PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements
As at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015

1. CORPORATE INFORMATION

Philippine Estates Corporation (the 'Parent Company') was incorporated in the Philippines on May 30, 1983 as "Philippine Cocoa Estates Corporation". It was registered with the Securities and Exchange Commission (SEC) with its new corporate name on May 16, 1996 and started its commercial operations in 1996. The Parent Company's shares are listed and traded in the Philippine Stock Exchange (PSE).

The principal activity of the Parent Company is to engage in the business of holding and developing real estate or other properties for industrial, commercial, residential , leisure, or sports purposes, and in pursuance thereof, to acquire by purchase, lease or otherwise, real estate and/or appurtenant properties and/or interest therein. The Parent Company's condominium projects and other developmental activities are located in the cities of Manila, Cebu and Iloilo.

The registered office of the Parent Company, which is also its principal place of business, is at 35th Floor, One Corporate Center, Doña Julia Vargas Ave., corner Meralco Avenue, Ortigas Center, Pasig City.

The Parent Company owns 100% of the shares of stocks issued and outstanding of Mariano Arroyo Development Corporation (MADCorp).

The financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the "Group") are consolidated in these financial statements.

The accompanying consolidated financial statements of the Group were approved and authorized for issue by its Board of Directors (BOD) on April 12, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee, the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and

services. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso (₱), the Group's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRSs which were adopted as at January 1, 2015.

Annual Improvements to PFRSs 2010 – 2012 Cycle

The annual improvements address the following issues:

PFRS 2 (Amendment), Share-based Payment – Definition of vesting condition, focuses on the amendment of the definitions of 'vesting condition' and 'market condition' and added definitions for 'performance condition' and 'service condition' which are previously included in the definition of vesting conditions.

PFRS 3 (Amendment), Business Combinations – Accounting for contingent consideration in a business combination, clarifies that contingent consideration that is not classified as equity shall be measured at fair value at each reporting date and changes in fair value shall be recognized in profit or loss, irrespective of whether it is within the scope of PFRS 9, Financial Instruments.

PFRS 8 (Amendments), Operating Segments – Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets, requires disclosure of judgments made by management in applying the aggregation criteria to operating segments which includes (a) a brief description of the operating segments that have been aggregated and (b) the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. These amendments also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the chief operating decision maker.
PAS 16 (Amendment), Property, Plant and Equipment – Revaluation method: proportionate restatement of accumulated depreciation, clarifies that when an item of property, plant and equipment is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

PAS 24 (Amendment), Related Party Disclosures – Key management personnel, clarifies that a management entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

PAS 38 (Amendment), Intangible Assets – Revaluation method: Proportionate restatement of accumulated amortization. This amendment clarifies that when an intangible asset is revalued, the carrying amount of asset is adjusted to the revalued amount. At the date of revaluation, the asset is treated in one of the following ways: (a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or (b) the accumulated amortization is eliminated against the gross carrying amount of the asset.

The application of the above improvement has no impact on the disclosures and amounts recognized on the Group's financial statements. The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively.

Annual Improvements to PFRSs 2011 – 2013 Cycle

The annual improvements address the following issues:

PFRS 3 (Amendment), Business Combinations – Scope exceptions for joint ventures. This amendment clarify that PFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

PFRS 13 (Amendment), Fair Value Measurement – Portfolio exception, clarifies that the scope of the portfolio exception defined in paragraph 52 of PFRS 13 applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 Financial Instruments: Recognition and Measurement or PFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32 Financial Instruments: Presentation.

PAS 40 (Amendment), Investment Property. These amendments clarify the interrelationship between PAS 40 and PFRS 3 Business Combinations. The amendment states that judgement is needed in determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. Determining whether a specific transaction meets the definition of a business combination and includes an investment property requires the separate application of both PFRS 3 and PAS 40.

The application of the above improvements has no impact on the disclosures and amounts recognized on the Group's financial statements.

The above improvements are effective for annual periods beginning on or after July 1, 2014 and shall be applied retrospectively.

PAS 19 (Amendment), Employee Benefits – Defined Benefit Plans: Employee Contributions. The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. If contributions from employees or third parties are linked to service, those contributions reduce the service cost as follows:(a) if the amount of the contributions is dependent on the number of years of service, an entity shall attribute the contributions to periods of service, i.e. either using the plan's contribution formula or on a straight-line basis; or (b) if the amount of the contributions is

independent of the number of years of service, the entity is permitted to recognize such contributions as a reduction of the service cost in the period in which the related service is rendered. The amendments are effective for annual periods beginning on or after July 1, 2014.

The amendment has no impact on the consolidated financial statements as the Group does not have contributions from employees or third parties that are linked to period of service.

New accounting standards and amendments to existing standards effective subsequent to January 1, 2015

Standards issued but not yet effective up to the date of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

Annual Improvements to PFRSs 2012-2014 Cycle

The annual improvements addressed the following issues:

PFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations – Reclassification of Asset from Held for Sale to Held for Distribution or Vice Versa. The amendment add specific guidance in for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

PFRS 7 (Amendment), Financial Instruments: Disclosures – Continuing Involvement in a Transferred Asset and Offsetting Disclosures in Condensed Interim Financial Statements. The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

PAS 19 (Amendment), Employee Benefits – Discount Rate for Post-Employment Benefits. The amendments clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

PAS 34 (Amendment), Interim Financial Reporting – Disclosure of Information Elsewhere in the Interim Report. The amendments clarify the requirements relating to information required by PAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms at the same time as the interim financial statements.

The application of the above improvement has no impact on the disclosures and amounts recognized on the Group’s financial statements. The above improvements are effective for annual periods beginning on or after January 1, 2016 and shall be applied retrospectively. However, early application of these amendments is permitted.

PFRS 11 (Amendment), Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations. The amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in PFRS 3 to: (1) apply all of the business combinations accounting principles in PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11; and, (2) disclose the information required by PFRS 3 and other PFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in PFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted. This amendment is effective for annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the consolidated financial statements as the Group does not have interests in joint operations.

PFRS 14, Regulatory Deferral Accounts. This new standard permits an entity which is a first-time adopter of Philippine Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of PFRS and in subsequent financial statements. Entities which are eligible to apply this standard are not required to do so, and so can chose to apply only the requirements of PFRS 1 when first applying PFRSs. However, an entity that elects to apply this standard in its first PFRS financial statements must continue to apply it in subsequent financial statements. This standard cannot be applied by entities that have already adopted PFRSs. This new standard is effective and applicable on first annual financial statements for annual periods beginning on or after January 1, 2016.

This new standard will not have an impact on the consolidated financial statements since the Group is no longer a first-time adopter of PFRS on its mandatory effective date.

PAS 16 (Amendment), Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation. These amendments clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendment will not have impact on the consolidated financial statements as the Group's depreciation method is not based on revenue.

PAS 38 (Amendment), Intangible Assets – Clarification of Acceptable Methods of Amortization. These amendments introduce rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as in PAS 16. However, the IASB states that there are limited circumstances when the presumption can be overcome, (a) the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent

in an intangible asset is the achievement of a revenue threshold); and (b) it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset). This amendment is effective for annual periods beginning on or after January 1, 2016.

This amendment will not have impact on the consolidated financial statements as the Group's amortization method is not based on revenue.

PAS 16, Property, Plant and Equipment, and *PAS 41, Agriculture – Bearer Plants (Amendment)*. The amendments clarify that bearer plants are within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with PAS 16. The amendments also introduce the definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Moreover, it also clarifies that produce growing on bearer plants remains within the scope of PAS 41. This amendment is effective for annual periods beginning on or after January 1, 2016.

This amendment will not have impact on the consolidated financial statements as the Group has no bearer plants.

PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements*. These amendments permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in the separate financial statements. This amendment is effective for annual periods beginning on or after January 1, 2016.

This amendment will not have impact on the Group's financial statements.

PFRS 10, Consolidated Financial Statements, and *PAS 28*, *Separate Financial Statements – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)*. The amendments clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: (1) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in PFRS 3 Business Combinations); or (2) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. This amendment is effective and applicable on a prospective basis to a sale or contribution of assets occurring in annual periods beginning on or after January 1, 2016.

This amendment will not have impact on the Group's financial statements.

PFRS 10, Consolidated Financial Statements, *PFRS 12, Disclosure of Interests in Other Entities and PAS 28, Investments in Associates and Joint Ventures – Investment Entities: Applying the*

Consolidation Exception (Amendment). The amendments clarify that (a) the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value in accordance with PFRS 10. The amendment further clarify that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. Moreover, the amendments clarify that in applying the equity method to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12. This amendment is effective and applicable for annual periods beginning on or after January 1, 2016.

This amendment will not have impact on the consolidated financial statements as the Group is not an investment entity and does not have any associate, subsidiary or joint venture that qualifies as an investment entity.

PAS 1 (Amendment), Presentation of Financial Statements – Disclosure Initiative. This amendment gives some guidance on how to apply the concept of materiality in practice. This also provides additional guidance for line items to be presented in statement of financial position and statement of comprehensive income and also introduce new requirements regarding the use of subtotals. Further, the amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of PAS 1. Guidance and examples are also removed with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful. The amendments are effective and applicable for annual periods beginning on or after January 1, 2016.

The management does not anticipate that the application of these amendments will have a material impact on the Group’s financial statements.

