2017, Filinvest Cyberzone Mimosa, Inc. (FCMI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease except financial leasing, donation or and hold for investment or otherwise deal in real estate of all kinds, nature, purpose and/or any interest or right therein. During the first quarter of 2017, FCMI started the construction of its first Business Process Outsourcing (BPO) Office, the Filinvest Cyberzone Mimosa Building 1.

On January 11, 2017, Dreambuilders Pro, Inc. (DPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to engage in and carry on a general construction business. DPI started its commercial operations in February 2017.

On February 11, 2016, FCGC Corporation (FCGCC) was incorporated to undertake the development of the Clark Green City Project under the Joint Venture Agreement with Bases Conversion and Development Authorities (BCDA). On March 16, 2016, Filinvest BCDA Clark, Inc. (FBCI), a joint venture company with BCDA, was incorporated to handle the development of the Clark Green City Project. FBCI is 55%-owned by FCGCC and 45%-owned by BCDA. As of December 31, 2017, FCGCC and FBCI have not started commercial operations.

On March 31, 2016, Filinvest Mimosa, Inc. (FMI) was incorporated to enter into an agreement with Clark Development Corporation (CDC) for the lease of the Mimosa Leisure Estate. As of December 31, 2017, FMI is 47.5% owned by FLI, 47.5% owned by FDC and 5% by CDC. FMI started its commercial operations in June 2016.

On July 26, 2016, the SEC approved Whiluc Realty & Mgt., Inc.'s (Whiluc) application for increase in its authorized capital stock for which FLI subscribed in full and paid ₱124.69 million. On the same date, the SEC also approved the amendments of its corporate name and principal business address. Whiluc's new corporate name is Filinvest Lifemalls Corporation (FLC). Its primary purpose is to invest in, purchase, hold, and use, develop, lease, sell, assign, transfer mortgage, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, of any corporation.

On December 28, 2015, the Parent Company and FAI entered into a Deed of Assignment of Shares, wherein FAI agreed to sell its rights, title and interests in the 249,995 common shares of Festival Supermall, Inc. (FSI), with par value of ₱1.0 per share and equivalent to 100% ownership interest, to FLI for and in total consideration of ₱0.50 million. FSI is the property manager of Festival Supermall and other commercial centers of the Group. FSI also owns 60% equity interest in FSM Cinemas, Inc. which is engaged in theater operations. The transaction was accounted for using the pooling of interest method.

On April 15, 2015, FLI and Engie Services Philippines (ENGIE), entered into a joint venture agreement to establish Philippine DCS Development Corporation (PDDC). On July 31, 2015, PDDC was registered with the SEC to engage in the business of building and operating a district cooling system within existing and future buildings at Northgate Cyberzone Area, Filinvest City, Alabang, Muntinlupa City. PDDC is 60% owned by FLI and 40% owned by ENGIE.

Approval of the Consolidated Financial Statements
The consolidated financial statements as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were approved and authorized for issue by the Board of Directors (BOD) on February 28, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements are prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVTOCI) that are measured at fair value.

The Group's consolidated financial statements are presented in Philippine Peso (Peso), which is also the functional currency of the Parent Company, its subsidiaries and associates. Amounts are in thousand Pesos except as otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been presented in compliance with Philippine Financial Reporting Standards (PFRS). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2017, 2016 and 2015 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	**2017**	2016	2015
Filinvest All Philippines, Inc. (FAPI)	Real estate developer	**100%**	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	**100%**	100%	100%
FCGC Corporation (FCGCC)	Real estate developer	**100%**	100%	–
Filinvest BCDA Clark, Inc. (FBCI) [1]	Real estate developer	**55%**	55%	–
Cyberzone Properties, Inc. (CPI)	Leasing	**100%**	100%	100%
Filinvest Cyberparks, Inc.(FCI)	Leasing	**100%**	100%	100%
Filinvest Asia Corporation (FAC)	Leasing	**60%**	60%	60%
Filinvest Cyberzone Mimosa, Inc. (FCMI)	Leasing	**100%**	–	–
Filinvest Lifemalls Corporation (FLC)	Property management	**100%**	100%	–
Property Specialist Resources, Inc. (Prosper)	Property management	**100%**	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	**100%**	–	–
Pro-Excel Property Managers, Inc. (Pro-Excel) [2]	Property management	**74%**	–	–
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	**100%**	–	–
Festival Supermall, Inc. (FSI)	Property management	**100%**	100%	100%
FSM Cinemas, Inc. (FSM Cinemas) [3]	Theater operator	**60%**	60%	60%

(Forward)

Subsidiaries	Nature of Business	2017	2016	2015
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	**60%**	60%	60%
Timberland Sports and Nature Club (TSNC) [4]	Recreational Sports and Natures Club	**97%**	92%	92%
Dreambuilders Pro, Inc. (DPI)	Construction	**100%**	–	–
Property Maximizer Professional Corp. (Promax)	Marketing	**100%**	100%	100%
Leisurepro, Inc. (Leisurepro)	Marketing	**100%**	100%	100%
Property Leaders International Limited (PLIL)	Marketing	**100%**	–	–
Proleads Philippines, Inc. (PPI)	Marketing	**100%**	–	–
Realpros Philippines, Inc. (RPI)	Marketing	**100%**	–	–

1. *FBCI is owned indirectly through FCGCC.*
2. *The effective ownership interest of the Parent Company includes portion owned indirectly through CPI, FCI and FAI (see Note 1). The acquisition of Pro-Excel in 2017 was accounted for as a business combination under common control using the pooling of interest method. The retrospective adjustments resulting from this transaction are not material to the 2016 and 2015 financial position and results of operation of the Group.*
3. *FSM Cinemas is owned indirectly through FSI.*
4. *TSNC was retroactively consolidated in compliance with PIC Q&A 2016-02 which took effect beginning January 1, 2016. In 2017, the Parent Company acquired noncontrolling interest in TSNC representing additional 5% ownership interest for a total consideration of ₱138.85 million.*

All of the Parent Company's subsidiaries were incorporated in the Philippines, except PLIL which was incorporated in British Virgin Islands. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

A subsidiary is an entity which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

Noncontrolling Interest

Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

Business Combinations Involving Entities under Common Control

A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group. Common control business combinations are outside the scope of PFRS 3, *Business Combination*. The Group elected to account for its common control business combination using acquisition method and this is applied consistently for similar transactions.

However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity. Common control business combination without commercial substance is accounted using "pooling of interests" method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination and adjustments made are only those adjustments to harmonize accounting policies. No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and Philippine Accounting Standards (PAS) which became effective beginning January 1, 2017. Unless otherwise stated, the new standards and amendments did not have any material impact to the Group.

- Amendment to PFRS 12, *Disclosure of Interests on Other Entities, 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. The adoption of these amendments did not have any impact on the consolidated financial statements since the Group has no interest in other entities that is classified as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments require an entity to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the required information in Note 29 to the consolidated financial statements. As allowed under the transition provisions of the amendments, the Group did not present comparative information for the year ended December 31, 2016.

- 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 upon 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.

  The Group applied the amendments retrospectively. However, the application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the financial statements.

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 amendment is permitted.

- 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. 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 Group has early adopted the first phase of PFRS 9 (2010 version) effective January 1, 2011, the adoption is not expected to have significant impact on the classification and measurement of the Group's financial assets and financial liabilities. The adoption will have an effect on the impairment methodology for the Group's financial assets and on the amount of its credit losses. The Group is currently assessing the impact of the new impairment methodology under this standard.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effectivity date.

- 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 on International Financial Reporting Interpretations Committee (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

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effectivity date.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. Earlier application is permitted. The Group will perform an assessment in 2018 of the interpretation's impact on the Group's consolidated financial statements.

Interpretation with Deferred Effective Date

- 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.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:

a. expected to be realized or intended to be sold or consumed in normal operating cycle;
b. held primarily for the purpose of trading;
c. expected to be realized within twelve (12) months after the reporting period; or

d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

a. it is expected to be settled in normal operating cycle;
b. it is held primarily for the purpose of trading;
c. it is due to be settled within twelve (12) months after the reporting period, or
d. there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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 Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments

Date of recognition

Financial assets and liabilities are recognized in the consolidated statement of financial position when, and only when, the Group 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 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.

Determination of fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of another instrument which is substantially the same, and discounted cash flow analysis or other valuation models. In the absence of a reliable basis of determining fair value, investments in unquoted equity securities are carried at cost net of impairment, if any.

'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 Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of 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 consolidated statement of income when the inputs become observable or when the instrument is derecognized.

For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference 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), except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial instruments are 'debt instruments'.

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 Group'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 consolidated statement of income. The Group classified cash and cash equivalents, contracts receivable, other receivables and deposits (included in other assets) as financial assets at amortized cost (see Note 28).

The Group may irrevocably elect, at initial recognition, to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of December 31, 2017 and 2016, the Group has not made such designation.

Financial assets at FVTOCI
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Equity investments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in "Revaluation reserve on financial assets at FVTOCI" in the consolidated statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in "Revaluation reserve on financial assets at FVTOCI" is not reclassified to profit or loss, but is reclassified to Retained earnings.

Included under this category are the Group's investments in quoted and unquoted shares of stocks (see Notes 14 and 28).

Dividends earned on holding these equity instruments are recognized in the consolidated statement of income when the Group's right to receive the dividends is established in accordance with PAS 18, *Revenue*, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial assets at FVTPL
Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.
Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition.

The Group has no financial assets at FVTPL as of December 31, 2017 and 2016.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Management may designate a financial liability at FVTPL upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2017 and 2016, the Group has no financial liability at FVTPL.

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, loans payable, bonds payable and due to related parties (see Notes 15, 16, 17 and 18).

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables 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 credit losses

that have not been incurred) discounted at the financial asset's original EIR (i.e. the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the Group financial assets with similar credit risk characteristics. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the 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.

Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

Where the Group 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 Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

Real Estate Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land acquisition costs and expenses directly related to acquisition
- Amounts paid to contractors for development and construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The cost of inventory recognized in statement of income on disposal is determined with reference to the specific costs incurred on the property sold, including an allocation of any non-specific costs based on the relative size of the property sold.

Land and Land Development
Land and land development consists of properties for future development that are carried at the lower of cost or NRV. The cost of land and land development include the following: (a) land acquisition costs, (b) costs incurred relative to acquisition and transfer of land title in the name of the Group such as transfer taxes and registration fees (c) costs incurred on initial development of the raw land in preparation for future projects, and (d) borrowing costs. They are transferred to subdivision lots and housing units for sale under "real estate inventories" when the project plans, development and construction estimates are completed and the necessary permits are secured.

Investments in Associates
The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associates. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associates. The consolidated statement of income reflects the share of the results of operations of the associates. The Group recognizes its share of the losses of the associate until its share of losses equals or exceeds its interest in the associate, at which point the Group discontinues recognizing its share of further losses.

Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on investment in an associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying value and recognize the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

The Group's investments in associates as of December 31, 2017 and 2016 and its related percentage ownership follows:

Investee	% of ownership
FAI	20.0%
FMI	47.5%

Investment Properties

Investment properties consist of commercial mall, land and other properties that are held for long term rental yields and capital appreciation. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

Constructions-in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives (EUL) of these assets as follows:

	Years
Buildings and improvement	20-50
Machinery and equipment	5-15

The EUL and the depreciation method is reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

Investment property is derecognized when it is either disposed of or permanently withdrawn from use and there is no future economic benefit expected from its disposal or retirement. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of 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, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and accumulated impairment losses, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing cost.

Construction-in-progress, is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to income in the year 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.

Depreciation is computed on the straight-line basis over the EUL of the assets, as follows:

	Years
Buildings	20-50
Machinery and equipment	5
Transportation equipment	5
Furniture and fixtures	3-5

Leasehold improvements are amortized over the estimated useful lives of the improvements or the lease term, whichever is shorter.

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

When an item of property and equipment is derecognized, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, is removed from the account. Any gain or loss arising from derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognized.

Intangible Assets

Intangible assets include goodwill, and build, transfer and operate (BTO) rights and development rights, which are presented under other 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, excluding goodwill, 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. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets with finite lives (i.e., BTO rights and developmental 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 consolidated statement of income.

Intangible assets with indefinite useful lives (i.e., goodwill) are not amortized, but are tested for impairment annually or more frequently, either individually or at the cash generating unit level.

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

Other Assets

Other current and noncurrent assets are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

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 consolidated statement of financial position, respectively.

Impairment of Nonfinancial Assets

The carrying values of investment in associates, property and equipment, investment properties and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost of disposal and value-in-use. 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 assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually or more frequent if events or changes of circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating unit) is less than their carrying amount of cash-generating unit (or group of cash-generating unit) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Revenue and Income Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. In arrangements where the Group is acting as principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.

The following specific recognition criteria must also be met before revenue is recognized:

Real Estate Sales

Revenue from sales of substantially completed projects where collectability of sales price is reasonably assured is accounted for using the full accrual method. The percentage-of-completion method is used to recognize revenue from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Real estate sales are recognized using the percentage of completion when: (a) the criteria of percentage of collection over the total selling price is met, (b) the project is beyond preliminary stage (i.e., engineering, design work, construction contract execution, site clearance and preparation, excavation and the building foundation are finished); and, (c) the project has license to sell.

Any excess of collections over the recognized receivables are included in the "Accounts payable and accrued expenses" account in the liabilities section of the consolidated statement of financial position.

Collections from accounts which are not yet qualified for revenue recognition are treated as customer deposits included in the "Accounts payable and accrued expenses" account in the consolidated statement of financial position.

Rental Income
Rental income arising from investment properties are recognized in the consolidated statement of income either on a straight-line basis over the lease term 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.

Ticket and snack bar sales
Revenue from ticket sales, presented as part of 'Rental and related services' revenue, is recognized when theater services are completed and consumed and is presented net of amusement and cultural taxes. Revenue from snack bar sales is recognized when goods are actually sold to customers.

Advertising income and cinema rental
Advertising income as part of 'Rental and related services' revenue, is recognized upon showing of the commercials. Cinema rental is recognized when rental services are rendered.

Income from Forfeited Reservations and Collections
Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act,* upon prescription of the period for the payment of required amortizations from defaulting buyers.

Interest Income
Interest is recognized as it accrues taking into account the effective yield on the underlying asset.

Other Income
Other income is recognized when services are rendered and when goods are delivered.

Cost and Expense Recognition
Costs and expenses are recognized in the consolidated statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

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

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

Expenses
"General and administrative expenses" and "Selling and marketing expenses" are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and marketing expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business.

Expenses are recognized in the consolidated statement of income as incurred based on the amounts paid or payable.

Commission Expense
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling and marketing expenses" account in the consolidated statement of income.

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 period 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 profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

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 defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets an 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.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.
When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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 before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Borrowing Costs
Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. They 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 development costs in the consolidated statement of financial position.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended sale are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

All other borrowing costs are expensed as incurred.

Foreign Currency-Denominated Transactions

The functional and presentation currency of the Parent Company and its subsidiaries and associate is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the reporting date. Foreign exchange differentials between rate at transaction date and rate at settlement date or reporting date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.

Equity

Common and Preferred Stock

The Group records common and preferred stock at par value and additional paid-in capital as the excess of the total contributions received over the aggregate par values of the equity shares. The Group considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification. When any member of the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in consolidated equity.

Treasury Stock

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

Retained Earnings

Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries and accumulated equity earnings from an associate included in the consolidated retained earnings are available for dividend declaration when these are declared as dividends by the subsidiaries and associate as approved by their respective BOD.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of common shares held in treasury.

Dividends on common and preferred shares are deducted from retained earnings when declared and approved by the BOD of the Parent 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.

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 Tax

Current Income Tax

Current income 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 reporting date.

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except; (a) where deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefit of the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward of MCIT and unused NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in other comprehensive income is recognized in consolidated statement of comprehensive income and not in the consolidated statement of income.

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

Operating Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.
A reassessment is made after inception of the lease only if one of the following applies:

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

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) above, and at the date of renewal or extension period for scenario (b).

Group as Lessor
Leases where the Group 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.

Group 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.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and, (e) if applicable, the nature of the regulatory environment. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Provisions
A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the

Group expects part or all of provision to be reimbursed or recovered, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

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

Events after the Reporting Date
Any post year-end event up to the date of the auditor's report that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed, when material, in notes to the consolidated financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated 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 consolidated 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 Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the consolidated financial statements.

