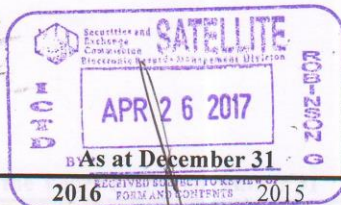


**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Financial Position**



	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash - note 4	P 8,963,990	P 11,520,059
Trade and other receivables - note 5	137,665,327	155,908,959
Real estate inventories - note 6	697,065,875	691,526,145
Prepayments and other current assets - note 7	26,601,483	24,381,293
	<b>870,296,675</b>	<b>883,336,456</b>
<b>Noncurrent Assets</b>		
Trade and other receivables (net of current portion) - net - note 5	153,668,135	172,129,397
Advances to related parties (net) - note 21	326,424,390	315,585,087
Investment property - note 8	1,072,016	1,072,016
Property and equipment (net) - note 9	44,053,190	47,356,870
Deferred tax assets (net) - note 23	8,089,622	16,267,655
Other noncurrent assets - note 10	6,629,818	6,527,326
	<b>539,937,171</b>	<b>558,938,351</b>
<b>TOTAL ASSETS</b>	<b>P 1,410,233,846</b>	<b>P 1,442,274,807</b>

**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts payable and other liabilities - note 11	P 52,840,776	P 65,321,232
Borrowings - note 12	43,432,981	31,542,665
Deferred gross profit - note 15	40,902,333	72,171,223
Customers' deposits - note 13	1,597,093	1,654,502
	<b>138,773,183</b>	<b>170,689,622</b>

**Noncurrent Liabilities**

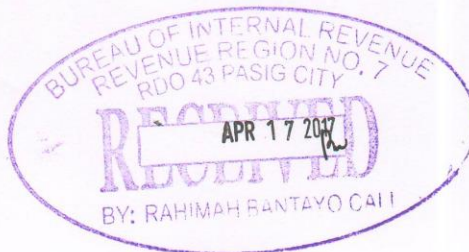
Retention payable and guarantee bonds - note 14	25,116,076	23,657,784
Borrowings (net of current portion) - note 12	34,902,442	45,552,461
Advances from related parties - note 21	123,756,261	123,756,376
Deferred tax liabilities - note 23	28,800,682	22,873,487
Retirement benefits obligation - note 24	5,258,659	4,790,215
	<b>217,834,120</b>	<b>220,630,323</b>

**Equity**

Capital stock - note 16	1,445,549,830	1,445,549,830
Remeasurement gain on retirement benefits - note 24	3,276,350	2,580,350
Deficit	( 395,199,637)	( 397,175,318)
	<b>1,053,626,543</b>	<b>1,050,954,862</b>

<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 1,410,233,846</b>	<b>P 1,442,274,807</b>
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*(The accompanying notes are an integral part of these consolidated financial statements)*

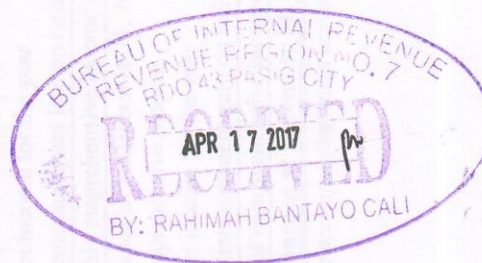


**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Comprehensive Income**

**For the Years Ended December 31**

	2016	2015	2014
<b>REAL ESTATE SALES</b> - note 17	<b>₱ 69,502,349</b>	₱ 123,804,128	₱ 118,707,798
<b>COST OF REAL ESTATE SOLD</b> - note 18	<b>( 28,592,799)</b>	( 55,349,119)	( 55,773,812)
<b>GROSS PROFIT</b>	<b>40,909,550</b>	68,455,009	62,933,986
<b>DEFERRED GROSS PROFIT</b>	<b>( 18,775,735)</b>	( 25,941,846)	( 30,976,360)
<b>REALIZED GROSS PROFIT DURING THE YEAR</b>	<b>22,133,815</b>	42,513,163	31,957,626
<b>REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES</b>	<b>47,826,959</b>	21,381,509	12,254,517
<b>TOTAL REALIZED GROSS PROFIT</b>	<b>69,960,774</b>	63,894,672	44,212,143
<b>OTHER INCOME (net)</b> - note 19	<b>11,779,538</b>	13,008,295	31,672,193
<b>OPERATING EXPENSES</b> - note 20	<b>( 52,962,149)</b>	( 63,694,487)	( 58,629,731)
<b>FINANCE COSTS</b> - note 12	<b>( 11,783,857)</b>	( 10,454,947)	( 776,192)
<b>INCOME BEFORE TAX</b>	<b>16,994,306</b>	2,753,533	16,478,413
<b>PROVISION FOR INCOME TAX</b> - note 23			
Current	1,211,682	1,271,092	1,080,975
Deferred	13,806,943	370,296	2,030,716
	<b>15,018,625</b>	1,641,388	3,111,691
<b>NET INCOME</b>	<b>1,975,681</b>	1,112,145	13,366,722
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Not subject to reclassification adjustment:</b>			
Remeasurement gain (loss) on retirement benefits (net of tax)	696,000	( 2,128,917)	2,755,612
<b>Borrowings</b> - note 12			
<b>FOR THE YEAR</b>	<b>₱ 2,671,681</b>	(₱ 1,016,772)	₱ 16,122,334
<b>EARNINGS PER SHARE</b> - note 28	<b>₱ 0.001</b>	₱ 0.001	₱ 0.009