PFRS 9*, Financial Instruments.* The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

The management does not anticipate that the application of PFRS 9 will have a significant impact on the consolidated financial statements as the Group financial assets and financial liabilities pertains only to debt securities that will continue to be measured at amortized cost.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and a subsidiary controlled by the Parent Company as at reporting date. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the subsidiaries and has the ability to affect these returns through its power over the subsidiaries.

A subsidiary is consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

On acquisition, the assets and liabilities and contingent liabilities of subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired, i.e. discount on acquisition, is credited to profit or loss in the period of acquisition.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used in line with those used by the Group.

Financial Instruments

Initial recognition, measurement and classification of financial instruments

The Group recognizes financial assets and financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments includes transaction costs, except for those financial assets and liabilities at fair value through profit or loss (FVPL) where the transaction costs are charged to expense in the period incurred.

All financial assets and liabilities are classified as loans and receivables and other financial liabilities, respectively. The Group did not hold any other financial instruments as at December 31, 2015 and 2014.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.
These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2015 and 2014, included under loans and receivables are the Group's cash in bank, trade and other receivables, refundable deposits and advances to related parties (see Notes 4, 5, 10 and 21).

Other Financial Liabilities

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) while other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include non-trade payables (mainly payable to government agencies) and accrued expenses.

As at December 31, 2015 and 2014, included in other financial liabilities are the Group's accounts payable and other liabilities, borrowings, retention payable and guarantee bonds, and advances from related parties.

Borrowings and Borrowing Cost

(a) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

(b) Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized as expenses in the Group's statement of comprehensive income in the period incurred.

"Day 1" Difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 30 to the consolidated financial statements.

Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment of Financial Assets

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

Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the

estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

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

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a 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 effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statement of comprehensive income.

If in a subsequent date, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group.

Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the Group statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Group statement of comprehensive income, the impairment loss is reversed through the Group statement of comprehensive income.

Derecognition of Financial Assets and Financial Liabilities

(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to 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 or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

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

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 inventory and is measured at the lower of cost and net realizable value. Cost includes land cost, amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs during the construction period. The cost of real estate inventories as disclosed in the consolidated statement of financial position is determined using the specific identification and cost allocation for non-specific cost.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs to completion and the estimated costs of sale.

The cost of inventory recognized in the consolidated statement of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

When the net realizable value of the real estate inventories is lower than costs, the Group provides for an allowance for the decline in the value and recognizes the write-down as an expense in the consolidated statement of comprehensive income. The amount of any reversal of write-down of real estate inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of real estate inventories recognized as an expense in the period in which the reversal occurs.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid taxes and licenses, prepaid rentals, prepaid insurance and creditable withholding tax. Prepaid taxes and licenses, rentals and insurance are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Prepayments that are expected to be realized within twelve (12) months after the reporting date are classified as current asset, otherwise, these are classified as other noncurrent asset.

Prepayments are recognized when paid and carried at cost less any utilized portion.

Input Tax

The Group's input tax is stated at cost less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Interest in Joint Operation

The Group has entered into various jointly controlled operations.

A jointly controlled operation is a joint venture which involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity or a financial structure which is separate from the venturers themselves. Each venturer recognizes in its consolidated financial statements: (a) the assets that it controls and the liabilities that it incurs, and (b) the expenses that it incurs and its share of the income that it earns from the sale of inventories by the joint venture. The contractual arrangement determines how the revenue and expenses incurred in common are shared among the venturers.

Property and Equipment

Property and equipment are initially recognized at cost which comprises its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location necessary for it to be capable of operating in the manner intended by management.

Property and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation on property and equipment is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives of the property and equipment are as follows:

	In Years
Building and improvements	5 – 50
Transportation equipment	3
Machinery, furniture and fixtures	3

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

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

Investment Property

Investment property are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at cost less any impairment loss. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Capital stock represents the par value of the shares that are issued and outstanding as at the reporting date.

Retained earnings (deficit) include all current and prior period results of operations as disclosed in the consolidated statements of comprehensive income.

Remeasurement gain on retirement benefits (net) is comprised of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions.

Revenue Recognition

The Group recognizes revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Group's activities.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The additional specific recognition criteria for each type of revenue are as follows:

Real estate sales

Revenues from transactions covering sales of real estate which include sales of residential houses, condominium units and developed lots are accounted for under the percentage-of-completion method. Percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligation under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary state, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Gain from sales of virtually completed residential lots and housing units, where sufficient down payment has been received and when collectability of the sales price is reasonably assured, is accounted for under the full accrual method. Otherwise, the installment method is used where gain from sales of the completed projects is initially deferred and classified under 'Deferred gross profit' in the statement of financial position. Deferred gross profit is realized and transferred to the statement of comprehensive income based on the percentage-of-completion of the projects.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are classified as ‘Customers’ deposits’ as shown in the statements of financial position.

Finance income

Interest and other financial income are recognized on time proportion basis that takes into account the effective yield on the asset or effective interest rate.

Miscellaneous Income

Miscellaneous income is recognized when the right to receive cash from services provided is established.

Cost and Expense Recognition

Cost and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses in the statements of comprehensive income are presented using the functional method.

Cost of Real Estate Sold

Cost of real estate 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 contractors and technical staff of the Group. The estimated expenditures works the full development of sold real estate property, as determined by the technical staff of the Group, are charged to the ‘Cost of Real Estate Sold’.

The Group recognizes the effect of revisions in the total project costs in the year these changes become known.

Operating Expenses

Operating expenses are recognized in the consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in the consolidated statements of comprehensive income, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, on an accrual basis.

Cost and expenses in the statements of comprehensive income are presented using the functional method.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It

establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates and laws in the period the temporary difference are expected to be recovered or settled that have been enacted or substantively enacted as at reporting period.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from 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 profits will be available against which the deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Retirement Benefits Obligation

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 plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized

immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Leases

Leases wherein the lessor substantially transfers to the Group all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as assets and liabilities in the consolidated statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property, or if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the consolidated statements of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset of lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group is a party to an operating lease of its branch office spaces as a lessee. Payments paid to the lessor under operating leases (net of any incentives given by the lessor) are charged to the consolidated statement of comprehensive income.

Related Party Relationship and Transactions

Related party relationship exists when (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or a parent of the reporting entity. (b) An entity is related to the Group if, the entity and the Group are members of the same group, one entity is an associate or joint venture of the other entity, both entities are joint ventures of the same third party, one entity is a joint venture of a third entity and the other entity is an associate of the third party, an entity is a post-employment benefit plan for the benefit of employees of the Group, the entity is controlled or joint controlled by a person who has control or joint control over the Group and a person as identified in (a) above has significant influence over the entity is a member of the key management personnel of the entity or of a parent of the entity. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Basic Earnings (Loss) Per Share (EPS)

Basic earnings (loss) per share is calculated by dividing the profit (loss) by the weighted average number of common shares outstanding during the year.

Provisions and Contingencies

Provisions are 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 assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

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 disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events after the Reporting Date

The Group identifies post year-end events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

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.

Significant Accounting Judgments in Applying the Group's Accounting Policies

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

Functional Currency

The Group considers the Philippine peso as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency in which the Group measures its performance and reports its operating results.

Interest in Joint and Real Estate Inventories

The Group has entered into Joint Venture Agreement with related parties for the development of real estate properties, whereby the Group acts as Developer. The following guidance was set by the Group to distinguish investment in joint venture from real estate inventories:

- Interest in joint venture involves the assets and other resources of each venturers. Each venturer uses its own property and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.
- Real estate inventories comprise properties that are held for sale in the ordinary course of business.

The Group's interest in joint venture represents cost incurred to develop and sell the real estate properties contributed by co-venturers, in the Group's ordinary course of business. Accordingly, the Group accounted its share in the joint venture as real estate inventories.

Operating Lease Commitments

The Group has entered into contract of lease for the branch office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Group accordingly accounted for these as operating leases.

Impairment of Non-Financial Assets

Property and equipment, and investment property are periodically reviewed to determine any indications of impairment. Though the management believes that the assumptions used in the estimation of fair values are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

Provisions and Contingencies

Estimate of the probable costs for the resolution of possible claims are being developed in consultation with outside counsel handling the Group's defense in these matters and are based upon analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual settlement of these liabilities under these lawsuits or claims, if any, will not have a material impact on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the consolidated financial statements as at December 31, 2015 and 2014.

Investment in a subsidiary

The Parent Company clearly demonstrates control over its subsidiary because it has rights to variable returns from its investment with the subsidiary and has the ability to affect these returns through its power over the subsidiary.

Based on the management's impairment review of the investment in subsidiary, the Parent Company believes that there is no indication that an impairment loss has occurred on its investment in subsidiary as at December 31, 2015 and 2014.

Significant Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Revenue and Cost Recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from sale of real estate inventories recognized based on percentage-of-completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. Sales of real estate inventories amounted to ₱123,804,128, ₱118,707,798 and ₱189,779,412 in 2015, 2014 and 2013, respectively, while the related cost of real estate sold amounted to ₱55,349,119, ₱55,773,812 and ₱107,603,022 in 2015, 2014 and 2013, respectively (see Notes 17 and 18).

Allowance for Doubtful Accounts and Impairment Losses

Recoverability of specific trade and other receivables, and advances to related parties is evaluated based on the best available facts and circumstances, the length of the Group's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated to be uncollectible.

Allowance for doubtful accounts and impairment loss on trade and other receivables, and advances to related parties as at December 31, 2015 and 2014 amounted to ₱44,113,915 and ₱46,424,320 (see Notes 5 and 21).