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

- Buyer's commitment on sale which may be ascertained through the significance of the buyer's initial payments in relation to the total contract price; and,
- Stage of completion of the project development.

The Group has set a certain percentage of collection over the total selling price in determining buyer's commitment on the sale. It is when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group. The Group also determines whether a project's percentage of completion is already considered beyond preliminary stage based the physical proportion of the contract of work.

Operating Lease Classification - The Group as Lessor
The Group has entered into various property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership on these properties hence classified as operating leases (see Note 24).

Operating Lease Commitments - The Group as Lessee
The Group has entered into land lease arrangements for its investment properties portfolio. The Group has determined that all significant risks and rewards of ownership are retained by the respective lessors and therefore account for these leases as operating lease (see Note 24).

Evaluation of Impairment on Nonfinancial Assets
The Group reviews its investments in associates, property and equipment, investment properties and other assets (excluding short-term deposits) for impairment of value. This includes consideration of certain indicators of impairment such as significant change in asset usage, significant decline in asset's market value, obsolescence or physical damage of an asset, plans of discontinuing the real estate projects, and significant negative industry or economic trends.

If such indicators are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount.

The recoverable amount is the asset's fair value less cost of disposal, except for investments in associates, which have recoverable value determined using value-in-use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction while value-in-use is the present value of estimated future cash flows expected to arise from the investments in associates. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As at December 31, 2017 and 2016, the Group did not record impairment on any of its nonfinancial assets since there are no indications of impairment. The carrying values of the Group's nonfinancial assets (excluding goodwill) as of December 31 follow:

	2017	2016
	(In Thousands)	
Investments in associates (Note 11)	**₱4,197,002**	₱4,046,789
Investment properties (Note 12)	**44,321,475**	37,964,948
Property and equipment (Note 13)	**3,408,312**	2,645,084
Other current assets - net of short-term deposits (Note 10)	**5,960,156**	5,158,099
Other noncurrent assets - net of financial assets at FVTOCI (Note 14)	**3,439,197**	3,342,337

Contingencies
In the normal course of business, the Group is currently involved in various legal proceedings and assessments. The assessment of probability and estimate of the probable costs for the resolution of these claims have been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material or adverse effect on the Group's financial position and results of operations (see Note 30).

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

Real Estate Revenue and Cost Recognition
The Group's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of real estate project.

Revenue and cost recognized based on percentage of completion are as follows:

	2017	2016	2015
		(In Thousands)	
Real estate sales	**₱7,416,005**	₱7,039,930	₱9,039,666
Cost of real estate	**4,255,142**	4,250,291	5,161,094

Evaluation of Impairment of Financial Assets at Amortized Cost
The Group reviews financial assets at amortized cost, other than cash and cash equivalents, at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statements of income. If there is objective evidence that an impairment loss on financial assets at amortized cost, other than cash and cash equivalents, has been incurred, the carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

The Group maintains allowance for doubtful accounts based on the result of the individual and collective assessment. Under the individual assessment, impairment loss is determined as the difference between the receivables carrying balance and recoverable amount. Factors considered in individual assessment include payment history, account status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, account status and term) of the customers.

Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile adjusted on the basis of current observable data to reflect the effects of current conditions.

The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ, depending on the judgments and estimates made for the period.

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

The carrying values of financial assets at amortized cost, other than cash and cash equivalents amounted to ₱18.82 billion and ₱22.98 billion as of December 31, 2017 and 2016, respectively (see Note 29). The Group has an outstanding allowance for impairment loss on its other receivables amounting to ₱62.39 million and ₱57.44 million as of December 31, 2017 and 2016, respectively (see Notes 8 and 29).

Estimating NRV of Real Estate Inventories
The Company adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether the selling prices of those inventories have significantly declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2017 and 2016, the carrying amount of real estate inventories amounted to ₱33.46 billion and ₱25.91 billion, respectively, and land and land development amounted to ₱18.88 billion and ₱17.59 billion, respectively (see Note 9).

Evaluation of Impairment on Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill on acquisition of CPI, FAC and Festival Supermall structure is based on value-in-use calculation that uses a discounted cash flow model. The cash flows are derived from budget period of 10 years and do not include restructuring activities that the Group is not yet committed to nor significant future investments that will enhance the asset base of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as revenue growth rates, gross margins and terminal growth rates used. The pre-tax discount rates used in 2017 and 2016 was 10%. The growth rates used beyond the forecast period for different cash-generating units is 3%.

As of December 31, 2017 and 2016, the Group has determined that its goodwill is not impaired. The carrying value of goodwill amounted to ₱4.57 billion as of December 31, 2017 and 2016 (see Note 4).

Estimating Retirement Liabilities
The determination of the Group's obligation and cost for retirement is dependent on selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions used are described in Note 23 and include, among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the retirement obligations.

Retirement liabilities amounted to ₱517.93 million and ₱447.48 million as at December 31, 2017 and 2016, respectively. Retirement costs included under "General and administrative expenses" account amounted to ₱50.94 million, ₱56.33 million and ₱49.41 million in 2017, 2016 and 2015, respectively (see Notes 19 and 23).

Recognition of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of its deferred income tax assets to be utilized.

The Group's recognized deferred tax assets amounted to ₱323.54 million and ₱174.82 million as of December 31, 2017 and 2016, respectively (see Note 27). The tax effect of the Group's carryforward benefits of NOLCO for which no deferred income tax assets were recognized amounted to ₱35.91 million and ₱10.47 million as of December 31, 2017 and 2016, respectively (see Note 27).

Fair Values of Financial Instruments
The preparation of consolidated financial statements in compliance with PFRS requires certain financial assets and financial liabilities to be measured at fair value and fair value disclosure of financial instruments, the determination of which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rate), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these financial assets and financial liabilities would affect directly the Group's consolidated statement of income and other comprehensive income (see Note 28).

4. Goodwill

Goodwill arising from business combinations in the Group's consolidated statements of financial position as of December 31, 2017 and 2016 consists of (amounts in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	₱4,567,242

In September 2006, the Group entered into a series of transactions pursuant to which it acquired: (1) 60% ownership interest in FAC from FDC; (2) 60% ownership interest in CPI from FAI; and, (3) Festival Supermall structure from FAI. In exchange for acquiring these assets, the Group issued a total of 5.64 billion common shares to FDC and FAI and assumed ₱2.50 billion outstanding debts of FDC and FAI. The business combinations resulted in the recognition of goodwill amounting to ₱4.24 billion, which comprises the fair value of expected synergies arising from the acquisitions.

Subsequently in February 2010, the Parent Company acquired the remaining 40% interests in CPI from Africa-Israel Properties (Phils.), Inc. to obtain full control of the then joint venture. The acquisition resulted in CPI becoming wholly-owned subsidiary of the Parent Company.

The acquisition of the joint venture partner's interests was accounted for as business combination and resulted to recognition of goodwill amounting to ₱326.55 million.

5. Segment Reporting

For management purposes, the Group is organized into the following business units:

Real Estate
This involves the acquisition of land, planning and development of large-scale, fully integrated residential communities, as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings.

Leasing
This involves the operations of Festival Supermall (the "Mall"), including its management and theater operations, and the leasing of commercial and office spaces in Makati City, Muntinlupa City, Pasay City, Cebu City, Cavite and Tagaytay City.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss, which in certain respects, are measured similarly as net income in the consolidated financial statements.

The chief operating decision-maker has been identified as the Executive Committee. This committee reviews the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group does not report its results based on geographical segments because the Group currently operates only in the Philippines.

No operating segments have been aggregated to form the above reportable segments. Transfer prices between segments are based on rates agreed upon by the parties and have terms equivalent to transactions entered into with third parties.

The information about the financial position and results of operations of these business segments for the years ended December 31, 2017, 2016 and 2015 are summarized below (amounts in thousands).

	2017				
	Real Estate Operations	**Leasing Operations**	**Combined**	**Adjustments and Eliminations**	**Consolidated**
Revenue and other income except equity in net earnings of an associate:					
External	**₱16,569,120**	**₱4,352,123**	**₱20,921,243**	**(₱1,001,805)**	**₱19,919,438**
Inter-segment	**212,420**	**–**	**212,420**	**(212,420)**	**–**
	16,781,540	**4,352,123**	**21,133,663**	**(1,214,225)**	**19,919,438**
Equity in net earnings of associates	**350,213**	**–**	**350,213**	**–**	**350,213**
	₱17,131,753	**₱4,352,123**	**₱21,483,876**	**(₱1,214,225)**	**₱20,269,651**
Net income	**₱4,119,188**	**₱2,308,392**	**₱6,427,580**	**(₱593,399)**	**₱5,834,181**
Adjusted EBITDA	**₱5,755,479**	**₱3,590,868**	**₱9,346,347**	**(₱569,238)**	**₱8,777,109**
Segment assets	**₱108,687,267**	**₱37,599,443**	**₱146,286,710**	**(₱1,164,791)**	**₱145,121,919**
Less net deferred tax assets	**–**	**48,655**	**48,655**	**–**	**48,655**
Net segment assets	**₱108,687,267**	**₱37,550,788**	**₱146,238,055**	**(₱1,164,791)**	**₱145,073,264**
Segment liabilities	**₱57,488,139**	**₱24,000,102**	**₱81,488,241**	**₱132,635**	**₱81,620,876**
Less net deferred tax liabilities	**4,959,958**	**215,626**	**5,175,584**	**122,856**	**5,298,440**
Net segment liabilities	**₱52,528,181**	**₱23,784,476**	**₱76,312,657**	**₱9,779**	**₱76,322,436**
Cash flows provided by (used in):					
Operating activities	**₱8,554,746**	**₱4,319,873**	**₱12,874,619**	**(₱1,856,764)**	**₱11,017,855**
Investing activities	**(446,558)**	**(8,206,670)**	**(8,653,228)**	**–**	**(8,653,228)**
Financing activities	**(2,579,371)**	**2,916,071**	**336,700**	**1,738**	**338,438**

	2016				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate:					
External	₱16,263,499	₱4,236,919	₱20,500,418	(₱1,182,852)	₱19,317,566
Inter-segment	177,441	–	177,441	(177,441)	–
	16,440,940	4,236,919	20,677,859	(1,360,293)	19,317,566
Equity in net earnings of associates	183,020	–	183,020	–	183,020
	₱16,623,960	₱4,236,919	₱20,860,879	(₱1,360,293)	₱19,500,586
Net income	₱4,124,988	₱2,180,681	₱6,305,669	(₱954,883)	₱5,350,786
Adjusted EBITDA	₱6,386,105	₱2,996,050	₱9,382,155	(₱1,117,321)	₱8,264,834
Segment assets	₱102,369,242	₱26,722,409	₱129,091,651	₱333,581	₱129,425,232
Less net deferred tax assets	908	22,806	23,714	–	23,714
Net segment assets	₱102,368,334	₱26,699,603	₱129,067,937	₱333,581	₱129,401,518
Segment liabilities	₱52,070,432	₱17,901,844	₱69,972,276	₱40,319	₱70,012,595
Less net deferred tax liabilities	4,386,981	–	4,386,981	129,022	4,516,003
Net segment liabilities	₱47,683,451	₱17,901,844	₱65,585,295	(₱88,703)	₱65,496,592
Cash flows provided by (used in):					
Operating activities	₱2,929,466	₱1,388,811	₱4,318,277	(₱133,370)	₱4,184,907
Investing activities	(1,223,628)	(5,910,884)	(7,134,512)	–	(7,134,512)
Financing activities	(663,731)	2,044,376	1,380,645	(154,395)	1,226,250

(Forward)

	2015				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue and other income except equity in net earnings of an associate:					
External	₱15,976,137	₱2,734,448	₱18,710,585	(₱584,207)	₱18,126,378
Inter-segment	140,836	–	140,836	(140,836)	–
	16,116,973	2,734,448	18,851,421	(725,043)	18,126,378
Equity in net earnings of associates	176,475	–	176,475	–	176,475
	₱16,293,448	₱2,734,448	₱19,027,896	(₱725,043)	₱18,302,853
Net income	₱3,810,611	₱1,681,264	₱5,491,875	(₱393,311)	₱5,098,564
Adjusted EBITDA	₱5,985,404	₱2,128,924	₱8,114,328	(₱541,698)	₱7,572,630
Segment assets	₱66,780,609	₱52,968,726	₱119,749,335	₱1,445,835	₱121,195,170
Less net deferred tax assets	–	12,677	12,677	–	12,677
Net segment assets	₱66,780,609	₱52,956,049	₱119,736,658	₱1,445,835	₱121,182,493
Segment liabilities	₱53,650,883	₱11,646,547	₱65,297,430	₱200,480	₱65,497,910
Less net deferred tax liabilities	3,265,723	–	3,265,723	137,117	3,402,840
Net segment liabilities	₱50,385,160	₱11,646,547	₱62,031,707	₱63,363	₱62,095,070
Cash flows provided by (used in):					
Operating activities	₱1,094,781	₱4,446,257	₱5,541,038	(₱1,386,443)	₱4,154,595
Investing activities	(1,355,563)	(4,109,104)	(5,464,667)	–	(5,464,667)
Financing activities	1,191,292	2,406,495	3,597,787	–	3,597,787

The following table shows a reconciliation of the adjusted earnings before interest and other finance charges, income taxes, depreciation and amortization (EBITDA) to income before income tax in the consolidated statements of income:

	2017	2016	2015
		(In Thousands)	
Adjusted EBITDA	**₱8,777,109**	₱8,264,834	₱7,572,630
Depreciation and amortization (Notes 12, 13 and 14)	**(769,460)**	(520,789)	(491,714)
Operating profit	**8,007,649**	7,744,045	7,080,916
Interest and other finance charges (Note 21)	**(1,062,705)**	(1,072,664)	(883,756)
Equity in net earnings of an associate (Note 11)	**350,213**	183,020	176,475
Income before income tax	**₱7,295,157**	₱6,854,401	₱6,373,635

6. Cash and Cash Equivalents

This account consists of:

	2017	2016
	(In Thousands)	
Cash	**₱4,149,212**	₱3,615,924
Cash equivalents	**3,426,878**	1,257,101
	₱7,576,090	₱4,873,025

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

Interest income earned on the Group's cash and cash equivalents amounted to ₱43.32 million, ₱25.08 million and ₱24.65 million in 2017, 2016 and 2015, respectively (see Note 21).

There is no cash restriction on the Group's cash and cash equivalents as at December 31, 2017 and 2016.

7. Contracts Receivable

This account consists of:

	2017	2016
	(In Thousands)	
Contracts receivable	**₱16,738,291**	₱21,246,602
Receivables from government and financial institutions	**487,701**	538,978
	17,225,992	21,785,580
Noncurrent portion of contracts receivable	**12,690,696**	17,153,861
	₱4,535,296	₱4,631,719

Contracts receivable are collectible over varying periods within two (2) to 10 years. The receivables arising from real estate sales are collateralized by the corresponding real estate properties sold.

Receivables from government and financial institutions pertain to government and bank-financed real estate sales. Receivables from government and financial institutions are collectible within one year.

Interest income recognized on contracts receivable amounted to ₱805.76 million, ₱754.57 million and ₱704.73 million in 2017, 2016 and 2015, respectively (see Note 21). Interest rates per annum on contracts receivable range from 11.5% to 19.0% for these years.

The Group has a mortgage insurance contract with Home Guaranty Corporation (HGC), a government insurance company for a retail guaranty line. As of December 31, 2017 and 2016, the contracts covered by the guaranty line amounted to ₱1.31 billion and ₱288.57 million, respectively, including receivables sold with buy back provisions. As of December 31, 2017 and 2016, the remaining unutilized guaranty line amounts to ₱2.57 billion and ₱3.88 billion, respectively.

On December 28, 2017, the Parent Company entered into an Agreement for Purchase of Receivables with a local bank. The bank agreed to buy the contracts receivable on a without recourse basis, and the Parent Company agreed to sell, assign, transfer and convey to the bank all its rights, titles, and interest in and to the contracts receivables. In 2017, total proceeds from this transaction equivalent to the carrying value of the contracts receivable sold amounted to ₱1.07 billion.