*(The accompanying notes are an integral part of these consolidated financial statements)*



**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Changes in Equity**

	Capital stock (Note 16)	Remeasurement gain on retirement benefits (net) (Note 24)	Deficit	Total
Balance, January 1, 2014	₱ 1,445,549,830	₱ 1,953,655	(₱411,654,185)	₱1,035,849,300
Comprehensive income				
Net income for the year	—	—	13,366,722	13,366,722
Remeasurement gain on retirement benefits - note 24	—	2,755,612	—	2,755,612
<b>Total comprehensive income for the year</b>	—	<b>2,755,612</b>	<b>13,366,722</b>	<b>16,122,334</b>
Balance as at December 31, 2014	1,445,549,830	4,709,267	( 398,287,463)	1,051,971,634
Comprehensive income				
Net income for the year	—	—	1,112,145	1,112,145
Remeasurement loss on retirement benefits - note 24	—	( 2,128,917)	—	( 2,128,917)
<b>Total comprehensive income for the year</b>	—	<b>( 2,128,917)</b>	<b>1,112,145</b>	<b>( 1,016,772)</b>
Balance as at December 31, 2015	1,445,549,830	2,580,350	( 397,175,318)	1,050,954,862
Comprehensive income				
Net income for the year	—	—	1,975,681	1,975,681
Remeasurement gain on retirement benefits - note 24	—	696,000	—	696,000
<b>Total comprehensive income for the year</b>	—	<b>696,000</b>	<b>1,975,681</b>	<b>2,671,681</b>
<b>Balance as at December 31, 2016</b>	<b>₱1,445,549,830</b>	<b>₱ 3,276,350</b>	<b>(₱395,199,637)</b>	<b>₱1,053,626,543</b>

*(The accompanying notes are an integral part of these consolidated financial statements)*

**PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY**  
**Consolidated Statements of Cash Flows**

For the Years Ended December 31

	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱ 16,994,306	₱ 2,753,533	₱ 16,478,413
Adjustments for:			
Finance costs - note 12	11,783,857	10,454,947	776,192
Depreciation - note 9	3,437,260	3,424,329	3,785,727
Loss on cancelled contracts - note 20	1,732,014	1,588,220	3,266,898
Retirement benefits expense - note 24	1,462,730	1,193,335	1,349,067
Loss from disposal of property and equipment - note 9	-	22,000	-
Interest income - notes 4, 5 and 21	( 8,565,164)	( 9,389,778)	( 10,075,113)
Reversal of impairment loss on advances to related parties - note 21	( 2,384,888)	( 2,310,405)	( 7,434,134)
Operating income before working capital changes	24,460,115	7,736,181	8,147,050
Decrease (increase) in:			
Trade and other receivables	34,972,880	179,567	7,591,508
Real estate inventories	( 5,539,730)	( 2,253,784)	( 1,825,241)
Prepayments and other current assets	( 2,220,191)	( 5,075,233)	2,627,942
Increase (decrease) in:			
Accounts payable and other liabilities	( 12,480,456)	( 26,876,253)	( 15,758,911)
Customers' deposit	( 57,409)	( 6,012,633)	243,363
Deferred gross profit	( 31,268,890)	2,430,426	12,098,119
Retention payable and guarantee bonds	1,458,292	( 965,036)	( 8,853,263)
Cash generated from (used in) operations	9,324,611	( 30,836,765)	4,270,567
Borrowings - note 12	1,570,570	2,217,993	2,743,351
Income tax paid	( 1,211,682)	( 1,271,092)	( 1,080,975)
Net cash provided by (used in) operating activities	9,683,499	( 29,889,864)	5,932,943
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Collection of advances to related parties - note 21	23,919,998	32,050,071	69,686,174
Advances to related parties - note 21	( 25,379,819)	( 16,829,897)	( 8,655,706)
Additions to property and equipment - note 9	( 133,580)	( 1,324,259)	( 1,547,911)
Proceeds from sale of property and equipment	-	80,000	-
Additions to other noncurrent assets	( 102,492)	( 16,770)	( 51,967)
Net cash provided by (used in) investing activities	( 1,695,893)	13,959,145	59,430,590
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Settlement of advances from related parties - note 21	( 115)	( 5,733,860)	27,689,758
Proceeds from borrowings	38,892,932	56,500,136	15,315,133
Payment of borrowings	( 37,652,635)	( 37,652,635)	( 11,240,963)
Payment of advances from related parties - note 21	-	-	( 76,602,783)
Interest paid	( 11,783,857)	( 10,454,947)	( 776,192)
Net cash provided by (used in) financing activities	( 10,543,675)	2,658,694	( 45,615,047)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>( 2,556,069)</b>	<b>( 13,272,025)</b>	<b>19,748,486</b>
<b>CASH - note 4</b>			
At beginning of year	11,520,059	24,792,084	5,043,598
At end of year	₱ 8,963,990	₱ 11,520,059	₱ 24,792,084

*(The accompanying notes are an integral part of these consolidated financial statements)*