The Group's trade and other receivables, and advances to related parties as at December 31, 2015 and 2014 amounted to ₱643,623,443 and ₱651,129,214, respectively (see Notes 5 and 21).

Estimating Useful Lives of Assets

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

industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property equipment would increase recorded operating expenses and decrease non-current assets.

The carrying value of property and equipment as at December 31, 2015 and 2014 amounted to ₱47,356,870 and ₱49,558,940, respectively (see Note 9).

Deferred Tax Assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. As at December 31, 2015 and 2014, the Group has assessed that they will generate sufficient taxable profit from the utilization of deferred tax assets in succeeding years.

The Group's deferred tax assets, net of valuation allowance, as at December 31, 2015 and 2014 amounted to ₱16,267,655 and ₱13,333,256, respectively (see Note 23).

Retirement Benefits Obligation

The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions shown in Note 24 to the consolidated financial statements include among others, discount rates and rates of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions 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.

The Group's retirement benefits obligation as at December 31, 2015 and 2014 amounted to ₱4,790,215 and ₱555,571, respectively (see Note 24).

4. CASH

Cash as at December 31 consist of:

	2015	2014
Cash on hand	**₱ 128,000**	₱ 128,000
Cash in bank	**11,392,059**	24,664,084
	₱11,520,059	₱24,792,084

Cash in banks generally earns interest at annual rates based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2015 and 2014.

Interest income earned from cash in bank amounted to ₱22,238 and ₱8,360 in 2015 and 2014, respectively, and is recognized as part of 'Other Income (net)' in the consolidated statements of comprehensive income (see Note 19).

There is no restriction on the Group's cash and cash equivalents as at December 31, 2015 and 2014.

5. TRADE AND OTHER RECEIVABLES (net)

Trade and other receivables (net) as at December 31 consist of:

	2015	2014
Current		
Installment contract receivables	**₱127,398,419**	₱ 67,603,996
Advances to homeowners	**14,378,613**	13,994,971
Advances to employees	**14,352,827**	2,983,364
Other receivables	**357,594**	511,873
	156,487,453	85,094,204
Allowance for doubtful accounts	**(578,494)**	(578,494)
	155,908,959	84,515,710
Noncurrent		
Installment contract receivables from:		
External customers	**129,703,209**	190,100,690
Related parties - note 21	**37,557,929**	47,897,275
Receivable from contractors	**4,868,259**	7,292,468
	172,129,397	245,290,433
	₱ 328,038,356	₱ 329,806,143

Installment contracts receivables are collectible within a period of one (1) to nine (9) years, and are secured by mortgage on the property purchased by the buyer. These receivables bear interest at annual rates ranging from 18% to 21% in 2015 and 2014. Interest income earned amounted to ₱2,195,655, ₱3,012,211 and ₱1,498,878 in 2015, 2014 and 2013, respectively (see Note 19).

The Group partially finances its real estate projects through assignment of certain installment contract receivables to secure loans availed from a local financial institution. Assigned installment contract receivables as at December 31, 2015 and 2014 amounted to ₱26,875,169 and ₱45,000,000, respectively (see Note 12).

Advances to homeowners pertain to advances for the maintenance of residential subdivisions pending establishment of Homeowner's Associations.

Receivable from contractors pertain to amount recoverable from construction projects. Other receivables consist of advances to suppliers and other miscellaneous receivables which are non-interest bearing and are collectible upon demand.

Except for the assigned installment contract receivables with a local financial institution, no other trade and other receivables as at December 31, 2015 and 2014 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories (net) as at December 31 consist of:

	2015	2014
At cost:		
Raw land inventory	**₱ 443,476,755**	₱ 421,969,346
Projects under development	**85,024,429**	77,955,874
House and lot	**163,024,961**	189,347,141
	₱ 691,526,145	₱ 689,272,361

Raw land inventory consists of parcels of land in the cities of Manila, Cebu and Iloilo.

The cost of projects under development consists of cost of land, site preparation and development and construction cost of real estate inventories.

The Group's real estate inventories consist of:

- Pacific Grand Villas in Cebu
- Pearl of the Orient Tower (formerly Embassy Pointe Tower) in Manila
- Chateaux Geneva and Costa Smeralda (Jaro Estates) in Iloilo
- MetroTech Industrial Park (formerly Plastic City Industrial Park) in Valenzuela
- Pacific Grand Townhomes also in Cebu.

The Group has entered into joint venture agreement with related parties whereby the related parties contribute real estate properties to be developed by the Group. The following projects were undertaken through these joint venture agreements:

a) Pearl of the Orient Tower (formerly The Embassy Point Tower)

In 1996, the Group entered into a joint venture agreement with Pearl of the Orient Realty and Development Corporation, a property developer, for the construction of office-commercial-residential condominiums. The joint venture project consist of The Embassy Pointe Tower (later renamed Pearl of the Orient Tower) located in Roxas Boulevard, Manila.

b) Chateaux Geneva

The Group completed in 2005 its residential subdivision project in Iloilo called Chateaux Geneva. This project is a joint venture with Pacific Rehouse Corporation (PRC), an affiliate, by which they share on the net saleable areas of the joint venture property in accordance with their sharing agreement.

c) Metro Tech Industrial Park (formerly Plastic City Industrial Park)

In 1997, the Group also entered into a joint venture agreement with its related parties, Inland Container Corporation, International Polymer Corporation, Kennex Container Corporation, Pacific Rehouse Corporation, Rexlon Industrial Corporation and Ropeman International Corporation, for the development of a certain real estate property into an industrial estate for a developer's fee of equivalent to forty percent (40%) of the net sales proceeds after deducting all

relevant taxes and marketing expenses and administrative expenses, with the remaining sixty percent (60%) to be remitted to the owners.

Real estate inventories with a total cost of ₱16.87 million as at December 31, 2015 and 2014, were used as collateral for borrowings obtained from Luzon Development Bank in 2013 (see Note 12). Aside from the aforementioned information, no other real estate inventories as at December 31, 2015 and 2014 are held as collateral for its liabilities.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets as at December 31 consist of:

	2015	2014
Creditable withholding taxes	**₱ 16,419,874**	₱ 12,187,167
Input taxes	**6,632,848**	5,913,050
Prepaid expenses	**1,328,571**	1,205,844
	₱ 24,381,293	₱ 19,306,061

The creditable withholding taxes arise from the sale, exchange or transfer of real estate inventories.

Prepaid expenses pertain to prepaid insurance, rental, taxes and licenses, and office supplies.

8. INVESTMENT PROPERTY

The Group's investment property pertains to the remaining 91 hectares of land located in Davao which was not covered by the Comprehensive Agrarian Reform Law.

The cost of investment property amounted to ₱1,072,016 as at December 31, 2015 and 2014.

The zonal value which is indicative of the market value of the investment property as at December 31, 2015 and 2014 at ₱50/sq,m. is equivalent to ₱45,500,000. Zonal value is the fair market value of real properties located in each zone or area upon consultation with competent appraisers both public and private sector.

9. PROPERTY AND EQUIPMENT (net)

Reconciliation of the Group's property and equipment (net) as at December 31, 2015 is as follows:

	Building and improvements	**Transportation equipment**	**Machinery, furniture and fixtures**	**Total**
Cost				
At beginning of year	**₱ 78,693,042**	**₱ 4,765,240**	**₱ 39,597,949**	**₱ 123,056,231**
Additions	–	**680,446**	**643,813**	**1,324,259**

Disposal	–	(360,000)	–	(360,000)
At end of year	**78,693,042**	**5,085,686**	**40,241,762**	**124,020,490**
Accumulated depreciation				
At beginning of year	**31,145,984**	**3,897,757**	**38,453,550**	**73,497,291**
Depreciation	**2,385,125**	**357,603**	**681,601**	**3,424,329**
Disposal	–	**(258,000)**	–	**(258,000)**
At end of year	**33,531,109**	**3,997,360**	**39,135,151**	**76,663,620**
Carrying amount as at December 31, 2015	**₱ 45,161,933**	**₱ 1,088,326**	**₱ 1,106,611**	**₱ 47,356,870**

Reconciliation of the Group's property and equipment (net) as at December 31, 2014 is as follows:

	Building and improvements	Transportation equipment	Machinery, furniture and fixtures	Total
Cost				
At beginning of year	₱ 78,029,188	₱ 4,765,240	₱ 38,713,892	₱ 121,508,320
Additions	663,854	–	884,057	1,547,911
At end of year	₱ 78,693,042	₱ 4,765,240	₱ 39,597,949	₱ 123,056,231
Accumulated depreciation				
At beginning of year	₱ 28,998,563	₱3,570,246	₱37,142,755	₱ 69,711,564
Depreciation	2,147,421	327,511	1,310,795	3,785,727
At end of year	31,145,984	3,897,757	38,453,550	73,497,291
Carrying amount as at December 31, 2014	₱ 47,547,058	₱ 867,483	₱ 1,144,399	₱ 49,558,940

The Group recognized loss on sale of transportation equipment amounting to ₱22,000 in 2015 (see Note 20).

Fully depreciated property and equipment still in use as at December 31, 2015 and 2014 amounted to ₱47,356,837 and ₱10,385,966, respectively.

Based on the impairment review of the property and equipment, the Group believes that there is no indication that an impairment loss had occurred as at December 31, 2015 and 2014.

10. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2015	2014
Refundable deposits	**₱ 6,283,863**	₱ 6,267,093
Other assets	**243,463**	243,463
	₱ 6,527,326	₱ 6,510,556

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities as at December 31 consist of:

	2015	2014
Accounts payable	**₱34,181,625**	₱ 56,002,731

Deferred output VAT and other taxes payable	**14,877,044**	17,194,305
Accrued expenses	**8,696,870**	10,479,469
Other payables	**7,565,693**	8,520,980
	₱65,321,232	₱ 92,197,485

Deferred output VAT arises from the Group's installment contracts, the collections on which did not reach 25% of the contract price at the time the sale was recognized.

Other payables pertain to the liabilities of the Group to customers who cancelled their sales contract.

12. BORROWINGS

Borrowings as at December 31 consist of:

	2015	2014
Current	**₱ 31,542,665**	₱ 35,578,741
Noncurrent	**45,552,461**	22,668,884
	₱ 77,095,126	₱ 58,247,625

The details of borrowings of the Group are as follows:

	Outstanding balance		
Bank/ Lender	**2015**	2014	Loan type and significant terms
Luzon Development Bank	**₱ 55,138,272**	₱27,088,362	Notes payable amounting to ₱35 million in 2012 and additional ₱35 million during the 2015, obtained for working capital requirements. The notes carry interest rate of 10% p.a. and payable in 6 years, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱16.87 million (see Note 6).
CV Financial Corporation	**21,956,854**	31,159,263	Borrowings from CV Financial Corporation represents selling of installment accounts receivables by virtue of various contracts to sell for a consideration of ₱15,000,000 in 2014 and additional availment of ₱21,500,135 in 2015.
	₱ 77,095,126	₱ 58,247,625	

Finance costs charged to operations amounted to ₱10,454,947 and ₱776,192 in 2015 and 2014, respectively, and presented as finance costs in the consolidated statements of comprehensive income.

13. CUSTOMERS' DEPOSITS

Customers' deposits represent reservation fees and initial collections received from the customers before the two parties enter into a sales agreement for the sale transaction. These were payments from buyers which had not reached the minimum required percentage. When the level of required percentage is reached by the buyer, sale is recognized and these deposits and down payments will be recognized as revenue and will be applied against the installment contract receivable balance.

As at December 31, 2015 and 2014, outstanding balance of the customers' deposits amounted to ₱1,654,502 and ₱7,667,135, respectively.

14. RETENTION PAYABLE AND GUARANTEE BONDS

Retention payable and guarantee bonds as at December 31 consist of:

	2015	2014
Retention payable	**₱ 14,886,550**	₱ 15,736,472
Guarantee bonds	**8,771,234**	8,886,348
	₱ 23,657,784	₱ 24,622,820

Retention payable pertains to ten percent (10%) of each progress payment retained by the Group until full completion of the contract. The full amount of retention will be released by the Group to the contractors after the full completion and acceptance of satisfactory works by the Group and submission of the original, signed and sealed sets of prints of "As-built" drawings and Guarantee Bond equivalent to 10% of the contract amount.

The guarantee bond equivalent to ten percent (10%) of the contract price covering a period of one year after the final completion of contracted jobs to answer for faulty and/or defective materials or workmanship was also recognized and recorded as retention payable.

15. DEFERRED GROSS PROFIT

This account represents the difference between the contract price and the estimated cost of real estate projects sold which are not yet completed as at financial reporting date and to be realized thereafter based on the percentage of completion of the real estate inventories sold. As at December 31, 2015 and 2014, deferred gross profit amounted to ₱72,171,223 and ₱69,740,797, respectively. Realized gross profit for current and prior year sales amounted to ₱63,894,672 and ₱44,212,143 in 2015 and 2014, respectively.

16. CAPITAL STOCK

Details of capital stock as at December 31 are as follows:

Capital stock	Number of share	Par value per share	Total
Authorized	**5,000,000,000**	**₱ 1**	**₱ 5,000,000,000**
Issued and outstanding	**1,445,549,830**	**₱ 1**	**₱ 1,445,549,830**

The Group has one class of common shares which carry no right to fixed income.

Track Record of Registration of Securities

The Group was originally registered as Philippine Cocoa Estates Corporation with the SEC on May 30, 1983 with an authorized capital stock of ₱1 million primarily to engage in all phases of agriculture. On February 29, 1984, the Group increased its authorized capital stock to ₱140 million. The Group was listed with the PSE on November 1, 1984.

On May 8, 1987, the Group with the approval of SEC increased its authorized capital stock to ₱180 million and on October 22, 1987, increased to ₱300 million.

In 1996, The Wellex Group, Inc. (TWGI) gained majority control of the Group and revamped its management. The new management opted for a change in business focus from agriculture to real estate, with the corporate vision of becoming a world-class real estate developer.

To align the Group to this new corporate vision, management applied with the SEC for approval to carry out certain strategic corporate changes. Thus, on May 16, 1996, SEC approved the proposed changes, namely: (a) the change in the primary purpose clause from agriculture to the business of holding and developing real estate; (b) the change in the corporate name to reflect the new business focus; (c) the removal of the Class "A" and Class "B" classification of the Group's shares; and (d) the change in par value of the shares from ₱10 to ₱1 per share.

Towards achieving its corporate vision, the Group filed an application to increase its authorized capital stock from ₱300 million to ₱5 billion. Out of this increase of ₱4.7 billion, the amount of ₱1,194,333,800 was subscribed and paid up by five corporate investors. The principal part of the subscription was paid up by way of transfers to the Group of 45 parcels of land valued at ₱1,161,833,800, while a smaller portion of the subscription, amounting to ₱32,500,000 was paid through conversion of debt to equity. The increase in authorized capital stock to ₱5 billion was approved by SEC on March 26, 1997.

Number of shares owned by public totaled 759,980,740 shares and 760,299,740 shares or a public ownership of 52.60% and 52.70% as at December 31, 2015 and 2014, respectively.

The historical market value of the Group's shares follows:

	Market value per share
December 31, 2015	**₱ 0.285**
December 31, 2014	0.390
December 31, 2013	0.365

17. REAL ESTATE SALES

Real estate sales for the years ended December 31 on the various projects are as follows:

	2015	2014	2013
Lot	**₱ 77,827,344**	₱ 71,817,189	₱ 89,194,481
House and lot	**45,976,784**	46,890,609	33,110,131
Raw land	–	–	67,474,800

	₱ 123,804,128	₱ 118,707,798	₱189,779,412

18. COST OF REAL ESTATE SOLD

Cost of real estate sold for the years ended December 31 is as follows:

	2015	2014	2013
Lot	**₱ 35,256,710**	₱ 32,373,948	₱ 41,930,487
House and lot	**20,092,409**	23,399,864	17,892,042
Raw land	–	–	47,780,493
	₱ 55,349,119	₱ 55,773,812	₱107,603,022

19. OTHER INCOME

Details of other income for the years ended December 31 are as follows:

	2015	2014	2013
Finance income from:			
Advances to affiliates – note 21	**₱ 7,171,785**	₱ 7,054,542	₱12,254,811
Installment contracts receivables – note 5	**2,195,655**	3,012,211	1,498,878
Cash in bank – note 4	**22,338**	8,360	10,833
Reversal of impairment loss on advances to related parties – note 21	**2,310,405**	7,434,134	–
Income from lawsuit	**974,382**	13,486,349	–
Miscellaneous income	**333,730**	676,597	236,882
	₱ 13,008,295	₱ 31,672,193	₱14,001,404

On December 1, 2014, the Group and Kummassie Plantation Co., Inc. (‘Kummassie’) entered into Compromise Agreement for the determination of the payment for just compensation involving an amount of ₱26.3 million. The Group is a party to a civil case filed by Kummassie against the Landbank of the Philippines for the determination of just compensation for the conflicting claims on the value of agricultural assets on a leased property, filed before the Regional Trial Court (RTC) of Davao City. A decision by the RTC of Davao was reached on December 15, 2014 through a Compromise Agreement, in which the Group will receive 60% of the principal amount and interest. In the years ended December 31, 2015 and 2014, the Group received ₱974,382 and ₱13,486,349, respectively.

20. OPERATING EXPENSES

Operating expenses for the years ended December 31 are as follows:

	2015	2014	2013
Salaries and wages	**₱16,518,712**	₱16,353,711	₱15,357,751
Taxes and licenses	**7,483,561**	6,354,628	2,553,356
Commissions	**6,001,919**	7,058,703	2,788,456
Travel and transportation	**5,499,606**	1,509,417	2,058,318
Depreciation - note 9	**3,424,329**	3,785,727	3,786,897
Penalty fee, interests and surcharges	**3,363,748**	1,153,673	8,170,162
Professional and legal fees	**2,678,168**	2,327,909	3,167,523
Advertising	**2,664,526**	3,928,495	7,706,887
Employee benefits	**1,808,632**	2,127,586	8,679,134
Loss on cancelled contracts	**1,588,220**	3,266,898	2,656,238
Retirement benefits expense – note 24	**1,193,335**	1,349,067	814,409
Electricity and water	**1,174,555**	1,208,100	1,194,589
Telephone and communication	**1,111,994**	1,023,452	1,074,214
Supplies	**1,081,097**	905,983	1,121,367
Meetings, trainings and seminars	**1,038,434**	785,048	965,956
Security services	**955,469**	1,138,424	969,273
Dues and subscription	**691,498**	706,885	682,895
Repairs and maintenance	**604,673**	578,298	426,579
Rental – note 26	**601,776**	544,296	505,878
Representation and entertainment	**336,852**	605,163	5,712
Janitorial services	**243,167**	61,633	25,334
Director fees	**200,000**	160,000	200,000
Insurance	**108,199**	191,432	457,887
Loss on disposal of property and equipment – note 9	**22,000**	–	–
Miscellaneous expenses	**3,300,017**	1,505,203	2,847,996
	₱63,694,487	₱58,629,731	₱68,216,811

21. RELATED PARTY TRANSACTIONS

The Group makes advances to and from related parties for working capital requirements and for those related to joint venture agreements and other transactions.