8. Other Receivables

	2017	2016
	(In Thousands)	
Receivables from tenants	**₱730,590**	₱523,883
Advances to officers and employees	**437,279**	308,150
Receivables from buyers	**365,926**	116,515
Due from related parties (Notes 11 and 18)	**233,504**	413,909
Receivables from homeowners' associations	**82,941**	72,139
Others	**94,569**	49,210
	1,944,809	1,483,806
Less: Allowance for doubtful accounts	**62,393**	57,437
	₱1,882,416	₱1,426,369

"Receivables from tenants" represent charges to tenants for rentals and utilities normally collectible within a year. Allowance for doubtful accounts related to tenants' accounts specifically determined to be impaired amounted to ₱25.13 million and ₱20.18 million as of December 31, 2017 and 2016, respectively. Provision for doubtful accounts recorded in 2017 and 2016 amounted to ₱4.96 million and ₱0.20 million, respectively. Reversal of provision for doubtful accounts in 2015 amounted to ₱3.84 million.

"Advances to officers and employees" represent advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

"Receivables from buyers" mainly pertain to advances for fit-out funds and other advances relating to insurance and other chargeable expenses to buyers.

"Receivables from homeowners' associations" represent claims from the homeowners' association of the Group's projects for the payment of the expenses on behalf of the association. Allowance for doubtful accounts related to these receivables, determined using collective impairment assessment, amounted to ₱37.26 million as of December 31, 2017 and 2016, respectively. Reversal of provision for doubtful accounts in 2017 and 2016 amounted to nil and ₱58.75 million, respectively. Provision for doubtful accounts in 2015 amounted ₱10.00 million.

"Others" represent advances for selling, marketing, and administrative expenses of international sales offices, arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

Below is the movement of the allowance for doubtful accounts:

	2017	2016
	(In Thousands)	
Balance at beginning of year	**₱57,437**	₱115,988
Provisions (Note 19)	**4,956**	199
Reversal of provisions (Note 19)	**–**	(58,750)
Balance at end of year	**₱62,393**	₱57,437

9. Real Estate Inventories and Land and Land Development

A summary of the movement in subdivision lots and housing units for sale is set out below:

	2017	2016
	(In Thousands)	
Balance at beginning of year	**₱25,905,712**	₱25,239,416
Land costs transferred from land and land development	**983,252**	1,338,093
Construction/development costs incurred	**13,911,249**	6,920,122
Capitalized borrowing costs	**707,594**	730,355
Cost of real estate sales	**(8,051,904)**	(8,322,274)
	₱33,455,903	₱25,905,712

Capitalization rate for the capitalized borrowing costs is 2%, 3% and 1% in 2017, 2016 and 2015, respectively.

A summary of the movement in land and land development is set out below:

	2017	2016
	(In Thousands)	
Balance at beginning of year	**₱17,594,754**	₱17,743,353
Land acquisitions	**2,384,514**	1,139,660
Land costs transferred to real estate inventories	**(983,252)**	(1,338,093)
Transfers to investment property (Note 12)	**(134,392)**	(171,916)
Site development and incidental costs	**15,720**	221,750
	₱18,877,344	₱17,594,754

As of December 31, 2017 and 2016, additions to land and land development which remain outstanding amounted to ₱1.06 billion and ₱536.98 million, respectively, and are recognized as part of "Accounts payable and accrued expense" (see Note 15).

Borrowing costs capitalized as part of land and land development, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱19.37 million, ₱36.73 million and ₱57.09 million for the years ended December 31, 2017, 2016 and 2015, respectively. Capitalization rate is 2.5%, 0.1% and 0.3% in 2017, 2016 and 2015, respectively.

In February 2009, the Parent Company signed an agreement with the Cebu City Government to develop 50.6 hectares of the South Road Properties, a 300-hectare reclaimed land project located in Cebu City (see Note 30). The agreement involves:

(a) purchase by the Parent Company of 10.6 hectares of the property to be developed into a modern urban center consisting of residential, office, commercial, hotel and leisure buildings and a public promenade which is a one kilometer long waterfront lifestyle strip that will offer a range of seaside leisure activities. The property was fully paid in 2015. Payments made to the Cebu City Government in 2015 amounted to ₱141.80 million (see Note 12).

(b) development of the remaining 40 hectares of the property under a profit-sharing arrangement with the Cebu City Government. The profit sharing of the Parent Company and the Cebu City Government is 90% and 10%, respectively. The 40 hectares will be developed in four (4) phases over a 20-year period, with the Group contributing the development costs, as well as the marketing and management services.

In 2015, the Parent Company, CPI and FAI acquired additional 19.2 hectares of South Road Properties from Cebu City Government for a total consideration of ₱3.38 billion plus interest (including ₱1.69 billion attributable to lots assigned to FAI). Of this amount, ₱2.35 billion has been paid as of December 31, 2017. Lots assigned to the Parent Company are included as part of land and land development, while lots assigned to CPI are included as part of investment properties as of December 31, 2017 and 2016 (see Notes 12 and 30).

As of December 31, 2015, the Group is committed to pay land acquisition costs amounting to ₱249.64 million (nil as of December 31, 2017 and 2016).

10. Other Current Assets

This account consists of:

	2017	2016
	(In Thousands)	
Input taxes	**₱2,431,265**	₱2,437,391
Advances to contractors and suppliers	**1,860,497**	1,687,198
Prepaid expenses	**981,076**	521,452
Creditable withholding taxes	**613,790**	438,946
Short-term deposits (Note 29)	**146,465**	75,909
Construction materials and supplies	**73,528**	73,112
	₱6,106,621	₱5,234,008

"Input taxes" pertains to VAT passed on from purchases of goods or services which is applied against output VAT.

"Advances to contractors and suppliers" pertain to down payments made by the Group which are applied against future billings for development and construction contracts.

"Prepaid expenses" include commissions paid to brokers relating to the sales of real estate inventories which do not qualify yet for revenue recognition. Such amount will be recognized as expense when the qualification for recognition has been met for the related revenue.

"Creditable withholding taxes" are the taxes withheld by the withholding agents from payments to the sellers which is creditable against the income tax payable.

11. Investment in Associates

This account consists of:

	2017	2016
	(In Thousands)	
At equity:		
Acquisition cost		
Balance at the beginning of year	**₱837,829**	₱800,000
Additions for the year	–	37,829
Balance at end of year	**837,829**	837,829
Accumulated equity in net earnings:		
Balance at the beginning of year	**970,744**	1,102,949
Equity in net earnings for the year	**350,213**	183,020
Dividend declaration	**(200,000)**	(315,225)
Balance at end of year	**1,120,957**	970,744
Share in revaluation increment on land at deemed cost	**1,876,422**	1,876,422
Share in other components of equity	**361,794**	361,794
	₱4,197,002	₱4,046,789

FAI

The Parent Company has a 20% interest in FAI which is involved primarily in the development of commercial buildings, residential condominiums, and land. FAI is also involved in leasing of commercial real estate and marketing. In 2015, the management of the Mall and theater operations was transferred to FLI (see Note 1).

Dividends declared by FAI for the years ended December 31, 2017, 2016 and 2015, and the corresponding share of the Group are as follows:

Year	Total Dividends Declared	Share in Dividends	Dividend Receivable*
	(In Thousands)		
2017	**₱1,000,000**	**₱200,000**	**₱160,000**
2016	1,576,127	315,225	160,000
2015	33,394	6,679	–

**Presented as part of "Other receivables" in the consolidated statement of financial position (see Note 8).*

Summarized financial information and reconciliation of investment in FAI is as follows:

	2017	2016
	(In Thousands)	
Current assets	**₱19,005,807**	₱17,363,181
Noncurrent assets	**20,304,817**	20,473,690
Total assets	**39,310,624**	37,836,871
Current liabilities	**6,668,023**	6,388,542
Noncurrent liabilities	**8,865,436**	8,311,370
Total liabilities	**15,533,459**	14,699,912
Equity	**₱23,777,165**	₱23,136,959
Proportion of the Group's ownership	**20%**	20%

(Forward)

	2017	2016
	(In Thousands)	
Equity in net assets of associate	₱4,755,433	₱4,627,392
Less upstream sales	580,216	594,797
Carrying amount of the investment	₱4,175,217	₱4,032,595
Revenue and other income	₱4,920,750	₱3,249,259
Cost and other expenses	(2,158,797)	(1,589,010)
Depreciation	(184,729)	(184,729)
Interest expense	(83,682)	(71,639)
Interest income	7,191	8,451
Income before tax	2,500,733	1,412,332
Income tax expense	751,586	415,080
Net income for the year	₱1,749,147	₱997,252
Group's equity in net earnings of associate	₱349,830	₱199,450

FMI

In 2016, FMI was incorporated and operating in the Philippines and handles the lease of the Mimosa Leisure Estate. The Parent Company subscribed for 47.5% of FMI's capital stock amounting to ₱37.83 million (see Note 1). For the years ended December 31, 2017 and 2016, share in net earnings (losses) of FMI amounted to ₱0.38 million and (₱16.43 million), respectively.

The Group does not restrict profit distribution of its associates. The associates have no contingent liabilities outside of the ordinary course of business or capital commitments as at December 31, 2017 and 2016.

12. Investment Properties

The rollforward analysis of this account as of December 31 follows:

	2017				
	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
			(In Thousands)		
Cost					
Balances at beginning of year	₱12,656,000	₱23,219,234	₱81,976	₱5,765,253	₱41,722,463
Additions	347,415	1,051,896	13,778	5,371,260	6,784,349
Transfers (Note 9)	134,392	446,647	–	(446,647)	134,392
Balances at end of year	13,137,807	24,717,777	95,754	10,689,866	48,641,204
Accumulated Depreciation					
Balances at beginning of year	–	3,713,955	43,560	–	3,757,515
Depreciation (Note 19)	–	548,264	13,950	–	562,214
Balances at end of year	–	4,262,219	57,510	–	4,319,729
Net Book Value	₱13,137,807	₱20,455,558	₱38,244	₱10,689,866	₱44,321,475

	2016				
	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
			(In Thousands)		
Cost					
Balances at beginning of year	₱12,371,425	₱21,202,991	₱67,677	₱1,673,827	₱35,315,920
Additions	112,659	2,016,243	14,299	4,091,426	6,234,627
Transfers (Note 9)	171,916	–	–	–	171,916
Balances at end of year	12,656,000	23,219,234	81,976	5,765,253	41,722,463
Accumulated Depreciation					
Balances at beginning of year	–	3,291,339	43,560	–	3,334,899
Depreciation (Note 19)	–	422,616	–	–	422,616
Balances at end of year	–	3,713,955	43,560	–	3,757,515
Net Book Value	₱12,656,000	₱19,505,279	₱38,416	₱5,765,253	₱37,964,948

As of December 31, 2017 and 2016, land includes South Road Properties acquired from Cebu City Government in 2015 (see Notes 9 and 30).

Borrowing costs capitalized as part of investment properties amounted to ₱1.13 billion, ₱827.80 million and ₱901.62 million in 2017, 2016 and 2015, respectively. Capitalization rate used ranges from 1.6% to 5.1% in 2017 and 2016, and 2.0% to 5.1% in 2015.

As of December 31, 2017 and 2016, additions to investment properties which remain outstanding amounted to ₱305.52 million and ₱281.59 million, respectively, and are recognized as part of "Accounts payable and accrued expense" (see Note 15).

The aggregate fair value of the Group's investment properties amounted to ₱63.59 billion and ₱57.73 billion as of December 31, 2017 and 2016, respectively, based on the income approach using discounted cash flow analysis for land and buildings (see Note 28). The values used by the Group are based on a third party appraisals performed in 2010 and 2015 and were updated using December 31, 2017 and 2016 year-end values and assumptions.

In the market data approach, the value of investment properties is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires establishing comparable property by reducing reasonable comparative sales and listing to a common denominator. This is done by adjusting the difference between the subject properties and those actual sales and listing regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject properties.

While 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.

Rental income from investment properties amounted to ₱4.29 billion, ₱3.30 billion, and ₱2.94 billion in 2017, 2016 and 2015, respectively. Cost of rental services arising from investment properties is as follows:

	2017	2016	2015
		(In Thousands)	
Depreciation	₱479,173	367,658	₱317,430
Mall operations	391,627	278,904	278,588
Others	78,657	81,102	83,349
	₱949,457	₱727,664	₱679,367

Others pertain to cost of ticket sales and snack bar sales. The Group classifies the depreciation of fit out cost and machinery and equipment related to the common area and air-conditioning as part of the maintenance and air-conditioning dues that are collected from the tenants. In 2017, 2016 and 2015 depreciation expense recognized as part of "Rental and related services" revenue amounted to ₱83.04 million, ₱39.16 million and ₱70.19 million, respectively (see Note 22).

13. Property and Equipment

The rollforward analysis of this account as of December 31 follows:

	2017						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
				(In Thousands)			
Cost							
Balances at beginning of year	₱1,981,230	₱495,992	₱143,716	₱117,152	₱80,116	₱468,627	₱3,286,833
Additions	818,449	72,639	16,890	6,623	4,536	1,906	921,043
Disposals	–	–	–	(14,087)	–	–	(14,087)
Balances at end of year	2,799,679	568,631	160,606	109,688	84,652	470,533	4,193,789
Accumulated Depreciation and Amortization							
Balances at beginning of year	130,411	291,450	90,833	84,777	44,278	–	641,749
Depreciation and amortization (Note 19)	77,597	50,993	14,438	3,171	11,448	–	157,647
Disposals	–	–	–	(13,919)	–	–	(13,919)
Balances at end of year	208,008	342,443	105,271	74,029	55,726	–	785,477
Net Book Value	₱2,591,671	₱216,188	₱55,335	₱35,659	₱28,926	₱470,533	₱3,408,312

	2016						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
				(In Thousands)			
Cost							
Balances at beginning of year	₱1,759,794	₱442,915	₱110,303	₱127,891	₱48,441	₱67,781	₱2,557,125
Additions	221,436	53,077	33,413	8,083	31,675	400,846	748,530
Disposals/Transfer	–	–	–	(18,822)	–	–	(18,822)
Balances at end of year	1,981,230	495,992	143,716	117,152	80,116	468,627	3,286,833
Accumulated Depreciation and Amortization							
Balances at beginning of year	110,509	263,101	80,499	82,943	40,170	–	577,222
Depreciation and amortization (Note 19)	19,902	28,349	10,334	20,656	4,108	–	83,349
Disposals	–	–	–	(18,822)	–	–	(18,822)
Balances at end of year	130,411	291,450	90,833	84,777	44,278	–	641,749
Net Book Value	₱1,850,819	₱204,542	₱52,883	₱32,375	₱35,838	₱468,627	₱2,645,084

As of December 31, 2017 and 2016, cost of fully depreciated property and equipment still used in operations amounted to ₱16.55 million and ₱14.66 million, respectively.

14. Other Noncurrent Assets

This account consists of:

	2017	2016
	(In Thousands)	
BTO rights (Note 30)	**₱2,494,046**	₱1,846,748
Deposits	**465,963**	985,612
Advances to joint venture partners	**333,075**	331,517
Financial assets at FVTOCI (Notes 28 and 29)	**15,670**	15,670
Other assets (Note 30)	**217,753**	200,500
	3,526,507	3,380,047
Less accumulated amortization	**71,640**	22,040
	₱3,454,867	₱3,358,007

"BTO rights" pertain to the cost related to the Build, Transfer and Operate agreement with The Province of Cebu (Cebu Province) entered into on March 26, 2012. The BTO project relates to the development, construction and operation of Business Process Outsourcing (BPO) Complex by the Group at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City (see Note 30). As of December 31, 2017 and 2016, cost of completed portion of the BTO project amounted to ₱1.21 billion and ₱1.20 billion, respectively. The rollforward analysis of BTO rights as of December 31 follows:

	2017	2016
	(In Thousands)	
Cost		
Balance at beginning of year	**₱1,868,788**	₱1,459,400
Additions	**625,258**	387,348
Balance at end of year	**2,494,046**	1,846,748
Accumulated Amortization		
Balance at beginning of year	**22,040**	7,215
Amortization	**49,600**	14,825
Balance at end of year	**71,640**	22,040
Net Book Value	**₱2,422,406**	₱1,824,708

Related amortization was recognized as part of "Cost of rental and related services". Rent income amounting to ₱117.13 million, ₱85.23 million and ₱17.11 million in 2017, 2016 and 2015, respectively, was recognized as part of "Revenue from rental and related services".

"Deposits" include advances to sellers for the purchase of raw land prior to issuance of Contract to Sell. These also include utility and security deposits.

"Advances to joint venture partners" are advances (e.g., property taxes and permits) which are normally applied against the share of the joint venture partners from sale of the joint venture properties reported under "Other receivables" in consolidated statements of financial position.