Details of the Group's advances to related parties for the years ended December 31, 2015 and 2014 are as follows:

December 31, 2015	At beginning of Year	Additional advances/ Impairment	Accrual of interest	Collection/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	**₱ 173,521,507**	**₱ –**	**₱ 3,470,430**	**₱ –**	**₱ 176,991,937**
Forum Holdings Corp. *(b)*	**71,323,264**	**–**	**1,426,465**	**–**	**72,749,729**
Kennex Container Corp. *(b)*	**27,695,810**	**4,443,915**	**564,995**	**–**	**32,704,720**
Orient Pacific Corp. *(b)*	**31,373,764**	**–**	**445,640**	**–**	**31,819,404**
Heritage Pacific Corp. *(b)*	**18,648,645**	**–**	**372,973**	**–**	**19,021,618**
Metro Alliance Holdings and Equity Corp. *(d)(e)*	**17,929,553**	**–**	**358,591**	**–**	**18,288,144**
Noble Arch Realty and Construction *(c)*	**18,098,212**	**57,836**	**361,128**	**(15,000,000)**	**3,517,176**
Bataan Polytethylene Corp.	**176,185**	**–**	**3,524**	**–**	**179,709**
The Wellex Group, Inc.	**8,305,638**	**11,036,876**	**166,113**	**(16,848,930)**	**2,659,697**
Stockholder					
International Polymer Corp. *(b)(f)*	**96,319**	**1,291,270**	**1,926**	**(201,141)**	**1,188,374**
	367,168,897	**16,829,897**	**7,171,785**	**(32,050,071)**	**359,120,508**
Allowance for impairment					
Plastic City Corp.	**22,466,500**	**–**	**–**	**–**	**22,466,500**
Forum Holdings Corp.	**9,714,260**	**–**	**–**	**–**	**9,714,260**
International Polymer Corp.	**96,319**	**–**	**–**	**–**	**96,319**
Kennex Container Corp.	**2,789,138**	**–**	**–**	**–**	**2,789,138**
Orient Pacific Corp.	**3,161,455**	**–**	**–**	**–**	**3,161,455**
Heritage Pacific Corp.	**2,769,393**	**–**	**–**	**–**	**2,769,393**
Metro Alliance Holdings and Equity Corp.	**2,384,888**	**–**	**–**	**–**	**2,384,888**
Noble Arch Realty and Construction	**2,310,405**	**–**	**–**	**(2,310,405)**	**–**
Bataan Polyethylene Corp.	**153,468**	**–**	**–**	**–**	**153,468**
	45,845,826	**–**	**–**	**(2,310,405)**	**43,535,421**
	₱ 321,323,071	**₱ –**	**₱ 7,171,785**	**(₱34,360,476)**	**₱315,585,087**

December 31, 2014	At beginning of Year	Additional advances/ Impairment	Accrual of interest	Collection/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	₱ 169,666,421	₱ 452,703	₱ 3,402,383	₱ –	₱ 173,521,507

Forum Holdings Corp. *(b)*	72,512,895	–	1,422,957	(2,612,588)	71,323,264
Kennex Container Corp. *(b)*	28,526,684	–	553,916	(1,384,790)	27,695,810
Orient Pacific Corp. *(b)*	30,936,860	–	436,904	–	31,373,764
Heritage Pacific Corp. *(b)*	18,282,984	–	365,661	–	18,648,645
Metro Alliance Holdings and Equity Corp. *(d)(e)*	17,577,993	–	351,560	–	17,929,553
Noble Arch Realty and Construction *(c)*	17,685,025	60,221	352,966	–	18,098,212
Bataan Polytethylene Corp.	172,729	–	3,456	–	176,185
Weltex Industries Corp. *(e)*	97,034	–	–	(97,034)	–
Rexlon Industrial Corp. *(e)*	25,385	–	–	(25,385)	–
The Wellex Group, Inc.	–	8,142,782	162,856	–	8,305,638
Stockholders					
International Polymer Corp. *(b)(f)*	65,524,431	–	1,884	(65,429,996)	96,319
Ropeman International Corp. *(e)*	136,381	–	–	(136,381)	–
	421,144,822	8,655,706	7,054,543	(69,686,174)	367,168,897
Allowance for impairment					
Plastic City Corp.	22,466,500	–	–	–	22,466,500
Forum Holdings Corp.	9,714,260	–	–	–	9,714,260
International Polymer Corp.	6,693,685	–	–	(6,597,366)	96,319
Kennex Container Corp.	3,620,012	–	–	(830,874)	2,789,138
Orient Pacific Corp.	3,161,455	–	–	–	3,161,455
Heritage Pacific Corp.	2,769,393	–	–	–	2,769,393
Metro Alliance Holdings and Equity Corp.	2,384,888	–	–	–	2,384,888
Noble Arch Realty and Construction	2,310,405	–	–	–	2,310,405
Bataan Polyethylene Corp.	153,468	–	–	–	153,468
Rexlon Industrial Corp.	5,894	–	–	(5,894)	–
	53,279,960	–	–	(7,434,134)	45,845,826
	₱ 367,864,862	₱ 8,655,706	₱ 7,054,543	(₱ 62,252,040)	₱321,323,071

Details of the Group's advances from related parties as at December 31, 2015 and 2014 are as follows:

December 31, 2015	**At beginning of Year**	**Additional advances from related parties**	**Settlement/ Reversal**	**At end of year**
Common key management				
Concept Moulding Corp.	**₱ 3,830,646**	**₱ –**	**₱ –**	**₱ 3,830,646**
Pacific Rehouse Corp.	**27,738,603**	**–**	**(33,860)**	**27,704,743**
Waterfront Cebu City Hotel	**97,754,457**	**–**	**(5,700,000)**	**92,054,457**
Manila Pavilion	**166,530**	**–**	**–**	**166,530**
	₱ 129,490,236	**₱ –**	**(₱5,733,860)**	**₱123,756,376**

December 31, 2014	At beginning of Year	Additional advances from related parties	Settlement/ Reversal	At end of year
Common key management				
Concept Moulding Corp.	₱ 2,300,000	₱ 1,530,646	₱ –	₱ 3,830,646
The Wellex Group, Inc.	76,602,783	–	(76,602,783)	–
Pacific Rehouse Corp.	22,964,332	4,774,271	–	27,738,603

Waterfront Cebu City Hotel	76,369,616	21,384,841	–	97,754,457
Manila Pavilion	166,530	–	–	166,530
	₱ 178,403,261	₱ 27,689,758	(₱76,602,783)	₱129,490,236

a) Plastic City Corporation (PCC)

Advances to PCC represent interest bearing cash advances which bears an interest of 13% per annum. In 2009, PCC committed to pay by way of transfer of eleven (11) properties located at Metrotech Industrial Park with a total area of 21,475 sq.m. valued at ₱6,450/sq.m. The transfer, however, did not materialize in 2009 because of an impending “Us pendens” case that was resolved with finality only on March 26, 2010. Subject properties were purchased by Plastic City Corporation from the Philippine National Bank (foreclosed properties) which were subject of the abovementioned case filed by Quisumbing et, al. The Supreme Court issued its final decision, in favor of PNB.

On May 2, 2011, PCC and the Group re-entered into a memorandum of agreement wherein PPC will transfer the ownership of the said properties as payment to its outstanding obligation to the Group. As at December 31, 2015 and 2014, the outstanding advances to PCC has not been settled pending transfer of property from PNB to PCC.

b) Forum Holdings Corp. (FPH), International Polymer Corporation (IPC), Kennex Container Corp. (KCC), Orient Pacific Corporation (OPC), and Heritage Pacific Corporation (HPC)

In 2009, FPH, IPC, KCC, OPC, HPC and PRC executed respective unsecured promissory notes (PN) to cover their respective outstanding advances to the Group with terms ranging from three to five years and bear interest of three percent (3%) per annum, renewable upon agreement of the parties. These PNs were renewed in 2014 with a three-year term, which will mature in 2017, and an interest of two percent (2%) per annum. These cash advances are to be settled through cash payments.

c) Noble Arch Realty and Construction Corporation (NARCC)

In 2005, NARCC entered into a Contract to Sell with Union Bank of the Philippines involving eight (8) parcels of land located in Valenzuela City, with an aggregate area of 15,997 square meters.

For the purpose of paying the obligation arising from the abovementioned contract, NARCC sought the assistance of the Group through subsequent interest bearing cash advances.

In 2008, for the purpose of paying off its advances from the Group, NARCC executed a Deed of Assignment, conveying to the Group, all its rights, interest and title under the Contract to Sell between NARCC and Union Bank.

As at December 31, 2015 and 2014, the deed of assignment is pending due to the delay in the transfer of ownership from the bank to the Group (assignee).