"Financial assets at FVTOCI" consist of quoted and unquoted shares of stock amounting to ₱9.48 million and ₱6.20 million, respectively.

Unquoted investments in shares of stock include unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects. These investments are carried at cost less accumulated impairment, if any.

In 2016 and 2015, the Group's unquoted shares of stock amounting to ₱0.001 million and ₱5.34 million, respectively were redeemed (none redeemed in 2017). Dividends received from unquoted shares amounted to ₱4.05 million in 2015 (nil in 2017 and 2016, see Note 22).

"Other assets" includes the fee paid by the Parent Company to a third party for the assignment of the developmental rights for another BTO project in Cebu (see Note 30).

15. Accounts Payable and Accrued Expenses

This account consists of:

	2017			2016		
	Current	Noncurrent	Total	Current	Noncurrent	Total
			(In Thousands)			
Accounts payable	₱7,129,000	₱225,162	₱7,354,162	₱3,358,258	₱100,877	₱3,459,135
Retention fees payable	1,580,742	952,966	2,533,708	1,277,895	761,596	2,039,491
Advances and deposits from customers	2,657,083	–	2,657,083	2,177,291	–	2,177,291
Deposits for registration	160,571	1,149,661	1,310,232	158,224	1,132,861	1,291,085
Deposits from tenants	324,247	882,406	1,206,653	747,077	211,675	958,752
Accrued expenses	1,308,258	–	1,308,258	613,193	–	613,193
Accrued interest on bonds and loans (Notes 16 and 17)	293,868	–	293,868	292,062	–	292,062
Other payables	805,293	2,515	807,808	673,660	–	673,660
	₱14,259,062	₱3,212,710	₱17,471,772	₱9,297,660	₱2,207,009	₱11,504,669

"Accounts payable" includes the outstanding balance of the costs of land acquired by the Group and is payable on scheduled due dates or upon completion of certain requirements (see Notes 9 and 12). This account also includes amount payable to contractors and suppliers for the construction and development costs and operating expenses incurred by the Group.

"Retention fees payable" pertains to the amount withheld from the progress billings of the contractors and is released generally one year from the completion of the construction agreement.

"Advances and deposits from customers" include collections from accounts which do not qualify yet for revenue recognition as real estate sales and any excess of collections over the recognized receivables on sale of real estate inventories.

"Deposits for registration" pertain to amounts collected from buyers for payment of registration of real estate properties.

"Deposits from tenants" are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of tenants once due.

"Accrued expenses" pertain to various operating expenses incurred by the Group in the course of business such as salaries and wages, professional fees, unbilled construction cost related to ongoing projects, and utilities expense, among others.

"Other payables" pertain mainly to withholding taxes, output VAT payables and deferred rental income.

16. Loans Payable

This account consists of:

	2017	2016
	(In Thousands)	
Developmental loans from local banks	**₱23,358,184**	₱24,503,382
Less unamortized transaction costs	**49,648**	46,784
	23,308,536	24,456,598
Less current portion of loans payable	**3,661,118**	2,424,288
Long-term portion of loans payable	**₱19,647,418**	₱22,032,310

Developmental Loans from Local Banks
Developmental loans from local banks will mature on various dates up to 2024. These Peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate, plus a spread of 1% per annum, prevailing market rate, or fixed interest rates of 4.20% to 6.39% per annum. Additional loans availed by the Group in 2017, 2016 and 2015 amounted to ₱3.23 billion, ₱10.48 billion and ₱7.85 billion, respectively. Principal payments made in 2017, 2016 and 2015 amounted to ₱4.37 billion, ₱1.93 billion and ₱8.43 billion, respectively.

Interest incurred on these loans (gross of related capitalized borrowing costs) amounted to ₱1.07 billion, ₱753.43 million, and ₱847.36 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Amortization of transaction costs amounted to ₱17.74 million, ₱4.75 million and ₱11.17 million in 2017, 2016 and 2015, respectively and included under "Interest and other financing charges" (see Note 21).

The Group's loans payable 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 ranging from 2.0x to 3.1x and minimum interest coverage ratio of 1.0x.

The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

As of December 31, 2017 and 2016, the Group has complied with these contractual agreements and has not been cited as in default on its outstanding loan obligations.

17. Bonds Payable

a. On June 8, 2012, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱7.00 billion and term of seven (7) years from the issue date. The fixed interest rate is 6.27% per annum, payable quarterly in arrears starting on September 8, 2012.

   Unamortized debt issuance cost on bonds payable amounted to ₱20.50 million and ₱32.60 million as of December 31, 2017 and 2016, respectively. Accretion in 2017, 2016 and 2015 included as part of 'Interest and other finance charges' amounted to ₱13.18 million, ₱4.04 million and ₱12.09 million, respectively (see Note 21).

b. On November 8, 2013, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱7.00 billion comprised of ₱4.30 billion, 7-year bonds with interest of 4.86% per annum due in 2020 and ₱2.70 billion, 10-year bonds with interest of 5.43% per annum due in 2023. Interest for both bonds is payable quarterly in arrears starting on February 8, 2014.

   Unamortized debt issuance cost on bonds payable amounted to ₱35.33 million and ₱45.91 million of December 31, 2017 and 2016, respectively. Accretion in 2017, 2016 and 2015 included as part of 'Interest and other finance charges' amounted to ₱10.58 million, ₱11.16 million and ₱11.70 million, respectively (see Note 21).

c. On December 4, 2014, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱7.00 billion comprising of ₱5.30 billion, 7-year fixed rate bonds due in 2021 and ₱1.70 billion, 10-year fixed rate bonds due in 2024. The 7-year bonds carry a fixed rate of 5.40% per annum, while the 10-year bonds have a fixed interest rate of 5.64% per annum.

   Unamortized debt issuance cost on bonds payable amounted to ₱42.27 million and ₱53.21 million as of December 31, 2017 and 2016, respectively. Accretion in 2017, 2016 and 2015 included as part of "Interest and other finance charges" amounted to ₱10.94 million ₱11.58 million and ₱12.16 million, respectively (see Note 21).

d. On August 20, 2015, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱8.00 billion comprising of ₱7.00 billion, 7-year fixed rate bonds due in 2022 and ₱1.00 billion, 10-year fixed rate bonds due in 2025. The 7-year bonds carry a fixed rate of 5.36% per annum, while the 10-year bonds have a fixed rate of 5.71% per annum.

   Unamortized debt issuance cost on bonds payable amounted to ₱62.40 million and ₱72.23 million as of December 31, 2017 and 2016, respectively. Accretion in 2017, 2016 and 2015 included as part of "Interest and other finance charges" amounted to ₱10.71 million, ₱11.03 million and ₱1.09 million, respectively (see Note 21).

e. On July 7, 2017, CPI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱6.00 billion and term of five and a half (5.5) years due in 2023. The bonds carry a fixed rate of 5.05% per annum, payable quarterly in arrears starting on October 7, 2017.

   Unamortized debt issuance cost on bonds payable amounted to ₱63.83 million as of December 31, 2017. Accretion in 2017 included as part of "Interest and other finance charges" amounted to ₱6.34 million (see Note 21).

Interest incurred on these bonds (gross of related capitalized borrowing costs) amounted to ₱1.76 billion, ₱1.82 billion and ₱1.49 billion for the years ended December 31, 2017, 2016 and 2015, respectively.

These bonds require the Group to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x). As of December 31, 2017 and 2016, the Group is not in breach of any of these debt covenants.

18. 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 of the Group's ultimate parent company (referred herein as "Affiliates"). Related parties may be individuals or corporate entities.

Significant related party transactions are as follows. Outstanding liabilities are unsecured and no impairment loss was recognized on any of the assets.

	2017				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
	(In Thousands)				
Bank under common control of the ultimate parent					
Cash and cash equivalents	₱4,820,471	₱4,820,471	0.50% to 4.50%	No impairment	18 (a)
Interest income	5,953	–			
	₱4,826,424	₱4,820,471			
Ultimate Parent	(₱1,288)	₱444	Noninterest-bearing, collectible on demand	Unsecured, no impairment	18 (b)
Associates					
Dividends (Note 11)	200,000	160,000	Noninterest-bearing, collectible on demand	Unsecured, no impairment	18 (d)
Share in common expenses	3,411	–			
	203,411	160,000			
Affiliates					
Share in common expenses	24,778	47,494	Noninterest-bearing, collectible on demand	Unsecured, no impairment	18 (e)
Other income	25,566	25,566			18 (a)
	50,344	73,060			
Due from related parties	₱252,467	₱233,504			
Parent					
Share in Group expenses	₱13,162	(₱88,516)	Noninterest-bearing, payable on demand	Unsecured	18 (c)
Management and marketing income	2,773	–	Noninterest-bearing, payable on demand	Unsecured	
	15,935	(88,516)			
Associate					
Rent	136,872	(15,932)	Noninterest-bearing, payable on demand	Unsecured	18 (d)
Management fee	4,786	–	Noninterest-bearing, payable on demand	Unsecured	
Marketing income	–	–	Noninterest-bearing, payable on demand	Unsecured	
Share in other expenses	62,554	(46,622)	Noninterest-bearing, payable on demand	Unsecured	
	204,212	(62,554)			
Affiliates	20,075	(48,245)	Noninterest-bearing, payable on demand	Unsecured	18 (e)
Due to related parties	₱240,222	(₱199,315)			

	2016				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
	(In Thousands)				
Bank under common control of the ultimate parent					
Cash and cash equivalents	₱2,601,016	₱2,601,016	0.50% to 4.50%	No impairment	18 (a)
Interest income	12,170	–			
Other income	1,374	–			
	₱2,614,560	₱2,601,016			
Ultimate Parent	₱311	₱1,732	Noninterest-bearing, collectible on demand	Unsecured, no impairment	18 (b)
Associates					
Dividends (Note 11)	315,225	160,000	Noninterest-bearing, collectible on demand	Unsecured, no impairment	18 (d)
Share in common expenses	551	551			
	315,776	160,551			
Affiliates					
Finishing contract fees	45,473	210,632	Noninterest-bearing, collectible on demand	Unsecured, no impairment	18 (e)
Share in common expenses	14,070	40,994			
	59,543	251,626			
Due from related parties	₱375,630	₱413,909			
Parent					
Share in Group expenses	₱55,376	(₱78,502)	Noninterest-bearing, payable on demand	Unsecured	18 (c)
Management and marketing income	37,407	–	Noninterest-bearing, payable on demand	Unsecured	
	92,783	(78,502)			
Associates					
Rent	117,351	(15,818)	Noninterest-bearing, payable on demand	Unsecured	18 (d)
Management fee	269	–	Noninterest bearing, payable on demand	Unsecured	
Marketing income	1,443	–	Noninterest-bearing, payable on demand	Unsecured	
Share in other expenses	104,676	(86,560)	Noninterest-bearing, payable on demand	Unsecured	
	223,739	(102,378)			
Affiliates	1,459,648	(62,856)	Noninterest-bearing, payable on demand	Unsecured	18 (e)
Due to related parties	₱1,776,170	(₱243,736)			

a. *Transactions with bank under common control of the ultimate parent (EW)*
On January 3, 2012, the Group entered into a Receivable Purchase Agreement with East West Banking Corporation (EW), an entity under common control of the ultimate parent. The Group agreed to sell, assign, transfer and convey to EW all of its rights, titles and interest on certain contracts receivables. The contracts receivables sold to EW will be serviced by the Group under an Accounts Servicing Agreement.

Under this agreement, the Group shall be responsible for the monitoring and collection of contracts receivables sold to EW, including safekeeping of the collections in trust until these are remitted to EW, 10 days after the beginning of each month.

For the performance of the said services, the Group charges EW a service fee equivalent to a certain percentage of amounts actually received and collected. Although the Group retains the contractual rights to receive cash flows from the contracts receivables sold to EW, this will be subsequently distributed to EW under a "pass-through arrangement".

In this transaction, the risk of default and non-payment of buyers of contracts receivable is assumed by EW and the Group has no liability to EW for such events. Due to this, the Group derecognized the contracts receivables sold and did not recognize any liability in its consolidated financial statements.

The Group's plan assets in the form of cash equivalents amounting to ₱52.30 million and ₱49.32 million as of December 31, 2017 and 2016, respectively, are maintained with EW (see Note 23). The Group also maintains cash and cash equivalents with EW.

b. *Transactions with Ultimate Parent (ALG)*
Transactions with the Group's ultimate parent company relates to sharing of common expenses.

c. *Transactions with Parent Company (FDC)*
The Parent Company charged FDC certain common expenses paid by the Parent Company on its behalf.

In 2009, Promax was appointed by FDC as the marketing agent to act for and on behalf of FDC in promoting the marketing and sale of the Beaufort project. Accordingly, FDC pays Promax a marketing fee equivalent to a certain percentage of the net selling price (see Note 22).

d. *Transactions with an Associate (FAI)*
In 2013, the Parent Company purchased from FAI a parcel of land located at Alabang, Muntinlupa City for a total purchase price of ₱603.40 million. As of December 31, 2017 and 2016, outstanding liability amounted to ₱300.85 million on and ₱325.83 million, respectively. In 2015, the Parent Company has completed the development project of the first tower on this property.

Due from associate include receivable for the transfer of equipment, furniture and fixtures and inventories to an affiliate for the start-up of operations. Other transactions with FAI include noninterest-bearing cash advances and various charges for rent, management fees, marketing fees, share of expenses and commission charges. The account also includes dividend receivable amounting to ₱160.00 million from the dividend declared by FAI both in 2017 and 2016. (see Note 11).

e. *Transactions with Affiliates*
In 2007, the Parent Company entered into a development agreement with GCK Realty Corporation (GCK), an affiliate. The agreement provides that the Parent Company shall undertake the construction of a condominium building on the land owned by GCK located in Kamputhaw, Cebu City. The agreement further provides that the Parent Company shall shoulder all costs and expenses necessary and incidental to the construction of the building. The saleable condominium units forming part of the building as developed shall be allocated between the Parent Company and GCK on a 92% and 8% sharing, respectively.

GCK shall pay the Parent Company management fee and the reimbursable commissions paid by the Parent Company to the brokers based on certain percentage of the gross selling price of the units owned by GCK. The Parent Company shall likewise set aside an amount equivalent to a certain percentage of all collections received from the sale of units of GCK for expenses related to maintenance and upkeep of the building. In 2010, the Parent Company started to remit sales on the sold units belonging to GCK.

f. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱31.00 million, ₱30.77 million and ₱28.74 million in 2017, 2016 and 2015, respectively. Post-employment benefits of key management personnel amounted to ₱0.68 million and ₱9.44 million in 2017 and 2015, respectively (nil in 2016).

19. General and Administrative Expenses

The account consists of:

	2017	2016	2015
		(In Thousands)	
Salaries, wages and employee benefits	**₱609,098**	₱389,756	₱295,395
Taxes and licenses	**261,832**	154,045	142,213
Outside services	**142,772**	102,803	86,697
Repairs and maintenance	**119,548**	169,857	98,653
Depreciation and amortization (Notes 12 and 13)	**198,677**	113,971	104,094
Transportation and travel	**86,485**	75,124	71,367
Entertainment, amusement and recreation	**70,497**	66,581	61,538
Rent (Note 18)	**63,364**	58,850	41,177
Electronic data processing charges	**58,914**	40,378	44,201
Insurance	**55,804**	24,352	28,684
Retirement costs (Note 23)	**50,940**	56,327	49,408
Communications, light and water	**46,067**	38,230	26,198
Dues and subscriptions	**21,856**	13,229	12,292
Office supplies	**17,017**	14,624	10,209
Parking operations	**15,718**	7,799	6,836
Provision for (reversal of) doubtful accounts expense - net (Note 8)	**4,956**	(58,551)	6,163
Others	**55,590**	36,579	52,896
	₱1,879,135	₱1,303,954	₱1,138,021

20. Selling and Marketing Expenses

The account consists of:

	2017	2016	2015
		(In Thousands)	
Selling, advertising and promotions	**₱367,211**	₱382,807	₱368,497
Brokers' commissions	**338,358**	642,795	519,018
Service fees	**190,382**	79,087	95,103
Sales office direct costs	**72,683**	89,443	97,086
Salaries and wages	**6,322**	4,023	3,107
Corporate advertisements	**872**	1,183	652
Others	**5,865**	5,466	5,242
	₱981,693	₱1,204,804	₱1,088,705

21. Interest and Other Finance Charges

The following table shows the component of interest income, interest expense and other financing charges recognized in the consolidated statements of income:

	2017	2016	2015
		(In Thousands)	
Interest income on:			
Contracts receivable (Note 7)	₱805,760	₱754,574	₱704,725
Cash and cash equivalents (Note 6)	43,317	25,083	24,652
Others	86,225	92,315	79,003
	₱935,302	₱871,972	₱808,380
Interest and other finance charges:			
Interest expense on loans and bonds payable, net of interest capitalized (Notes 16 and 17)	₱969,022	₱983,147	₱797,655
Amortization of transaction costs of loans and bonds (Notes 16 and 17)	69,489	50,889	61,096
Other finance charges (Note 23)	24,194	38,628	25,005
	₱1,062,705	₱1,072,664	₱883,756

22. Other Income

The account consists of:

	2017	2016	2015
		(In Thousands)	
Forfeited reservations and collections	₱442,978	₱233,694	₱211,958
Service fees (Note 18)	179,945	35,540	56,215
Management, leasing and other fees (Notes 14 and 18)	84,428	13,782	7,796
Processing fees	12,704	43,250	19,085
Foreign currency exchange gain (loss) - net	(4,781)	4,088	(9,191)
Income from liquidated damages	–	450,000	–
Others (Note 18)	105,774	25,138	28,666
	₱821,048	₱805,492	₱314,529

Income from liquidated damages represents the amount of Group's recovery of lost income from prospective tenants recovered from a contractor.

23. Retirement Costs

The Group has a funded, noncontributory defined benefit retirement plan (the "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. The funds are administered by the Group's Treasurer under the supervision of the Board of Trustees of the Plan and are responsible for investment strategy of the Plan.

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

	2017		
	Present value of defined benefit obligation	**Fair value of plan asset**	**Net defined benefit liabilities**
		(In Thousands)	
Balance as at January 1, 2016	**₱496,794**	**₱49,319**	**₱447,475**
Effect of consolidation of investment in Pro-Excel (Notes 1 and 2)	**6,624**	**–**	**6,624**
Net benefit costs in profit or loss			
Current service cost (Note 19)	**50,940**	**–**	**50,940**
Net interest (Note 21)	**23,533**	**2,497**	**21,036**
	81,097	**2,497**	**78,600**
Benefits paid	**(2,950)**	**(2,950)**	**–**
Contribution	**–**	**2,950**	**(2,950)**
Remeasurements in other comprehensive income			
Actuarial changes arising from:			
Experience adjustments	**(4,712)**	**–**	**(4,712)**
Return on plan assets, excluding amounts included in interest income	**–**	**484**	**(484)**
	(4,712)	**484**	**(5,196)**
	₱570,229	**₱52,300**	**₱517,929**

	2016		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
		(In Thousands)	
Balance as at January 1, 2016	₱448,293	₱124,068	₱324,225
Net benefit costs in profit or loss			
Current service cost (Note 19)	56,327	–	56,327
Net interest (Note 21)	19,487	2,280	17,207
	75,814	2,280	73,534
Benefits paid	(2,605)	(2,605)	–
Contribution	–	2,605	(2,605)

(Forward)

	2016		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
		(In Thousands)	
Remeasurements in other comprehensive income			
Actuarial changes arising from:			
Changes in financial assumptions	(₱22,028)	₱–	(₱22,028)
Experience adjustments	(2,680)	–	(2,680)
Return on plan assets, excluding amounts included in interest income	–	(77,029)	77,029
	(24,708)	(77,029)	52,321
	₱496,794	₱49,319	₱447,475

The Group's plan assets comprise of cash equivalents with original maturities of three months or less from dates of placements and are subject to insignificant risk of changes in value. As of December 31, 2017 and 2016, these placements are with EW (see Note 18). As of December 31, 2017 and 2016, the carrying amount of the plan assets approximates its fair value.

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The assumptions used in determining pension obligation for the defined benefit plan are as follows:

	2017	2016	2015
Discount rate	**5.40%**	5.40%	4.60%-4.70%
Future salary increases	**8.00%**	8.00%	8.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, it is only the decline in discount rate that could significantly affect the pension obligation.

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level throughout the remaining life of the obligation. If the discount rate would be 100 basis points lower, the defined benefit obligation would increase by ₱66.88 million and ₱56.93 million in 2017 and 2016, respectively.

The Group does not expect to contribute to its plan assets in the next 12 months.

The management performs an Asset-Liability Matching (ALM) Study. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans, as well as the liquidity of the plan assets. The Group's current investment strategy consists of 100% short-term deposit placements.

24. Operating Leases

As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2017 and 2016 are as follows:

	2017	2016
	(In Thousands)	
Within one year	**₱3,342,988**	₱2,372,912
After one year but not more than five years	**6,772,147**	4,368,843
After five years	**272,429**	2,444,960
	₱10,387,564	₱9,186,715

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental and related services" account in the consolidated statements of income amounted to ₱232.02 million, ₱220.83 million and ₱212.11 million in 2017, 2016 and 2015, respectively.

The Group has entered into land lease arrangements with lease terms of between 25 and 50 years. The Group has the option, under some of its leases, to lease the assets for additional 25 years. As lessee, future minimum rental payables under operating leases as of December 31, 2017 and 2016 are as follows:

	2017	2016
	(In Thousands)	
Within one year	**₱510,095**	₱255,824
After one year but not more than five years	**244,754**	513,150
After five years	**920,969**	725,350
	₱1,675,818	₱1,494,324

25. Equity

The details of the Parent Company's common and preferred shares as of December 31, 2017 and 2016 follow:

	Common Shares	Preferred Shares
	(In Thousands, except par value figures)	
Authorized shares	33,000,000	8,000,000
Par value per share	₱1	₱0.01
Issued and outstanding shares	24,470,708	8,000,000
Treasury shares	220,949	–

In 2017, 2016 and 2015, there was no issuance of additional common shares.

Preferred Shares
The preferred shares may be issued from time to time in one or more series as the BOD may determine, and authority is hereby expressly granted to the BOD to establish and designate each particular series of preferred shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate and the issue price and other terms and conditions for each such shares. Dividends shall be cumulative from and after the date of issue of the preferred shares and no dividend shall be declared or paid on the common shares unless the full accumulated dividends on all preferred shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Group. Preferred shares of each and any sub-series shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on the preferred shares. To the extent not set forth in the Articles of Incorporation, the specific terms and restrictions of each series of preferred shares shall be specified in such resolutions as may be adopted by the BOD prior to the issuance of each of such series (the "Enabling Resolutions"), which resolutions shall thereupon be deemed a part of the Amended Articles of Incorporation.

Preferred shares of each and any sub-series may be convertible to common shares as may be determined by the BOD and set forth in the Enabling Resolutions, in such manner and within such period as may be fixed in the Enabling Resolutions. As of December 31, 2017 and 2016, there is no Enabling Resolution by the BOD making the preferred shares convertible to common shares.

As the dividend rate is yet to be determined by the BOD, there were no dividends in arrears on preferred shares as of December 31, 2017 and 2016.

Treasury Shares
On December 20, 2007, the Parent Company's BOD approved the buy-back of some of the issued shares of stock of the Parent Company over a period of twelve (12) months up to an aggregate amount of ₱1.50 billion, in view of the strong financial performance of the Parent Company and the very large discrepancy that existed between the current share price and the net asset value of the Parent Company.

The Parent Company had acquired 220.95 million shares at total cost of ₱221.04 million in 2008. There were no additional acquisitions in 2017, 2016 and 2015. The retained earnings is restricted from dividend distribution to the extent of the cost of treasury shares.

Dividend Declarations
On April 21,2017 the BOD approved the declaration and payment of cash dividend of ₱0.0613 per share or total of ₱1.49 billion for all shareholders of record as of May 21, 2017.

On April 22, 2016 the BOD approved the declaration and payment of cash dividend of ₱0.061per share or a total of ₱1.48 billion for all shareholders of record as of May 22, 2016.

On May 8, 2015 the BOD approved the declaration and payment of cash dividend of ₱0.0560 per share or a total of ₱1.37 billion for all shareholders of record as of June 5, 2015.

Retained Earnings
Retained earnings include undistributed earnings amounting to ₱7.47 billion and ₱6.54 billion as of December 31, 2017 and 2016, respectively, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until declared as dividends by the subsidiaries and associates. Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury and deferred tax asset recognized in profit or loss as of December 31, 2017 and 2016.

The Parent Company's retained earnings available for dividend declaration as of December 31, 2017 and 2016 amounted to ₱25.73 billion and ₱22.09 billion, respectively.

Capital Management

The Group monitors its capital and cash positions and manages its expenditures and disbursements. Furthermore, the Group 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 primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2017 and 2016.

The Group monitors capital using debt-to-equity ratio, which is the long-term debt (loans payable and bonds payable) divided by total equity. The Group's policy is to keep the debt-to-equity ratio not to exceed 2:1. The following table shows how the Group computes for its debt-to-equity ratio:

	2017	2016
	(In Thousands)	
Loans payable (Note 16)	**₱23,308,536**	₱24,456,598
Bonds payable (Note 17)	**34,775,665**	28,796,051
Total long-term debt	**58,084,201**	53,252,649
Total equity	**63,501,043**	59,412,637
Debt-to-equity ratio	**0.91:1.00**	0.90:1.00

On August 12, 1993, SEC approved the registration of 2.0 billion common shares with issue price of ₱5.25 per share.

On December 15, 2006, SEC approved the registration of 3.7 billion common shares with issue price of ₱1.60 per share.

Below is the summary of the outstanding number of common shares and holders of security as of December 31, 2017:

Year	Number of Shares Registered (In Thousands)	Number of Holders of Securities as of Year End*
January 1, 2016	24,249,759	5,776
Add/(Deduct) Movement	–	(41)
December 31, 2016	24,249,759	5,735
Add/(Deduct) Movement	–	(36)
December 31, 2017	**24,249,759**	**5,699**

*Exclusive of 220,949 treasury shares.

26. Earnings Per Share

	2017	2016	2015
	(In Thousands, Except EPS Figures)		
a. Net income attributable to the equity holder of the parent	**₱5,685,394**	₱5,247,262	₱5,011,815
b. Weighted average number of outstanding common shares (after considering treasury shares)	**24,249,759**	24,249,759	24,249,759
Basic/Diluted EPS (a/b)	**₱0.23**	₱0.22	₱0.21

There were no potential dilutive shares in 2017, 2016 and 2015.

27. Income Tax

Provision for income tax consists of:

	2017	2016	2015
	(In Thousands)		
Current	**₱705,038**	₱385,793	₱407,148
Deferred	**755,938**	1,117,822	867,923
	₱1,460,976	₱1,503,615	₱1,275,071

The components of the Group's deferred income tax assets follow:

	2017	2016
	(In Thousands)	
Advance rentals	**₱33,046**	₱9,388
Accrued retirement benefits	**269**	908
NOLCO	**15,340**	13,418
	₱48,655	₱23,714

The components of the Group's net deferred income tax liabilities follow:

	2017	2016
	(In Thousands)	
Deferred income tax liabilities on:		
Capitalized borrowing costs	**₱3,822,215**	₱3,256,934
Excess of real estate revenue based on financial accounting policy over real estate revenue based on tax rules	**1,628,254**	1,331,125
Excess of fair value over cost of net assets acquired in business combination	**122,856**	129,023
	5,573,325	4,717,082

(Forward)

	2017	2016
	(In Thousands)	
Deferred income tax assets on:		
Advance rentals	**(₱102,963)**	(₱49,975)
Accrued retirement benefits - charged to profit or loss	**(91,058)**	(70,600)
Remeasurement losses on retirement plan	**(66,572)**	(68,131)
Provision for doubtful accounts	**(11,265)**	(11,179)
Others	**(3,027)**	(1,194)
	(274,885)	(201,079)
	₱5,298,440	₱4,516,003

Provision for deferred income tax charged directly to other comprehensive income in 2017, 2016 and 2015 amounted to ₱1.56 million, ₱15.70 million, and ₱3.05 million, respectively.

The Group did not recognize deferred income tax assets on NOLCO of the subsidiaries amounting to ₱119.69 million and ₱34.90 million as of December 31, 2017 and 2016, respectively, since management believes that their carryforward benefits may not be realized before they expire.

The carryforward benefits of the NOLCO, which can be claimed by the Group as credits against the RCIT, are as follows (in thousands):

Year Incurred	Amount	Expiry Date
2017	₱97,856	December 31, 2020
2016	56,103	December 31, 2019
2015	16,842	December 31, 2018
	₱170,801	

The following are the movements in NOLCO:

	2017	2016
	(In Thousands)	
At January 1	**₱79,623**	₱23,564
Addition	**97,856**	56,103
Applied/expired	**(6,678)**	(44)
At December 31	**₱170,801**	₱79,623

The reconciliation of the provision for income tax at statutory tax rate to the actual provision for income tax follows:

	2017	2016	2015
		(In Thousands)	
Income tax at statutory tax rate	**₱2,188,547**	₱2,056,320	₱1,912,901
Adjustments for:			
Income tax holiday incentive on sales of BOI-registered projects (Note 32)	**(376,343)**	(162,422)	(360,427)
Income covered by PEZA (Note 31)	**(234,918)**	(322,789)	(193,208)

(Forward)

	2017	2016	2015
		(In Thousands)	
Equity in net earnings of associates	**(₱105,064)**	(₱54,906)	(₱52,943)
Deductible expense - Optional Standard Deduction	**(45,507)**	(27,611)	(27,082)
Tax-exempt net income on socialized housing units	**(7,090)**	(13,727)	(20,787)
Income subjected to final tax	**(11,541)**	(3,680)	(3,634)
Interest on HGC-enrolled contracts receivables	**(1,466)**	(361)	(7,643)
Change in unrecognized deferred tax	**8,154**	1,175	2,416
Nondeductible interest expense	**2,354**	3,224	1,905
Other nondeductible expenses	**43,850**	28,392	23,573
	₱1,460,976	₱1,503,615	₱1,275,071

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

28. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	2017				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Assets measured at fair value					
Financial assets at FVTOCI					
Quoted	₱9,473	₱9,473	₱9,473	₱–	₱–
Unquoted	6,197	6,197	–	–	6,197
	15,670	15,670	9,473	–	6,197
Assets for which fair values are disclosed					
Financial assets at amortized cost					
Contracts receivable	16,738,291	17,557,809	–	–	17,557,809
Non-financial assets					
Investment properties	44,321,475	63,590,147	–	–	63,590,147
Total assets	₱61,075,436	₱81,163,626	₱9,473	₱–	₱81,154,153

(Forward)

	2017				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses					
Accounts payable	₱7,354,162	₱7,039,723	₱–	₱–	₱7,039,723
Retention fee payable	2,533,708	2,425,377	–	–	2,425,377
Deposits for registration	1,310,232	1,254,212	–	–	1,254,212
	11,198,102	10,719,312	–	–	10,719,312
Loans payable	23,308,536	22,390,172	–	–	22,390,172
Bonds payable	34,775,665	31,936,651	–	–	31,936,651
	₱69,282,303	₱65,046,135	₱–	₱–	₱65,046,135

	2016				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Assets measured at fair value					
Financial assets at FVTOCI					
Quoted	₱9,473	₱9,473	₱9,473	₱–	₱–
Unquoted	6,197	6,197	–	–	6,197
	15,670	15,670	9,473	–	6,197
Assets for which fair values are disclosed					
Financial assets at amortized cost					
Contracts receivable	37,964,948	21,643,217	–	–	21,643,217
Non-financial assets					
Investment properties	39,208,736	57,732,973	–	–	57,732,973
Total assets	₱77,189,354	₱79,391,860	₱9,473	₱–	₱79,382,387
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses					
Accounts payable	₱3,459,135	₱3,311,234	₱–	₱–	₱3,311,234
Deposits for registration	1,291,085	1,235,883	–	–	1,235,883
Retention fee payable	2,039,491	1,952,290	–	–	1,952,290
	6,789,711	6,499,407	–	–	6,499,407
Loans payable	24,456,598	23,518,146	–	–	23,518,146
Bonds payable	28,796,051	26,267,396	–	–	26,267,396
	₱60,042,360	₱56,284,949	₱–	₱–	₱56,284,949

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, due from and to related parties, other receivables and other assets*: Due to the short-term nature of these accounts, their fair values approximate their carrying amounts.

- *Contracts receivable*: Estimated fair value of contracts receivable is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date. Interest rate used was 19% in 2017 and 2016. Due to the short-term nature of receivables from government and financial institutions, carrying amounts approximate fair values.