On March 23, 2015, the properties were transferred to the Group through Deed of Absolute Sale executed by the Group and Union Bank of the Philippines.

d) Metro Alliance Holdings and Equity Corporation (MAHEC)

The Group provides unsecured advances to Metro Alliance Holdings and Equity Corporation with principal amount of ₱2,152,577 which bear interest at the rate of 2% per annum. The

Group and MAHEC have not yet agreed on the mode of settlement of advances. The PN was renewed in 2014 for a three-year term, which will mature in 2017, and an interest of two percent (2%) per annum.

e) Installment contract receivables from TWGI and IPC

In addition to the advances made to related parties, the Group also has installment contracts receivables from related parties due beyond one year as follows (see Note 5):

	2015	2014
The Wellex Group, Inc.	**₱ 27,552,410**	₱ 37,089,286
International Polymer Corporation	**10,005,519**	10,807,989
	₱ 37,557,929	₱ 47,897,275

f) Salaries of key management

Key management is defined as those with position of assistant manager and above who are involved in the decision making policy of the Group. The total remuneration of these personnel is as follows:

	2015	2014	2013
Salaries and wages	**₱ 4,482,500**	₱ 5,277,221	₱ 5,493,809
Other benefits	**373,542**	439,755	495,392
	₱ 4,856,042	₱ 5,716,976	₱ 5,989,201

g) Transaction with the retirement fund

The Group has no transactions with its retirement fund for the years ended December 31, 2015 and 2014.

22. MEMORANDUM OF AGREEMENT WITH AVIDA LAND CORP.

On December 17, 2012, the Group and its related parties, Plastic City Corp. (PCC), Inland Container Corp. (ICC), International Polymer Corp. (IPC), MPC Plastic Corp. (MPC), Westland Pacific Properties Corp. (WPPC), and Kennex Container Corp. (KCC) (‘the Landowners’), entered into a Memorandum of Agreement (MOA) with Avida Land Corp. (ALC) for the development of 167,959 sq. meters of land located in T. Santiago St., Canumay, Valenzuela City, into residential projects based on a Master Plan determined by ALC.

Under the MOA, the Landowners shall cede, transfer and convey the property including all its rights and interest on the property. The Landowner shall execute the Deed of Conveyance for the entire or certain portions of property and transfer to ALC full vacant physical possession, free and clear of informal settlers, occupants and encumbrances as may be required in accordance with the development schedule of ALC.

In consideration for the conveyance by the Landowners of the property, the parties shall mutually agree on the value for each portion of the property. As at December 31, 2015, the transfer of property and the project remains pending due to prerequisites still needed to be settled on the transfer of property to ALC.

23. INCOME TAX

Reconciliation of Income Tax Expense

The reconciliation of pretax income computed at the regular corporate income tax rate to the income tax expense as shown in the consolidated statements of comprehensive income is as follows:

	2015	2014	2013
Income before tax	**₱2,753,533**	₱16,478,413	₱ 8,228,937
Income tax computed at 30%	**826,060**	4,943,524	2,468,681
Tax effect of:			
Non-deductible interest expense	**2,765**	1,035	1,341
Other non-deductible expenses	**1,507,012**	264,466	3,286,333
Interest income subject to final tax	**(6,701)**	(2,508)	(3,250)
Reversal of allowance for impairment loss	**(693,122)**	(2,230,240)	–
Expired NOLCO	**5,420**	135,662	4,681
Changes in valuation allowance	**(46)**	(248)	791
	₱ 1,641,388	₱ 3,111,691	₱ 5,758,577

The components of deferred tax assets and liabilities as at December 31 are as follows:

	2015	2014
Deferred tax assets		
NOLCO	**₱ 10,664,346**	₱ 9,359,085
Retirement benefit expense	**2,542,929**	2,184,929
MCIT	**3,076,543**	1,805,451
	₱ 16,283,818	₱ 13,349,465
Valuation allowance	**(16,163)**	(16,209)
	₱ 16,267,655	₱ 13,333,256
Deferred tax liabilities		
Excess of financial realized gross profit over taxable realized gross profit	**₱ 21,767,622**	₱ 18,462,928
Remeasurement gain on retirement benefits	**1,105,865**	2,018,257
	₱ 22,873,487	₱ 20,481,185

Deferred tax assets and liabilities are determined using the income tax rates in the period the temporary differences are expected to be recovered or settled.
As at December 31, 2015, the Group's NOLCO that can be claimed as deduction from future taxable income follows:

Year of Incurrence	Year of Expiry	2014 Balance	Additions	Expired/Applied	**2015 Balance**
2012	2015	₱ 18,068	₱ –	(₱ 18,086)	**₱ –**
2013	2016	31,161,161	–	–	**31,161,161**
2014	2017	17,722	–	–	**17,722**
2015	2018	–	4,368,936	–	**4,368,936**
		₱31,196,951	₱4,368,936	(₱ 18,086)	**₱35,547,819**

As at December 31, 2015, the Group's MCIT that can be claimed as deduction from future income tax payable follows:

Year of Incurrence	Year of Expiry	2014 Balance	Additions	Expired/Applied	**2015 Balance**

2013	2016	₱ 724,476	₱ —	₱ —	**₱ 724,476**
2014	2017	1,080,975		—	**1,080,975**
2015	2018	—	1,271,092	—	**1,271,092**
		₱ 1,805,451	₱ 1,271,092	₱ —	**₱ 3,076,543**

24. RETIREMENT BENEFITS OBLIGATION

The Group has a funded, noncontributory tax-qualified defined benefits type of pension plan covering substantially all of its employees. The benefits are generally based on defined contribution formula with minimum lump-sum guarantee of 100% of the latest monthly salary per year of credited service.

The Group appointed a trustee bank to be responsible for the general administration of the retirement plan and retirement fund.

Actuarial valuations are made at least every one (1) to two (2) years. The Group's annual contributions to the defined benefits plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The Group's latest actuarial valuation is as at December 31, 2015.

The movement in the retirement benefit obligation for the years ended December 31, 2015 and 2014 is as follows:

December 31, 2015	**Present value of retirement benefits obligation**	**Fair value of plan assets**	**Net retirement benefits obligation**
December 31, 2014	**₱ 1,611,003**	**(₱ 1,055,432)**	**₱ 555,571**
Retirement expense			
Current service costs	**1,158,944**	**–**	**1,158,944**
Interest expense (income)	**83,611**	**(49,220)**	**34,391**
Benefits paid from plan assets	**(214,154)**	**214,154**	**–**
	1,028,401	**164,934**	**1,193,335**
Re-measurements, gross of tax:			
Actuarial loss arising from:			
Changes in financial assumptions	**33,787**	**–**	**33,787**
Deviation of experience from assumptions	**2,963,773**	**–**	**2,963,773**
Loss on plan asset	**–**	**43,749**	**43,749**
	2,997,560	**43,749**	**3,041,309**
As at December 31, 2015	**₱ 5,636,964**	**(₱ 846,749)**	**₱ 4,790,215**

December 31, 2014	Present value of retirement benefits obligation	Fair value of plan assets	Net retirement benefits obligation
December 31, 2013	₱ 4,185,141	(₱ 1,042,048)	₱ 3,143,093
Retirement expense			
Current service costs	1,180,640	–	1,180,640
Interest expense (income)	217,209	(48,782)	168,427
	1,397,849	(48,782)	1,349,067
Re-measurements, gross of tax:			
Actuarial loss arising from:			
Deviation of experience from Assumptions	(3,971,987)	–	(3,971,987)
Loss on plan asset	–	35,398	35,398
	(3,971,987)	35,398	(3,936,589)
As at December 31, 2014	₱1,611,003	(₱ 1,055,432)	₱ 555,571

The total retirement benefits expense recognized is included in operating expenses in 2015 and 2014 (see Note 20).

The fair value and carrying amount of the Group’s retirement plan assets as at December 31 consist of:

	2015	2014
Government bonds and securities	**₱ 639,550**	₱ 729,811
Cash	**129,383**	308,311
Net other assets	**77,816**	17,310
	₱ 846,749	₱ 1,055,432

The Group’s plan assets are managed by a trustee bank, which is authorized to determine how the funds are invested with the objective of obtaining optimal return. The fair value of the plan assets measured using the market-to-market approach.

The principal actuarial assumptions used at December 31 are as follows:

	2015	2014
Discount rate	**5.19%**	5.19%
Salary rate increase	**5%**	5%

The discount rate at December 31, 2015 and 2014 was based on the PDEx (PDST-R2) benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

The sensitivity of the defined benefit obligation (DBO) to changes in the weighted principal assumptions is as follows:

	Impact on defined benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	100 bps	Decrease by 8.0%	Increase by 9.1%
Salary increase rate	100 bps	Increase by 8.1%	Decrease by 7.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the

assumptions may be correlated. When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of financial position.

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

Through its defined benefit retirement plan, the Group is exposed to a number of risks, the most significant of which are as follows:

a) Asset volatility – The plan liabilities are calculated using a discount rate set with reference to government bonds, if plan assets underperformed this yield, this will create a deficit. Most of the assets of the plan are equities, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.

b) Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The Group does not expect any contributions to post-employment benefit plans for the year ending December 31, 2016.

Expected maturity analysis of undiscounted retirement benefits obligation:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefits obligation	₱ –	₱ –	₱1,757,189	₱4,276,147	₱6,033,336

25. BUSINESS SEGMENT INFORMATION

The Group's operating business segment are organized and managed separately according to location of business activities. The Group's management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing which includes finance cost, impairment of assets and income taxes are managed on a group basis and are not allocated to operating segments.

The Group classifies business segments based on location of its real property projects as in the following geographical areas:

- Metro Manila – industrial part and condominium projects
- Cebu – subdivision development
- Iloilo – subdivision development
- Davao – administrative office

Geographically, management considers the performance in Metro Manila, Cebu, Iloilo and Davao. Deferred tax assets, borrowings and retirement benefits obligation are not allocated to geographic segments.