- *Financial assets at FVTOCI*: Fair values were determined using quoted market prices at reporting date. Financial assets at FVTOCI not quoted in an active market are recorded at cost.

- *Accounts payable and accrued expenses*: On accounts due within one year, the fair value of accounts payable and accrued expenses approximates the carrying amounts. On accounts due for more than a year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables as of the reporting date. Interest rates used is 4.28% in 2017 and 2016.

- *Long-term debt (loans payable and bonds payable):* 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 4.70% to 5.40% as of December 31, 2017 and 2016.

During the years ended December 31, 2017, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, contracts and other receivables, due from related parties, financial assets at FVTOCI, accounts payable and accrued expenses, due to related parties and long-term debt (loans payable and bonds payable). The main purpose of these financial instruments is to raise financing for the Group's operations.

The main objectives of the Group's financial risk management are as follows:

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

The Group's finance and treasury functions operate as a centralized service for managing financial risks and activities, as well as providing optimum investment yield and cost-efficient funding for the Group. The Group's BOD reviews and approves the policies for managing each of these risks.

The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Group's risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group also monitors the foreign currency risk arising from all financial instruments.

Liquidity Risk
Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group uses a combination of internally generated funds and available long-term and short-term credit facilities.

As of December 31, 2017 and 2016, the Group has ₱7.25 billion and ₱7.00 billion, respectively, in undrawn short-term credit lines, and, ₱34.50 billion and ₱21.00 billion, respectively, in undrawn long-term credit facilities.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2017 and 2016 based on contractual undiscounted payments.

	2017						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
				(In Thousands)			
Financial Liabilities at Amortized Cost							
Accounts Payable and Accrued Expenses							
Accounts payable	₱5,478,988	₱1,066,421	₱583,591	₱225,162	₱–	₱–	₱7,354,162
Retention fees payable	713,847	713,439	153,456	12,433	599,449	341,085	2,533,708
Deposits for registration	–	388	160,183	586,513	224,016	339,132	1,310,232
Accrued expenses	1,308,258	–	–	–	–	–	1,308,258
Accrued interest on bonds and loans	293,868	–	–	–	–	–	293,868
	7,794,961	1,780,248	897,230	824,108	823,464	680,217	12,800,228
Due to Related Parties	199,315	–	–	–	–	–	199,315
Loans Payable	–	–	2,415,583	7,405,101	9,537,500	4,000,000	23,358,184
Bonds Payable	–	–	–	11,300,000	12,300,000	11,400,000	35,000,000
Interest on loans and bonds payable	–	737,288	2,211,863	5,579,106	3,536,194	715,694	12,780,145
	₱7,994,276	₱2,517,536	₱5,524,676	₱25,108,315	₱26,197,158	₱16,795,911	₱84,137,872

	2016						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
				(In Thousands)			
Financial Liabilities at Amortized Cost							
Accounts Payable and Accrued Expenses							
Accounts payable	₱2,619,021	₱477,777	₱261,460	₱100,877	₱–	₱–	₱3,459,135
Retention fees payable	580,094	574,277	123,524	10,007	482,522	269,067	2,039,491
Deposits for registration	–	382	157,842	577,942	220,742	334,177	1,291,085
Accrued expenses	613,193	–	–	–	–	–	613,193
Accrued interest on bonds and loans	292,062	–	–	–	–	–	292,062
	4,104,370	1,052,436	542,826	688,826	703,264	603,244	7,694,966
Due to Related Parties	243,736	–	–	–	–	–	243,736
Loans Payable	–	–	2,428,342	6,143,320	12,410,812	3,520,908	24,503,382
Bonds Payable	–	–	–	7,000,000	9,600,000	12,400,000	29,000,000
Interest on loans and bonds payable	–	666,158	1,998,475	5,193,707	3,766,992	917,181	12,542,513
	₱4,348,106	₱1,718,594	₱4,969,643	₱19,025,853	₱26,481,068	₱17,441,333	₱73,984,597

The tables below summarize the maturity profile of the Group's financial assets held to manage liquidity as of December 31, 2017 and 2016:

	2017						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
				(In Thousands)			
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱4,149,212	₱–	₱–	₱–	₱–	₱–	₱4,149,212
Short-term deposits	–	3,426,878	–	–	–	–	3,426,878

(Forward)

	2017						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
				(In Thousands)			
Contracts receivable							
Contracts receivable	₱960,404	₱1,364,830	₱1,722,361	₱3,197,734	₱1,282,587	₱8,210,375	₱16,738,291
Receivables from government and financial institutions	–	–	487,701	–	–	–	487,701
Other receivables							
Receivable from tenants-net	705,461						705,461
Due from related parties	233,504	–	–	–	–	–	233,504
Receivable from homeowners' associations-net	45,677	–	–	–	–	–	45,677
Receivable from buyers	365,926	–	–	–	–	–	365,926
Others	94,569	–	–	–	–	–	94,569
Short-term deposits	146,465	–	–	–	–	–	146,465
	6,701,218	4,791,708	2,210,062	3,197,734	1,282,587	8,210,375	26,393,684
Financial Assets at FVTOCI							
Investments in shares of stocks:							
Quoted	–	9,473	–	–	–	–	9,473
Unquoted	–	6,197	–	–	–	–	6,197
	–	15,670	–	–	–	–	15,670
	₱6,701,218	₱4,807,378	₱2,210,062	₱3,197,734	₱1,282,587	₱8,210,375	₱26,409,354

	2016						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
				(In Thousands)			
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱3,615,924	₱–	₱–	₱–	₱–	₱–	₱3,615,924
Short-term deposits	–	1,257,101	–	–	–	–	1,257,101
Contracts receivable							
Contracts receivable	519,149	1,065,315	2,508,276	4,424,425	1,775,396	10,954,041	21,246,602
Receivables from government and financial institutions	–	–	538,978	–	–	–	538,978
Other receivables							
Receivable from tenants-net	503,710	–	–	–	–	–	503,710
Due from related parties	413,909	–	–	–	–	–	413,909
Receivable from homeowners' associations-net	34,875	–	–	–	–	–	34,875
Receivable from buyers	116,515	–	–	–	–	–	116,515
Others	49,210	–	–	–	–	–	49,210
Short-term deposits	75,909	–	–	–	–	–	75,909
	5,329,201	2,322,416	3,047,254	4,424,425	1,775,396	10,954,041	27,852,733
Financial Assets at FVTOCI							
Investments in shares of stocks:							
Quoted	–	9,473	–	–	–	–	9,473
Unquoted	–	6,197	–	–	–	–	6,197
	–	15,670	–	–	–	–	15,670
	₱5,329,201	₱2,338,086	₱3,047,254	₱4,424,425	₱1,775,396	₱10,954,041	₱27,868,403

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 Group is exposed to credit risk from its operating activities, primarily for its contract receivables and other receivables.

Credit risk is managed since the titles of the properties sold are retained by the Group until installment receivables are fully collected and the fair values of these properties held as collateral are sufficient to cover the carrying values of the installment contract receivable.

It is the Group's policy that buyers who wish to avail the in-house financing scheme be subjected to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk. Moreover, as discussed in Note 7, the Group has a mortgage insurance contract with Home Guaranty Corporation for a retail guaranty line.

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

The Group has outstanding purchase agreements with financial institutions whereby the Group sold its contracts receivable with a provision that the Group should buy back these receivables in case these become overdue for two to three consecutive months or when the contract to sell has been cancelled.

Based on the Group's experience, the said assets are highly collectible or collectible on demand. The Group holds as collaterals the corresponding properties which the third parties had bought on credit. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market price.

The following tables show the credit quality by class of asset as of December 31, 2017 and 2016. The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant.

Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

	December 31, 2017				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
			(In Thousands)		
Cash and cash equivalents	₱7,576,090	₱–	₱–	₱–	₱7,576,090
Contracts receivable					
Contracts receivable	–	15,777,887	960,404	–	16,738,291
Receivables from government and financial institutions	487,701	–	–	–	487,701
Other receivables					
Receivables from tenants	–	705,461	–	25,129	730,590
Due from related parties	233,504	–	–	–	233,504
Receivables from homeowners' association	–	45,677	–	37,264	82,941
Receivable from buyers	–	365,926	–	–	365,926
Others	–	94,569	–	–	94,569
Other assets					
Short-term deposits	146,465	–	–	–	146,465
	₱8,443,760	₱16,989,520	₱960,404	₱62,393	₱26,456,077

	December 31, 2016				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
			(In Thousands)		
Cash and cash equivalents	₱4,873,025	₱–	₱–	₱–	₱4,873,025
Contracts receivable					
Contracts receivable	–	20,727,453	519,149	–	21,246,602
Receivables from government and financial institutions	538,979	–	–	–	538,979
Other receivables					
Receivables from tenants	–	503,710	–	20,173	523,883
Due from related parties	413,909	–	–	–	413,909
Receivables from homeowners' association	–	34,875	–	37,264	72,139
Receivable from buyers	–	116,515	–	–	116,515
Others	–	49,210	–	–	49,210
Other assets					
Short-term deposits	75,909	–	–	–	75,909
	₱5,901,822	₱21,431,763	₱519,149	₱57,437	₱27,910,171

As at December 31, 2017 and 2016, the analysis of contracts receivable that were past due but not impaired is as follows:

	Past due but not impaired					
	Less than 30 days	30 to 60 days	61 days to 90 days	91 days to 120 days	Over 120 days	Total
			(In Thousands)			
2017	**₱–**	**₱521,816**	**₱254,400**	**₱184,188**	**₱–**	**₱960,404**
2016	₱–	₱174,583	₱237,257	₱107,309	₱–	₱519,149

There is no concentration risk on the Group's financial assets as of December 31, 2017 and 2016.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's financial instruments affected by market risk include loans payable and cash and cash equivalents.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans from various financial institutions. To manage interest rate risk, the Group renegotiates the interest rates for certain long term debts to convert them from fixed-rate debt to floating-rate debt as the Group believes that the current interest rate environment makes it more favorable to carry floating-rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no other impact on the Group's other comprehensive income other than those already affecting the profit and loss.

	Increase (decrease) in basis points	Effect on income before income tax (In Thousands)
2017	**+200**	**₱23,306**
	-200	**(23,306)**
2016	+200	₱30,283
	-200	(30,283)

The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a two hundred basis point upward or downward fluctuation. The Group, used as basis of these assumptions, the annual percentage change of three-month PDST-F rate for the past five years as obtained from Philippine Dealing and Exchange Corp. (PDEx). Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate loans payable as of December 31, 2017 and 2016.

The following tables set out the carrying amount, by maturity, of the Group's loans payable that are exposed to interest rate risk (amounts in thousands):

	91-day Treasury bill plus 1% to 2% margin					
Variable interest rate	Below 1 Year	1-2 Years	> 2 Years but < 3 Years	3 Years to 4 Years	Over 4 Years	Total
As of December 31, 2017	**₱740,129**	**₱57,895**	**₱317,635**	**₱–**	**₱–**	**₱1,115,659**
As of December 31, 2016	890,087	150,042	185,000	20,000	222,217	1,467,346

Changes in liabilities arising from financing activities for the year ended December 31, 2017 follows:

	January 1, 2017	Cash flows	Noncash movement	December 31, 2017
			(In Thousands)	
Loans payable	₱24,456,598	(₱1,145,198)	(₱2,864)	₱23,308,536
Bonds payable	28,796,051	6,000,000	(20,386)	34,775,665
Accrued interest	292,062	(2,861,384)	2,863,190	293,868
Due to related parties	243,736	(44,421)	–	199,315
	₱53,788,447	₱1,948,997	₱2,839,940	₱58,577,384

'Noncash movement' column includes amortization of debt issuance costs and interest expense for loans payable and bonds payable.

30. Contingencies and Commitments

Contingencies
The Group is involved in various legal actions, claims, assessments and other contingencies incidental to its ordinary course of business. Management believes that any amount the Group may have to pay in connection with any of these matters would not have a material adverse effect on the consolidated financial position or operating results. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed as they may prejudice the outcome of the ongoing proceedings.

Development of South Road Properties in Cebu
In connection with the joint venture agreement entered into by the Parent Company with Cebu City Government, the Parent Company is committed to (a) purchase 10.60 hectares of the property payable in six (6) years, to be developed into a modern urban center and (b) develop 40 hectares of the property in four (4) phases, mainly mid-rise residential buildings, over a 20-year period (see Note 9).

Build, Transfer and Operate (BTO) Agreement with Cebu Province
In connection with the BTO Agreement with the Cebu Province, the Group 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 (see Note 14).

Assignment of Development Rights under a Build, Transfer and Operate Agreement
On June 26, 2015, the Parent Company and a third party entered into an agreement whereby the latter agreed to assign its project development rights and benefits under its BTO Agreement with Cebu Province to the Parent Company. In consideration of this assignment, the Parent Company paid upfront fee amounting to ₱50.0 million and ₱150.0 million in 2016 and 2015, respectively. As of December 31, 2015, project construction has not started and this upfront fee is recorded as part of 'Other assets' in the consolidated statement of financial position (see Note 14).

Development Agreement with Bases Conversion Development Authority (BCDA)
In 2015, the Parent Company won the contract to develop a 288-hectare area in Clark Green City in Tarlac and paid 10% of the bid premium as bid security amounted to ₱16.0 million. On January 8, 2016, the Joint Venture Agreement with BCDA was signed and pursuant to the terms of the development of the project, the Parent Company paid the ₱160.0 million bid premium representing the right to own 55% of the equity on the joint venture company to be formed with BCDA (see Note 1).

On February 11, 2016, the Parent Company incorporated FCGC Corporation, the entity that will handle the development of the Clark Green City Project (see Note 1).

Deed of Sale on Installment of the 19.2-hectare South Road Properties (SRP)
In July 2015, FLI, CPI and FAI (collectively referred to as Filinvest Consortium) won the bidding for a 19.20-hectare lot in Cebu's SRP (see Notes 9 and 12). Thereafter, in August 7, 2015, Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer's discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter) , Filinvest Consortium expressed its intention to rescind the DSI. Under the DSI, Cebu City undertook to comply with several covenants, undertakings and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, 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 installment payments made to Cebu City by Filinvest 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 February 28, 2018, such payment has not been received and no formal and definitive legal proceeding has been undertaken by the parties on this matter. Consequently, as of said date, the DSI remains valid and Filinvest Consortium has the sole and rightful claim over the property.

The 19.2-hectare property mentioned above is a separate property from the other two properties within the SRP which were acquired from Cebu City: a) the 40-hectare property under a joint venture undertaking with Cebu City; and b) the 10-hectare property which was already paid in full by FLI to Cebu City.

31. Registration with PEZA

On February 13, 2002, the Parent Company, FAC and CPI were registered with Philippine Economic Zone Authority (PEZA) pursuant to the provisions of the RA) No. 7916 as the Ecozone Developer/Operator to lease, sell, assign, mortgage, transfer or otherwise encumber the area designated as a Special Economic Zone (Ecozone) to be known as Filinvest Technology Park-Calamba.

Under the registration, the Parent Company shall enjoy 5% preferential tax privilege on income generated from the Ecozone as opposed to the regular income tax rate.

On June 11, 2001, FAC was registered with PEZA as the developer/operator of PBCom Tower and as such it will not be entitled to any incentives, however, IT enterprises which shall locate in PBCom Tower shall be entitled to tax incentives pursuant to RA No. 7916.

On June 6, 2000, CPI was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, it is also entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

On December 15, 2015, PDDC was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, PDDC is entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

The Group is also entitled to zero percent (0%) value-added tax for sales made to ECOZONE enterprises.

32. Registration with the Board of Investments (BOI)

The Group has registered the following New Developer of Low-Cost Mass Housing Projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) as of December 31, 2017:

Name	Reg. No.	Date Registered
Valle Dulce Phase 1	2014-140	8/29/2014
One Spatial (Fairmont and Greenwich)	2014-141	8/29/2014
Sorrento Oasis - Bldg. K,L,N	2014-142	8/29/2014
Maui Oasis – Bldg. 4	2014-143	8/29/2014
Sorrento Oasis - Bldg. M1 & M2	2014-204	11/12/2014
Vinia Residences, Main Building	2014-205	11/12/2014
One Oasis CDO - Bldg. 1	2014-212	12/4/2014
Studio City Tower 2	2015-058	3/5/2015
One Spatial (Hampstead and Kensington)	2015-228	10/27/2015
Sorrento Oasis J	2015-229	10/27/2015
Villa Montserrat 1D	2015-261	11/25/2015
Villa Montserrat 3B	2015-262	11/25/2015
Villa Montserrat 3C	2015-263	11/25/2015
One Oasis Davao 6	2015-264	12/2/2015
Studio A	2016-008	1/8/2016
Meridian Place	2016-030	2/5/2016
Bali Oasis (Banjar)	2016-031	2/5/2016
Anila Park Townhomes	2016-052	3/7/2016
Futura Homes, San Pedro	2016-053	3/7/2016
One Spatial (Richmond)	2016-244	12/1/2016
One Spatial Iloilo	2016-243	12/1/2016
Futura Homes Mactan Subdivision	2016-270	12/27/2016
One Spatial Victoria	2017-030	1/27/2017
Studio 7	2017-031	1/27/2017
8 Spatial Davao 1&2	2017-047	2/28/2017
8 Spatial Davao Bldg 3	2017-130	5/23/2017
8 Spatial Davao Bldg 4	2017-131	5/23/2017
Marina Spatial Marina Town Bldg. A	2017-129	5/23/2017
One Oasis CDO 2	2017-184	6/20/2017
Ventura Real	2017-298	11/08/2017

(Forward)

Name	Reg. No.	Date Registered
Meridian Place Phase 2	2017-354	12/22/2017
Savannah Fields 1	2017-355	12/22/2017
Savannah Fields 4A	2017-357	12/27/2017
Valle Dulce 2	2017-356	12/27/2017

As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.

33. Events After Reporting Period

Share Sale and Purchase Agreement with Gintong Parisukat Realty and Development Inc. (GPRDI)

On January 18, 2018, FLI entered into a Share Sale and Purchase Agreement to purchase 100% of the total outstanding shares of GPRDI. GPRDI was incorporated on August 18, 2006. The primary purpose of the Corporation is to hold, purchase, lease, contract of otherwise acquire any and all real and personal properties of every kind and description whatsoever which the Company may deem necessary or appropriate and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange or otherwise dispose of the whole or any part thereof.

SGV
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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 AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Land, Inc. and its subsidiaries (the Group) as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 included in this SEC Form 17-A and have issued our report thereon dated February 28, 2018. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of Filinvest Land, Inc.'s management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as Amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the financial data required to be set forth therein in relation to the basic consolidated 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. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 6621331, January 9, 2018, Makati City

February 28, 2018

FILINVEST LAND, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

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Group Structure

FILINVEST LAND, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2017

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 Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of the Group's financial assets in equity securities as of December 31, 2017:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
		(In Thousands Except Number of Shares)		
Financial assets at FVTOCI				
Quoted:				
The Palms Country Club, Inc.	1,000	₱3,060	₱3,060	₱–
Philippine Long Distance Telephone Company	26,100	348	348	–
Cebu Country Club	1	6,065	6,065	–
		9,473	9,473	–
Unquoted:				
Manila Electric Company (MERALCO)	1,153,694	6,197	6,197	–
		6,197	6,197	–
		₱15,670	₱15,670	₱–

The Group's investment in MERALCO is an unlisted preferred shares acquired in connection with the infrastructure that it provides for the Group's real estate development projects. These are carried at cost less impairment, if any.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2017:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
		(In Thousands)		
Gina C. Cruz	₱149	–	(84)	₱65

Related Party Transactions

Due from related parties

Below is the list of outstanding receivables from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2017 (amounts in thousands):

	Relationship	Nature	Balance as of December 31, 2017
Filinvest Alabang, Inc.	Associate	C, D	₱160,000
East West Banking Corporation	Affiliate	A	25,566
Countrywide Water Services, Inc.	Affiliate	A	19,466
Quest Restaurant, Inc.	Affiliate	A	15,468
Davao Sugar Central Corp.	Affiliate	A	5,835
Mactan Seascapes Services, Inc.	Affiliate	A	5,763
A.L. Gotianun, Inc.	Ultimate Parent	A	444
GCK Realty Corp.	Affiliate	B, C	231
FDC (Beaufort)	Parent Company	A	210
Entrata Hotel Services, Inc.	Affiliate	A	193
The Palms Country Club, Inc.	Affiliate	A	135
Filinvest Hospitality Corporation	Affiliate	A	66
Mimosa Cityscapes, Inc.	Affiliate	A	50
FDC Utilities, Inc.	Affiliate	A	43
Boracay Seascapes, Inc.	Affiliate	A	15
FDC Forex Corp.	Affiliate	A	8
Filinvest Corporate City	Affiliate	A	8
FDC Misamis Power Corp.	Affiliate	A	2
Chroma Hospitality, Inc.	Affiliate	A	1
			₱233,504

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 related parties in various common selling and marketing and general and administrative expenses.
b. Management and marketing fee
c. Reimbursable commission expense
d. Dividends

Schedule C. Amounts Receivables (Payables) from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2017. All are noninterest-bearing and to be settled within the year (amounts in thousands):

		Volume of Transactions	Receivable (Payable)
Filinvest Cyberzone Mimosa, Inc.	Share in expenses	₱770,791	₱770,791
Homepro Realty Marketing, Inc.	Share in expenses	588,727	731,708
Property Maximizer Professional Corp.	Marketing fee expense	41,832	290,746
	Share in expenses	(17,234)	–
Filinvest AII Philippines, Inc.	Share in expenses	8,409	51,860
Cyberzone Properties, Inc.	Share in expenses	17,358	17,446
	Rental Income	188,106	–
Dreambuilders Pro, Inc.	Share in expenses	15,844	15,844
Property Specialist Resources, Inc.	Share in expenses	28	11,338
FCGC Corporation	Share in expenses	10,423	10,426
Filinvest Cyberparks, Inc.	Share in expenses	8,986	7,227
Leisurepro, Inc.	Share in expenses	163	6,325
Timberland Sports and Nature Club, Inc.	Share in expenses	–	5,600
Proleads Philippines, Inc.	Share in expenses	3,224	3,224
Realpros Philippines, Inc.	Share in expenses	1,670	1,670
Filinvest Lifemalls Tagaytay, Inc.	Share in expenses	1,011	1,011
Philippine DCS Development Corporation	Share in expenses	4,905	725
Filinvest Lifemalls Mimosa, Inc.	Share in expenses	210	210
Property Leaders International, Limited	Share in expenses	111	111
Filinvest Lifemalls Corporation	Share in expenses	(4,029)	46
Filinvest BCDA Clark, Inc.	Share in expenses	(904)	28
FSM Cinemas, Inc.	Share in expenses	7	7
Filinvest Asia Corporation	Share in expenses	(19)	(19)
Pro-Excel Property Managers, Inc.	Share in expenses	(207,031)	(1,382)
	Management Fee	4,324	–
		₱1,436,912	₱1,924,942

The table below shows the movement of the receivables (payables) from related parties:

Name	Balance at beginning of year	Additions	Collections	Balance as of December 31, 2017
Filinvest Cyberzone Mimosa, Inc.	₱–	₱770,791	₱–	₱770,791
Homepro Realty Marketing, Inc.	142,981	588,727	–	731,708
Property Maximizer Professional Corp.	59,066	273,512	(41,832)	290,746
Filinvest AII Philippines, Inc.	43,451	8,409	–	51,860
Cyberzone Properties, Inc.	88	821,702	(804,344)	17,446
Dreambuilders Pro, Inc.	–	16,375	(531)	15,844
Property Specialist Resources, Inc.	11,310	431	(403)	11,338
FCGC Corporation	3	10,423	–	10,426
Filinvest Cyberparks, Inc.	(1,759)	12,362	(3,376)	7,227
Leisurepro, Inc.	6,162	163	–	6,325
Timberland Sports and Nature Club, Inc.	5,600	–	–	5,600
Proleads Philippines, Inc.	–	3,224	–	3,224
Realpros Philippines, Inc.	–	1,670	–	1,670
Filinvest Lifemalls Tagaytay, Inc.	–	1,011	–	1,011
Philippine DCS Development Corporation	(4,180)	4,905	–	725
Filinvest Lifemalls Mimosa, Inc.	–	210	–	210
Property Leaders International Limited	–	111	–	111

(Forward)

Name	Balance at beginning of year	Additions	Collections	Balance as of December 31, 2017
Filinvest Lifemalls Corporation	₱4,075	₱44	₱(4,073)	₱46
Filinvest BCDA Clark, Inc.	932	(904)	–	28
FSM Cinemas, Inc.	–	7	–	7
Filinvest Asia Corporation	–	19	(38)	(19)
Pro-Excel Property Managers, Inc.	205,649	3,720	(210,751)	(1,382)
	₱473,378	₱2,516,912	₱(1,065,348)	₱1,924,942

The intercompany transactions between FLI and the subsidiaries pertain to share in common expenses, rental charges, marketing fee and management fee. There were no amounts written off during the year and all amounts are expected to be settled within the year.

Schedule D. Intangible Asset

As of December 31, 2017, the Company's intangible assets consist of Goodwill. Goodwill in the Company's consolidated statements of financial position arose from the acquisition of two major assets consisting of (amounts in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	₱4,567,242

Schedule E. Long term debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Developmental loans			
Unsecured loan obtained in July 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (fixed rate) 5.07%, payable quarterly in arrears. The principal is payable at maturity in July 2018.	₱1,499,331	₱1,499,331	₱–
Unsecured loan obtained in October 2016 with interest rate equal to PDS Treasury Reference Rate 2 (PDST-R2) of 4.21% per annum plus GRT (fixed for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortization to commence in January 2019 and 50% is payable at maturity in October 2023.	1,296,495	–	1,296,495
Unsecured loan obtained in February 2015 with interest rate equal to 4.47% per annum, payable quarterly in arrears. The principal is payable at maturity in February 2020.	997,773	–	997,773
Unsecured loan obtained in May 2016 with interest rate equal to BSP overnight reverse repurchased agreement plus 1% per annum plus GRT (fixed rate of 4.52% per annum), payable quarterly in arrears. The principal is payable at maturity in May 2021.	996,516	–	996,516
Unsecured loan obtained in June 2016 with interest rate equal to PDS Treasury Fixing (PDST-F) of 4.11% per annum (fixed for 5 years), payable quarterly in arrears. The principal is payable at maturity in June 2021.	996,432	–	996,432
Unsecured loan obtained in October 2016 with interest rate equal to 4.25% per annum inclusive of GRT (fixed for 5 years), payable quarterly in arrears. The principal is payable at maturity in October 2021.	996,129	–	996,129
Unsecured loan obtained in June 2017 with interest rate equal to 5.07% per annum (fixed rate for 5 years), payable quarterly in arrears. The 3% principal is payable in three (3) annual amortizations to commence in June 2019 and 97% is payable at maturity on June 2022.	995,492	–	995,492
Unsecured loan obtained in February 2015 with interest rate equal to PDS Treasury Fixing (PDST-F) of 4.95% per annum (fixed for 5 years), payable quarterly in arrears. The 20% of principal is payable in 4 equal quarterly amortization to commence in February 2016, and 80% is payable at maturity in February 2020.	897,946	50,000	847,946
Unsecured loan obtained in September 2016 with interest rate equal to PDS Treasury Reference Rate (PDST-R2) of 4.07% per annum (fixed for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortization to commence in December 2018 and 50% is payable at maturity in September 2021.	797,134	33,333	763,801
Unsecured loan obtained in August 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum GRT five years (fixed rate) 4.46%, payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly installments starting November 2015 up to May 2020 and the remaining 50% balance is payable in August 2020.	773,444	100,000	673,444
Unsecured loan obtained in October 2016 with interest rate equal to 4.25% per annum inclusive of GRT (fixed for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortization to commence in January 2019 and 50% is payable at maturity in October 2023.	698,163	–	698,163

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in July 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (fixed rate) 4.30% per annum, payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortization to commence in October 2016 and 50% is payable at maturity in July 2021.	₱612,500	₱70,000	₱542,500
Unsecured loan obtained in September 2015 with interest rate equal to PDS Treasury Fixing (PDST-F) 1 plus GRT (fixed rate) 4.91%, payable quarterly in arrears. The principal is payable at maturity in September 2020.	600,000	–	600,000
Unsecured loan obtained in December 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (fixed rate of 4.62% per annum), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortization to commence in March 2016 and 50% is payable at maturity in December 2020.	542,500	70,000	472,500
Unsecured loan obtained in July 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (fixed rate) 4.92% per annum, payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortization to commence in October 2016 and 50% is payable at maturity in July 2021.	525,000	60,000	465,000
Unsecured loan obtained in June 2016 with interest rate equal to PDS Treasury R2 (PDST-R2) of 4.11% per annum (fixed for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting September 2018 and the remaining 50% balance is payable in June 2021.	500,000	41,667	458,333
Unsecured loan obtained in June 2016 with interest at 3% per annum, payable monthly in arrears. The principal is payable upon maturity in August 2017.	499,745	499,745	–
Unsecured loan obtained in November 2016 with interest rate equal to 5.25% per annum for the first 2 years and 5.47% per annum for the remaining years until maturity, payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortization to commence in February 2020 and 50% is payable at maturity in November 2023.	498,710	–	498,710
Unsecured loan obtained in December 2016 with interest rate equal to 5.20% per annum (fixed for 7 years), payable quarterly in arrears. The principal is payable at maturity in December 2021.	497,958	–	497,958
Unsecured loan obtained in June 2017 with interest rate equal to 5.76% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 15 equal quarterly amortizations to commence in September 2020 and 50% is payable at maturity on June 2024.	497,696	–	497,696
Unsecured 500 million loan obtained in March 2017 with interest rate equal to 4.99% per annum (fixed rate for 5 years). The 50% principal is payable in 12 equal amortization to commence on June 2019 and 50% is payable at maturity on March 2022.	493,115	–	493,115
Unsecured loan obtained in September 2015 with interest rate equal to 4.74% per annum, payable over a 5-year period inclusive of 2-year grace period. The 50% of principal balance is payable in 12 equal quarterly amortization to commence in September 2017 and 50% is payable at maturity in September 2020.	479,167	83,333	395,834
Unsecured loan obtained in May 2015 with interest rate equal to 4.76% per annum, payable quarterly in arrears. The principal is payable over a 5-year period, inclusive of 2-year grace period. The 50% of principal payable in 12 equal quarterly amortization to commence in May 2017and 50% is payable at maturity in May 2020.	458,333	83,333	375,000

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in October 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (fixed rate of 4.21% per annum), payable quarterly in arrears. The 50% of principal is payable in 19 equal quarterly amortization to commence in January 2016 and 50% is payable at maturity in October 2020.	₱433,425	₱57,895	₱375,530
Unsecured loan obtained in April 2015 with interest rate equal to 4.76% per annum, payable quarterly in arrears. The principal is payable over a 5-year period inclusive of 2-year grace period; 50% of principal is payable in 12 equal quarterly amortization to commence in April 2017 and 50% payable at maturity in April 2020.	436,504	83,333	353,171
Unsecured loan obtained in November 2016 with interest rate equal to 4.75% per annum plus GRT (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortization to commence in February 2020 and 50% is payable at maturity in November 2023.	400,000	–	400,000
Unsecured loan obtained in May 2016 with interest rate equal to 4.58% per annum plus GRT (fixed rate for 5 years). The 50% of principal is payable in 12 equal amortization to commence in August 2018 and 50% is payable at maturity in May 2021.	400,000	33,333	366,667
Unsecured loan obtained in December 2017 with interest rate equal to 5.45% per annum (fixed rate for 5 years). The 50% principal balance is payable in 12 equal quarterly amortizations to commence in March 2020 and 50% is payable at maturity on December 2022.	400,000	–	400,000
Unsecured loan obtained in April 2015 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum GRT five years (fixed rate) 4.46%, payable quarterly in arrears. The 50% of principal is payable in 11 equal quarterly installments starting June 2017 and the remaining 50% balance is payable in January 2020..	393,940	157,576	236,364
Unsecured loan obtained in August 2013 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT 5 years (fixed rate) 4.28% per annum, payable quarterly in arrears. The 50% balance of principal is payable in 20 equal quarterly installments starting November 2015 up to May 2020 and the remaining 50% balance is payable in August 2020.	387,500	50,000	337,500
Unsecured loan obtained in July 2016 with interest rate equal to 4.01% per annum, payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortization to commence in October 2018 and 50% is payable at maturity in July 2021.	350,000	14,584	335,416
Unsecured loan obtained in March 2014 with interest rate equal to PDS Treasury Fixing (PDST-F) plus 1% per annum plus GRT (fixed rate) 4.27% per annum, payable quarterly in arrears. The 50% of principal payable in 20 equal quarterly amortization to commence in June 2016 and 50% is payable at maturity in August 2020.	340,909	90,909	250,000
Unsecured loan obtained in May 2015 with interest rate equal to 4.71% per annum plus GRT (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortization to commence in August 2017 and 50% is payable at maturity in May 2020.	275,000	50,000	225,000
Unsecured loan obtained in January 2015 with interest rate equal to 4.25% per annum plus GRT (fixed rate for 3 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortization to commence in January 2017 and 50% is payable at maturity in January 2020.	250,000	50,000	200,000