The segment information is as follows:

December 31, 2015	**Metro Manila**	**Cebu**	**Iloilo**	**Davao**	**Parent Company Total**
Revenue					
Realized gross profit	**₱ 357,078**	**₱ 55,772,410**	**₱ 7,765,184**	**₱ –**	**₱ 63,894,672**
Other income	**10,602,726**	**1,446,622**	**958,947**	**–**	**13,008,295**
	10,959,804	**57,219,032**	**8,724,131**		**76,902,967**
Expenses					
Depreciation	**2,749,075**	**607,367**	**67,887**	**–**	**3,424,329**
Loss on cancelled contracts	**–**	**1,343,664**	**244,556**	**–**	**1,588,220**
Other expenses	**36,713,089**	**13,545,906**	**6,716,574**	**492,620**	**57,468,189**
	39,462,164	**15,496,937**	**7,029,017**	**492,620**	**62,480,738**
Segment income (loss)	**(28,502,360)**	**41,722,095**	**1,695,114**	**(492,620)**	**14,422,229**
Finance cost	**10,454,947**	**–**	**–**	**–**	**10,454,947**
Retirement benefits expense	**1,193,335**	**–**	**–**	**–**	**1,193,335**
Provision for income tax	**1,641,388**	**–**	**–**	**–**	**1,641,388**
Net income (loss) for the year	**(₱ 41,792,030)**	**₱ 41,722,095**	**₱ 1,695,114**	**(₱ 492,620)**	**₱ 1,132,559**
Segment assets	**₱ 950,887,309**	**₱338,380,364**	**₱125,988,384**	**₱ 462,346**	**₱ 1,415,718,403**
Investment in a subsidiary	**–**	**–**	**–**	**–**	**7,800,000**
Deferred tax assets	**–**	**–**	**–**	**–**	**16,267,655**
Total assets	**₱ 950,887,309**	**₱338,380,364**	**₱125,988,384**	**₱ 462,346**	**₱ 1,439,786,058**
Segment liabilities	**₱ 204,256,327**	**₱ 72,723,929**	**₱ 32,022,521**	**₱ 94,789**	**₱ 309,097,566**
Borrowings	**–**	**–**	**–**	**–**	**77,095,126**
Retirement benefits obligation	**–**	**–**	**–**	**–**	**4,790,215**
Total liabilities	**₱ 204,256,327**	**₱ 72,723,929**	**₱ 32,022,521**	**₱ 94,789**	**₱ 390,982,907**

December 31, 2014	Metro Manila	Cebu	Iloilo	Davao	Parent Company Total
Revenue					
Realized gross profit	₱ –	₱ 34,944,564	₱ 9,267,579	₱ –	₱ 44,212,143
Other income	28,136,746	3,015,589	519,858	–	31,672,193
	28,136,746	37,960,153	9,787,437		75,884,336
Expenses					
Depreciation	3,235,274	487,357	63,096	–	3,785,727

Loss on cancelled contracts	–	2,477,216	789,683	–	3,266,899
Other expenses	27,408,828	15,382,146	6,894,780	524,563	50,210,317
	30,644,102	18,346,719	7,747,559	524,563	57,262,943
Segment income (loss)	(2,507,356)	19,613,434	2,039,878	(524,563)	18,621,393
Finance cost	786,737	(10,545)	–	–	776,192
Retirement benefits expense	1,349,066	–	–	–	1,349,066
Provision for income tax	3,111,691	–	–	–	3,111,691
Net income (loss) for the year	(₱ 7,754,850)	₱ 19,623,979	₱ 2,039,878	(₱ 524,563)	₱ 13,384,444
Segment assets	₱959,103,021	₱353,720,965	₱117,956,161	₱ 551,922	₱1,431,332,069
Investment in a subsidiary	–	–	–	–	7,800,000
Deferred tax assets	–	–	–	–	13,333,256
Total assets	₱959,103,021	₱353,720,965	₱117,956,161	₱ 551,922	₱ 1,452,465,325
Segment liabilities	₱238,639,724	₱ 74,838,908	₱ 30,289,199	₱ 94,789	₱ 343,862,620
Borrowings	–	–	–	–	58,247,625
Retirement benefits obligation	–	–	–	–	555,571
Total liabilities	₱238,639,724	₱ 74,838,908	₱ 30,289,199	₱ 94,789	₱ 402,665,816

Although Davao segment does not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2015 and 2014, management has concluded that this segment should be reported, as it is closely monitored for potential growth that would contribute to revenue in the future.

26. LEASE COMMITMENTS

The Group has various non-cancellable lease agreements which are renewable upon mutual agreement with lessors as follows:

Lessor	Lease period
Arjay Realty	August 1, 2014 to August 1, 2017
Eumarc Real Estate	May 1, 2015 to June 30, 2020
Eumarc Real Estate	June 15, 2015 to June 30, 2020

The future annual minimum lease payments are as follows:

	2015	2014
Due within 1 year	**₱ 634,288**	₱ 492,164
Due beyond 1 year but not more than 5 years	**1,138,446**	665,475
	₱ 1,772,734	₱ 1,157,639

The lease commitments entered into by the Group represents the lease of office spaces occupied by the branches.

Total rent expense incurred by the Group related to lease of office space amounted to ₱601,776, ₱544,296 and ₱505,878 in 2015, 2014 and 2013, respectively (see Note 20).

27. CONTINGENCIES

a) Claims from expropriated property in Chateaux Geneva

In 2006, portions of Chateaux Geneva were involved in an expropriation cased filed by the government versus the Parent Company and PRC for the Iloilo Flood Control Project of the Department of Public Works and Highways (DPWH).

In 2006, the court, ordered DPWH to pay an initial deposit of ₱188,313,599, based on zonal value of ₱1,800 per square meter for the area covered by the initial expropriation petition of DPWH totaling 84,925 square meters of land that was directly traversed by the Floodway plus the provisional value of improvements and/or structures amounting to ₱35,448,599. In December of the same year, the Parent Company received from DPWH the initial amount of ₱127,867,244. Immediately thereafter, on January 2007, the amount of ₱60,446,355 was also directly deposited to the bank as agreed by the parties, for a total of ₱188,313,599.

In 2007, the Parent Company remitted to PRC the amount of ₱107,368,053 as its share in the initial deposit of DPWH. In December 2007, the government filed a second expropriation case involving properties of the Parent Company and PRC adjacent to the lands covered in the first expropriation case. These properties were also affected by the same Iloilo Flood Control Project, which DPWH failed to include in the first expropriation case. For this second expropriation, there was a second (2nd) portion of payment amounting to ₱11,987,520 of which ₱5,405,775 of the said amount was remitted to PRC in January 2008.

The case is under protest by the Parent Company and pending court decision. The Parent Company and PRC claimed just compensation amounting to ₱2,598,661,688 for the total land area that was expropriated, the existing improvements thereon, the affected areas for redesigning and restructuring, the professional and technical services and the necessary provisions for damages.

The expropriation cases for the determination of just compensation are still ongoing as at December 31, 2015.

b) Other lawsuits and claims

The Parent Company is contingently liable for existing lawsuits and claims from third parties, arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the financial position and operating results of the Parent Company.

28. EARNINGS PER SHARE

The following table presents information necessary to calculate the earnings (loss) per share:

	2015	2014	2013
Net income	**₱1,112,145**	₱13,366,722	₱ 2,470,360
Weighted average number of common shares outstanding during the year	**1,445,549,830**	1,445,549,830	1,445,549,830
Earnings per share	**₱ 0.001**	₱ 0.009	₱ 0.002

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors (BOD) is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. The Group's principal financial instruments consist of cash, trade and other receivables, advances to and from related parties, accounts payable and other liabilities, borrowings, and retention payable and guarantee bonds. The main purpose of these financial instruments is to raise finance for the Group's operations.

Financial risk management by the Group is coordinated with its BOD, in close cooperation with the local management. The Group's policies and guidelines cover credit risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors, and manages its financial risk exposure by various functions pursuant to the segregation of duties principles.

The Group forms a framework of guidelines and regulations for the management of financial risks, which result from its operating activities. The most significant financial risks to which the Group is exposed to are described below.

a) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below:

	2015	2014
Cash in bank	**₱ 11,392,059**	₱ 24,792,084
Trade and other receivables	**328,038,356**	329,806,143
Advances to related parties – net	**315,585,087**	321,323,071
Refundable deposits classified as "Other noncurrent assets"	**6,283,863**	6,267,093
	₱661,299,365	₱682,188,391

The credit quality of financial assets is discussed below:

Cash

The Group deposits its cash in a commercial and universal bank to minimize credit risk exposure.

Trade and other receivables

Credit risk from installments contract receivables is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default. Customer payments are facilitated through various collection modes including the use of post-dated checks and direct bank deposit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

In addition, the Group has the right to forfeit all payments made by the customer including the real estate properties sold upon default subject to terms of the contract. The Group has the liberty to dispose forfeited real estate properties subject to terms of the contract.

In respect to other receivable, the Group is not exposed to any significant credit, risk concentration in any single counterparty or any group of counterparties having similar characteristics.

Advances to related parties

The Group is pursuing cash collection of the advances to related parties within 2016. In addition, the Group has entered into various arrangements with related parties to secure payment of receivables such as execution of PN on real estate mortgage. In the event the related parties are not in position to pay in cash, collection shall be effected by way of transfer of properties that have been identified and are strategically located in Metro Manila, Cebu, Iloilo and Davao.

The aging and quality of financial assets exposed to credit risk is shown below:

		Neither	Past due but not impaired				
December 31, 2015	Total	Past due nor impaired	1 – 30 days	31 – 60 days	61 – 120 days	Over 121 days	Past due and Impaired
Cash	**₱ 11,392,059**	**₱ 11,392,059**	₱ –	₱ –	₱ –	₱ –	₱ –
Trade and other receivables, gross	**328,616,850**	**208,508,404**	**4,364**	**4,224,502**	**9,227,705**	**106,073,381**	**578,494**
Advances to related parties, gross	**359,120,508**	**315,585,087**	**–**	**–**	**–**	**–**	**43,535,421**
Refundable deposits	**6,283,864**	**6,283,864**	**–**	**–**	**–**	**–**	**–**
	₱705,413,281	**₱541,769,414**	**₱ 4,364**	**₱4,224,502**	**₱9,227,705**	**₱106,073,381**	**₱44,113,915**

		Neither	Past due but not impaired				
December 31, 2014	Total	Past due nor impaired	1 – 30 days	31 – 60 days	61 – 120 days	Over 121 days	Past due and Impaired
Cash	₱ 24,664,084	₱24,664,084	₱ –	₱ –	₱ –	₱ –	₱ –
Trade and other receivables, gross	330,384,637	246,157,346	15,244,339	4,218,586	11,752,552	52,433,320	578,494
Advances to related parties, gross	367,168,897	321,323,071	–	–	–	–	45,845,826
Refundable deposits	6,267,093	6,267,093	–	–	–	–	–
	₱728,484,711	₱597,411,594	₱15,244,339	₱4,218,586	₱11,752,552	₱52,433,320	₱ 46,424,320

a) Liquidity risk

To cover the Group's financing requirements, financial readiness is maintained in the form of centrally available liquid fund and committed credit facilities extended by banks in the form of development loans and rediscounting of receivables. As part of the Group's liquidity program, a regular monitoring of financial ratios is being done. Regular analysis shows that these financial ratios indicate positive liquidity condition.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payment for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

As at December 31, 2015 and 2014, the Group's financial liabilities have contractual maturities (with accounts payable and other liabilities excludes deferred output VAT and other taxes payable) which are presented below:

December 31, 2015	**Maturing in**				
	On Demand	**Less than 6 month**	**6 to 12 Months**	**1 to 5 Years**	**Total**
Accounts payable and other liabilities – note 11	**₱65,321,232**	**₱ –**	**₱ –**	**₱ –**	**₱65,321,232**
Borrowings – note 12	**–**	**–**	**31,542,665**	**45,552,461**	**77,095,126**
Advances from related parties – note 21	**–**	**–**	**–**	**123,756,376**	**123,756,376**
Retention payable and guarantee bonds – note 14	**–**	**–**	**–**	**23,657,784**	**23,657,784**
	₱65,321,232	**₱ –**	**₱31,542,665**	**₱192,966,621**	**₱289,830,518**

December 31, 2014	Maturing in				
	On Demand	Less than 6 month	6 to 12 Months	1 to 5 Years	Total
Accounts payable and other liabilities – note 11	₱92,197,485	₱ –	₱ –	₱ –	₱92,197,485
Borrowings – note 12	–	–	35,578,741	22,668,884	58,247,625
Advances from related parties – note 21	–	–	–	129,490,236	129,490,236
Retention payable and guarantee bonds	–	–	–	24,622,820	24,622,820
	₱92,197,485	₱ –	₱35,578,741	₱176,781,940	₱304,558,166

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

c) Market risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates and other market changes. Market prices comprise three types of risk: Interest rate risk, currency risk, commodity price risk and other price risk such as equity risk. The Group's market risk is manageable within conservative bounds. As at December 31, 2015 and 2014, the Group has not engaged in trading financial instruments and has not maintained financial instruments that are carried at fair value.

Interest rate risk

Interest rate risk is the risk to earnings or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a bank in the current interest rate environment and the sensitivity of that value to changes in interest rates.

To assure a fair margin of profitability, the Group keeps a reasonable spread between interest rate on contracts receivables and interest rates on borrowings. Fluctuation in interest rates has no material effect on Group's sales since the rates are fixed and predetermined at the inception of the contract.

The Group's policy is to minimize interest rate cash flow risk exposure on long-term financing. Long-term borrowings are therefore usually at fixed rates. At December 31, 2015 and 2014, the Group is exposed to market interest rates through its bank borrowings and cash in bank, trade receivables, and advances to related parties which are subject to fixed interest rates.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding carrying amounts are shown in the following table:

December 31, 2015	**Interest rate**	**Interest terms**	**Within 1 year**	**Within 1 to 7 years**	**Total**
Financial assets					
Cash (excluding cash on hand)	**0.125% to 0.25%**	**Fixed at the date of investment**	**₱ 11,392,059**	**₱ –**	**₱ 11,392,059**
Installment contract receivables, gross	**18%**	**Fixed at the date of sale**	**127,398,419**	**167,261,138**	**294,659,557**
Advances to related parties, gross	**2%**	**Fixed based on PN issued in 2014 (Note 21)**	**–**	**359,120,508**	**359,120,508**
			₱138,790,478	**₱526,381,646**	**₱665,172,124**
Financial liabilities					
Borrowings (excluding non-interest bearing borrowings)	**10%**	**Fixed based on PN issuance**	**₱ 31,542,665**	**₱ 45,552,461**	**₱77,095,126**

December 31, 2014	Interest rate	Interest terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash (excluding cash on hand)	0.125% to 0.25%	Fixed at the date of investment	₱ 24,664,084	₱ –	₱ 24,664,084
Installment contract receivables, gross	18%	Fixed at the date of sale	67,603,996	190,100,690	257,704,686
Advances to related parties, gross	2%	Fixed based on PN issued in 2014 (Note 21)	–	367,168,897	367,168,897
			₱92,268,080	₱557,269,587	₱649,537,667
Financial liabilities					
Borrowings (excluding non-interest bearing borrowings)	10%	Fixed based on PN issuance	₱ 35,578,741	₱ 35,578,741	₱ 58,247,625

30. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern; and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group defines capital as share capital and deficit for the purpose of capital management.

The Group regards and monitors as its capital the carrying amount of equity as presented on the face of the consolidated statements of financial position amounting to ₱1,050,954,862 and ₱1,051,971,634 as at December 31, 2015 and 2014, respectively.

The Group's goal in capital management is to maintain a minimum debt-to-equity structure ratio of 1:1 to 1:2 on a monthly basis.

	2015	2014
Total liabilities	**₱ 391,319,945**	₱ 403,002,854
Total equity	**1,050,954,862**	1,051,971,634
	1:2.69	1:2.61

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

31. FAIR VALUE ESTIMATION

Assets and liabilities not measured at fair value

The following table gives information about how the fair values of the Company's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting period, are determined.

2015	**Carrying Value**	**Fair value**	**Fair value hierarchy**	**Valuation technique**
Installment contract receivables	**₱294,659,557**	**₱294,659,557**	**Level 2**	**(a)**
Receivable from contractors	**4,868,259**	**4,015,340**	**Level 2**	**(b)**
Investment property	**1,072,016**	**45,500,000**	**Level 2**	**(e)**
Advances to related parties	**315,585,087**	**303,328,480**	**Level 2**	**(b)**
	₱616,184,919	**₱647,503,377**		
Financial Liabilities at amortized cost				
Advances from related parties	**₱123,756,376**	**₱118,942,253**	**Level 2**	**(c)**
Borrowings	**77,095,126**	**68,762,241**	**Level 2**	**(d)**
Retention payable and guarantee bonds	**23,657,784**	**19,512,940**	**Level 2**	**(b)**
	₱224,509,286	**₱207,217,434**		

2014	Carrying value	Fair value	Fair value hierarchy	Valuation technique
Installment contract receivables	₱305,601,961	₱305,601,961	Level 2	(a)
Receivable from contractors	7,292,468	6,192,236	Level 2	(b)
Investment property	1,072,016	45,500,000	Level 2	(e)
Advances to related parties	315,585,087	302,789,873	Level 2	(b)

	₱629,551,532	₱660,084,070		
Financial Liabilities at amortized cost				
Advances from related parties	₱129,490,236	₱122,021,541	Level 2	(c)
Borrowings	58,247,625	54,897,164	Level 2	(d)
Retention payable and guarantee bonds	24,622,820	20,907,915	Level 2	(b)
	₱212,360,681	₱197,826,620		

The fair values of cash, current trade receivables and accounts payable and other liabilities approximate their carrying amounts as at reporting dates due to the short-term nature of transactions.

Fair value estimation

(a) The fair value of installment contract receivable included under trade and other receivables are based on the discounted value of future cash using the discount rates of 18% at December 31, 2015 and 2014, respectively.

(b) The fair value of receivable form contractors, retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 4.348% in 2015 and 3.325% in 2014 for fixed income government securities of 5 years.

(c) The fair value of advances to related parties and advances from related parties is determined based on discounted value using the applicable rate of 2% to 3.93%% and 2% in 2015 and 2014, respectively.

(d) The fair value of interest bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable interest rates for similar types of loans. Discount rates used range from 3.875% to 4.000% in 2015 and 3.325 in 2014.

(e) The fair value was determined by reference to zonal values of real properties located in each zone or area upon consultation with competent appraisers both public and private sector.

* * *