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in March 2017 with interest rate equal to 4.86% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence on June 2019 and 50% is payable at maturity in March 2022.	₱248,938	₱–	₱248,938
Unsecured loan obtained in February 2016 with interest rate equal to 5.37% per annum plus GRT (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in May 2018 and 50% is payable at maturity in February 2021.	200,000	25,000	175,000
Unsecured loan obtained in December 2016 with interest rate equal to 5.50% per annum plus GRT (fixed rate for 7 years), payable quarterly in arrears. The 50% of the principal is payable in 16 equal quarterly amortization to commence in March 2020 and 50% is payable at maturity in December 2023.	200,000	–	200,000
Unsecured loan obtained in March 2016 with interest rate equal to 5.80% per annum plus GRT (fixed rate for 7 years). The 50% of principal balance is payable in 20 equal quarterly amortization to commence in June 2018 and 50% is payable at maturity in March 2023.	199,250	15,000	184,250
Unsecured loan obtained in December 2016 with interest rate equal to 5.90% per annum, payable quarterly in arrears. The 50% of the principal is payable in 20 equal quarterly amortization to commence in March 2019. The remaining 50% is to be settled upon maturity in December 2023.	199,143	–	199,143
Unsecured loan obtained in June 2013 with a fixed interest rate of 4.98% per annum inclusive of GRT, payable quarterly in arrears. The principal is payable in 12 equal quarterly installments starting September 2015 up to June 2018.	191,312	191,312	–
Unsecured loan obtained in July 2017 with interest rate equal to 4.78% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence on October 2019 and 50% is payable at maturity in July 2022.	174,169	–	174,169
Unsecured loan obtained in December 2016 with interest rate equal to 4.94% per annum inclusive of GRT (fixed for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2021.	149,391	–	149,391
Unsecured loan granted in November 10, 2011 with a term of 7 years with 2 years grace period on principal repayment. Interest is based on prevailing market rate, subject to quarterly repricing and payable quarterly in arrears. 50% of principal is payable in 12 quarterly amortization commencing on February 10, 2014 and 50% is payable on maturity.	120,000	120,000	–
Unsecured loan obtained in February 2017 with interest rate equal to 4.65% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal amortization to commence on May 2019 and 50% payable at maturity on February 2022.	99,575	–	99,575
Unsecured loan obtained in May 2015 with interest rate equal to 4.50% per annum plus GRT (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal payable in 12 equal quarterly amortization to commence in May 2017 and 50% is payable at maturity in May 2020.	83,125	15,834	67,291
Unsecured loan obtained in September 2016 with interest rate equal to 4.00% per annum plus GRT (fixed rate for 5 years). The 50% of principal balance is payable in 20 equal quarterly amortization to commence in December 2018 and 50% is payable at maturity in September 2021.	74,719	3,125	71,594

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in February 2013 with interest at prevailing market rate plus GRT, payable quarterly in arrears. The principal is payable in 12 equal quarterly installments starting May 2015 to February 2018.	₱62,489	₱62,489	₱–
Unsecured loan obtained in August 2015 with interest rate equal to 5.38% per annum plus GRT (fixed rate for 5 years). The 50% of principal is payable in 12 equal quarterly amortization to commence in November 2017 and 50% is payable at maturity in August 2020.	47,916	8,334	39,582
Unsecured loan obtained in June 2013 with a fixed interest rate of 4.98% per annum, inclusive of GRT, payable quarterly in arrears. The principal is payable in 12 equal quarterly installments starting September 2015 up to June 2018.	41,652	41,652	–
	₱23,308,536	₱3,661,118	₱19,647,418
Bonds			
Fixed rate bonds with aggregate principal amount of ₱8.0 billion issued by the Group on August 20, 2015. This is comprised of ₱7.0 billion, 7-year fixed rate bonds due in 2022 with a fixed interest rate of 5.36% per annum, and ₱1.0 billion, 10-year fixed rate bonds due in 2025 with a fixed interest rate of 5.71% per annum.	₱7,937,597	₱–	₱7,937,597
Fixed rate bonds with principal amount of ₱7.0 billion and term of 7 years from the issue date was issued by the Group on June 8, 2012. The fixed interest rate is 6.27% per annum, payable quarterly in arrears starting on September 8, 2012.	6,979,498	–	6,979,498
Fixed rate bonds with aggregate principal amount of ₱7.0 billion issued by the Group on November 8, 2013. This is comprised of ₱4.30 billion 7-year fixed rate bonds due in 2020 with a fixed interest rate of 4.86% per annum, and ₱2.70 billion 10-year fixed rate bonds due in 2023 with a fixed interest rate of 5.43% per annum.	6,964,671	–	6,964,671
Fixed rate bonds with aggregate principal amount of ₱7.0 billion issued by the Group on December 4, 2014. This is comprised of ₱5.30 billion, 7-year fixed rate bonds due in 2021 with a fixed interest rate of 5.40% per annum, and ₱1.70 billion, 10-year fixed rate bonds due in 2024 with a fixed interest rate of 5.64% per annum.	6,957,727	–	6,957,727
Fixed rate bonds with principal amount of P6.00 billion and term of 5.5 years from the issue date was issued by the Company on July 7, 2017 to mature on January 2023 with fixed interest rate is 5.05% per annum.	5,936,172	–	5,936,172
	34,775,665	–	34,775,665
	₱58,084,201	₱3,661,118	₱54,423,083

Each loan balance is presented net of unamortized deferred costs. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio ranging from 2.0x to 3.1x and minimum interest coverage ratio of 1.0x. The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

The Group has complied with these contractual agreements. There was neither default nor breach noted for the year ended December 31, 2017.

Schedule F. Indebtedness to Related Parties

Below is the list of outstanding payables to related parties of the Group presented in the consolidated statements of financial position as of December 31, 2017:

	Relationship	Nature	Balance at beginning of period	Balance at end of period
			(In Thousands)	
Filinvest Development Corporation	Parent Company	A, B, C	₱75,871	₱88,516
Filinvest Alabang, Inc.	Associate	A, B, C	104,811	59,609
Pacific Sugar Holdings, Corp.	Affiliate	A	26,972	27,007
Corporate Technologies, Inc.	Affiliate	A	17,546	20,429
Filinvest Mimosa, Inc.	Associate	A, B	–	2,945
The Palms Country Club, Inc.	Affiliate	A	–	495
East West Banking Corporation	Affiliate	A	18,536	128
Chroma Hospitality, Inc.	Affiliate	A	–	66
Mactan Seascapes Services, Inc.	Affiliate	A	–	73
Entrata Hotel Services, Inc.	Affiliate	A	–	47
			₱243,736	₱199,315

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 Group in various common selling and marketing and general and administrative expenses.
b. Management and marketing fee
c. Dividends

Schedule G. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2017.

Schedule H. 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
			(In Thousands)			
Common Shares	33,000,000	24,470,708	–	14,409,927	30,096	None
Preferred Shares	8,000,000	8,000,000	–	8,000,000	–	None

Standards adopted by the Group

Below is the list of all effective Philippines Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs	✓		
	Amendments to PFRS 1: Meaning of 'Effective PFRSs'			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Measurement (2009 version)	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, Investment Entities: Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Presentation of Financial Statements - Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Amendments to PAS 27: Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	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 15	Agreements for the Construction of Real Estate	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC – 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			✓
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			✓

Schedule of Bond Issuances – Securities Offered to the Public

	2009 ₱5 Billion Bond	2011 ₱3 Billion Bond	2012 ₱7 Billion Bond	2013 ₱7 Billion Bond	2014 ₱7 Billion Bond	2015 ₱8 Billion Bond	2017 ₱6 Billion Bond
Expected gross and net proceeds as disclosed in the prospectus							
Gross Proceeds	₱5,000,000,000	₱3,000,000,000	₱7,000,000,000	₱7,000,000,000	₱7,000,000,000	₱8,000,000,000	₱6,000,000,000
Less: Expenses	63,850,625	34,290,625	97,225,625	67,594,379	82,327,087	85,330,750	68,308,996
Net Proceeds	₱4,936,149,375	₱2,965,709,375	₱6,902,774,375	₱6,932,405,621	₱6,917,672,913	₱7,914,669,250	₱5,931,691,004
Actual gross and net proceeds							
Gross Proceeds	₱5,000,000,000	₱3,000,000,000	₱7,000,000,000	₱7,000,000,000	₱7,000,000,000	₱8,000,000,000	₱6,000,000,000
Less: Expenses	65,936,000	21,165,000	84,023,040	82,906,997	77,906,937	86,811,468	96,582,653
Net Proceeds	₱4,934,064,000	₱2,978,835,000	₱6,915,976,960	₱6,917,093,003	₱6,922,093,063	₱7,913,188,532	₱5,903,417,347
Expenditure items where the proceeds were used							
Land Acquisition	₱2,960,438,400	₱417,036,900	₱249,938,096	₱2,965,648,318	₱–	₱88,961,000	₱–
Project Development	1,973,625,600	2,561,798,100	6,666,038,864	1,185,554,209	2,422,093,063	2,888,760,022	–
Investment Property	–	–	–	2,765,890,476	–	4,935,467,510	5,903,417,347
Debt refinancing	–	–	–	–	4,500,000,000	–	–
Net Proceeds	₱4,934,064,000	₱2,978,835,000	₱6,915,976,960	₱6,917,093,003	₱6,922,093,063	₱7,913,188,532	₱5,903,417,347
Balance of the proceeds as of December 31, 2017							
Net Proceeds	₱4,934,064,000	₱2,978,835,000	₱6,915,976,960	₱6,917,093,003	₱6,922,093,063	₱7,913,188,532	₱5,903,417,347
Capital Expenses	4,934,064,000	2,978,835,000	6,915,976,960	6,917,093,003	2,422,093,063	7,913,188,532	5,903,417,347
Debt refinancing	–	–	–	–	4,500,000,000	–	–
Net Proceeds	₱–	₱–	₱–	₱–	₱–	₱–	₱–

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED UNAPPROPRIATED RETAINED EARNINGS
EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION
(Amounts in Thousands of Pesos)

Retained Earnings, January 1, 2017		₱29,015,356
Adjustments:		
Equity in net earnings of subsidiaries and an associate		(7,118,490)
Prior-year adjustments		192,793
Unappropriated Retained Earnings, as adjusted, January 1, 2017		22,089,659
Net income based on the face of audited consolidated financial statements	5,685,394	
Less: Non-actual/unrealized income net of tax		
Equity in net income of subsidiaries and an associate	(909,071)	
Unrealized foreign exchange gain - net		
Unrealized actuarial gain		
Fair value adjustment (marked-to-market 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 PFRS		
Add: Non-actual/unrealized losses net of tax		
Depreciation on revaluation increment		
Adjustment due to deviation from PFRS/GAAP loss		
Loss on fair value adjustment of Investment Property		
Movement in deferred tax assets	349,056	
Net income actual/realized		5,125,379
Less: Dividend declarations during the year		(1,486,510)
Unappropriated Retained Earnings, as adjusted, December 31, 2017		₱25,728,528

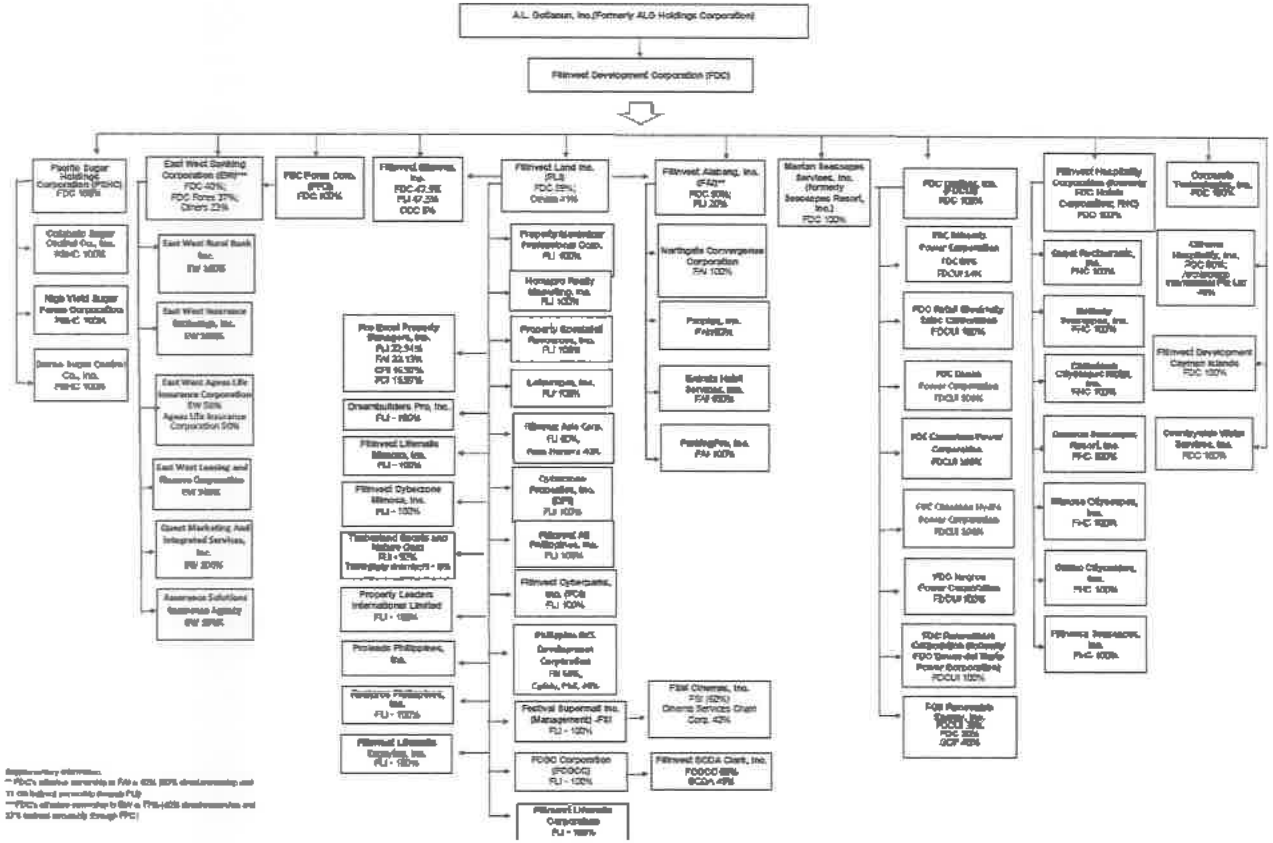
Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2017 and 2016:

Financial ratios		**December 2017**	December 2016
Current ratio [1]	Current assets / Current liabilities	**2.95**	3.50
Long-term debt-to-equity ratio	Long-term debt / Equity	**0.86**	0.90
Debt ratio	Total liabilities / Total assets	**0.56**	0.54
EBITDA to total interest paid	EBITDA / Total interest paid	**3.07**	3.16
Price Earnings Ratio	Closing price [2] / Earnings per share	**8.17**	6.95
Quick asset ratio	Current assets - Inventories / Current Liabilities	**1.11**	1.09
Solvency ratio	Net income + Depreciation / Total Liabilities	**0.08**	0.08
Interest coverage ratio	EBIT / Interest Expense	**7.86**	7.39
Net profit margin	Net Income / Revenue	**0.30**	0.29
Return on equity	Net Income / Shareholder's Equity	**0.09**	0.09

[1] In computing for the Group's current ratio, current assets include cash and cash equivalents, contracts receivables, other receivables, real estate inventories and other current assets and current liabilities include accounts payable and accrued expenses, due to related parties, income tax payable and loans payable. Determination of current accounts is based on their maturity profile of relevant assets and liabilities.

[2] Closing price at December 31, 2017 and December 31, 2016 is 1.88 and 1.53, respectively.

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate Group, subsidiaries, and associates as of December 31, 2017: