C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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C O M P A N Y   N A M E

ARANETA PROPERTIES, INC.

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

21ST FLOOR, CITIBANK TOWER, PASEO DE ROXAS, MAKATI CITY

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

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
Not Applicable	(02) 848-1501	Not Applicable

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,208	11/16	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Gerardo Deloso	gerardo_deloso@yahoo.com	(02) 848-1501	Not Applicable

CONTACT PERSON's ADDRESS

21st Floor, Citibank Tower, Paseo de Roxas, Makati City

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

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

ARANETA PROPERTIES, INC.

21ST FLOOR CITIBANK TOWER PASEO DE ROXA S, SALCEDO VILLAGE, MAKATI CITY PHILIPPINES 1200
PHONE: (632)8481501 TO 04 • FAX: (632)848-1495•E-MAIL ara@info.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS (SRC RULE 68)

The Management of **Araneta Properties, Inc.,** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017, and 2016 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip, Gorres, Velayo and Co., the independent auditors, appointed by the stockholders has audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

GREGORIO MA. ARANETA III
Chairman of the Board *and* CEO

CRISANTO ROY B. ALCID
President

JOSE O. EUSTAQUIO III
Chief Finance Officer

Date Approved
April 12, 2017

REPUBLIC OF THE PHILIPPINES
MAKTI CITY . . . .) S.S.

MAKATI CITY

SUBSCRIBED AND SWORN to before me this ________the day of APR 13 2018, 2018 at Makati City, Philippines, affiant exhibiting to me their Identification Cards as follows:

Name	Identification Cards No.
Gregorio Ma. Araneta III	TIN#136-998-184
Crisanto Roy B. Alcid	TIN#107-973-163
Jose O. Eustaquio III	TIN#108-128-015

Notary Public

Doc. No. 71 ;
Page No. 16 ;
Book No. II ;
Series of 2018

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
PTR NO. 5909514 / 01-03-2017 / MA
IBP NO. 036155 LIFETIME MEMBER
APPT. NO. M-104 / 2017 / ROLL NO. 40
MCLE COMPLIANCE NO. V-0006934
UNIT 102 PENINSULA COURT BLDG
8735 MAKATI AVE., MAKATI CITY

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Araneta Properties, Inc.
21st Floor, Citibank Tower
Paseo de Roxas, Makati City

Report on the Audit of the Financial Statements

We have audited the financial statements of Araneta Properties, Inc. (the Company), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Revenue Recognition on Real Estate Sales

The Company presently derives its revenue solely from the sale of real estate arising from a project agreement which has been substantially completed as discussed in Note 18 to the financial statements. In 2017, the Company recognized revenue from sale of real estate amounting to ₱60.97 million. This matter is significant to our audit because revenue is material to the financial statements and its calculation and recognition is largely dependent on the completeness and accuracy of information used by the Company.

Audit Response

We obtained an understanding of the Company's revenue recognition process with respect to the real estate project and tested the related controls. We performed inquiries with relevant personnel on the sales, collection and reporting processes. We obtained sales and collection reports and compared the data with the information in the Company's revenue calculation and monitoring schedule, and reviewed the disposition of differences noted. On a test basis, we traced reported lot sales and actual collection remittances to corresponding sales invoices and contracts to sell and official receipts and bank records. We performed cut-off procedures by examining sales and collection reports for the month subsequent to the cut-off date.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Araneta Properties, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Narciso T. Torres, Jr.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 6621336, January 9, 2018, Makati City

April 12, 2018

ARANETA PROPERTIES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱27,080,674**	₱75,947,377
Trade and other receivables (Notes 5 and 18)	**158,402,298**	169,317,585
Due from related parties (Note 13)	**20,922,876**	32,869,529
Real estate inventories (Notes 6 and 18)	**859,601,308**	881,024,137
Input value-added tax (VAT) - net	**80,766,411**	79,553,465
Prepaid taxes	**6,612,191**	7,656,927
Total Current Assets	**1,153,385,758**	1,246,369,020
Noncurrent Assets		
Trade receivables - net of current portion (Note 5)	**158,522,959**	132,336,494
Land held for future development (Note 7)	**654,148,925**	644,840,422
Property and equipment (Note 8)	**11,700,878**	19,097,499
Investment property (Note 9)	**5,444,076**	5,444,076
Available-for-sale (AFS) financial assets	**2,490,000**	2,400,000
Deposit for land acquisition (Note 10)	**4,483,115**	4,483,115
Total Noncurrent Assets	**836,789,953**	808,601,606
TOTAL ASSETS	**₱1,990,175,711**	₱2,054,970,626
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 11)	**₱33,005,483**	₱30,631,504
Liability for purchased land (Note 12)	**64,148,202**	70,983,305
Total Current Liabilities	**97,153,685**	101,614,809
Noncurrent Liabilities		
Liability for purchased land - net of current portion (Note 12)	**110,306,123**	160,232,929
Retirement benefit obligation (Note 14)	**21,555,685**	22,191,012
Deferred tax liability - net (Note 15)	**21,518,430**	22,830,211
Total Noncurrent Liabilities	**153,380,238**	205,254,152
Total Liabilities	**250,533,923**	306,868,961
Equity		
Capital stock - ₱1 par value		
Authorized - 5,000,000,000 shares		
Issued - 1,951,387,570 shares (Note 17)	**1,951,387,570**	1,951,387,570
Additional paid-in capital (Note 17)	**201,228,674**	201,228,674
Unrealized valuation losses on AFS financial assets	**(30,000)**	(120,000)
Remeasurement losses on retirement benefit plan (Note 14)	**(1,727,812)**	(3,837,580)
Deficit (Note 17)	**(411,216,644)**	(400,556,999)
Total Equity	**1,739,641,788**	1,748,101,665
TOTAL LIABILITIES AND EQUITY	**₱1,990,175,711**	₱2,054,970,626

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
SALE OF REAL ESTATE (Notes 5 and 18)	**₱60,971,337**	₱134,877,756	₱93,284,365
COST OF REAL ESTATE SOLD (Note 6)	**21,422,829**	66,876,325	31,869,647
GROSS PROFIT	**39,548,508**	68,001,431	61,414,718
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and wages	**23,907,047**	23,677,572	22,129,340
Security services	**12,206,473**	11,108,348	9,333,068
Taxes and licenses	**10,094,205**	8,232,346	6,795,474
Depreciation (Note 8)	**3,286,818**	4,060,915	3,328,011
Retirement benefit expense (Note 14)	**2,378,627**	2,817,295	1,982,455
Professional fees	**1,837,886**	1,682,337	1,257,610
Building dues and related charges	**1,669,262**	1,603,379	1,707,977
Entertainment, amusement and recreation	**1,419,533**	328,157	979,447
Repairs and maintenance	**982,072**	247,974	421,161
Transportation and travel	**832,038**	225,206	269,379
Utilities	**599,421**	655,815	777,539
Others	**4,958,307**	4,488,509	5,361,549
	64,171,689	59,127,853	54,343,010
OTHER INCOME (EXPENSE)			
Interests and penalties (Notes 4 and 5)	**20,162,942**	19,657,136	43,028,983
Interest expense (Notes 12 and 21)	**(7,390,895)**	(2,383,190)	–
	12,772,047	17,273,946	43,028,983
INCOME (LOSS) BEFORE INCOME TAX	**(11,851,134)**	26,147,524	50,100,691
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)			
Current	**1,024,478**	3,281,904	9,105,193
Deferred	**(2,215,967)**	7,219,705	3,182,346
	(1,191,489)	10,501,609	12,287,539
NET INCOME (LOSS)	**(10,659,645)**	15,645,915	37,813,152
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on retirement benefit plan, net of deferred taxes of ₱0.90 million in 2017, ₱0.73 million in 2016 and ₱0.77 million in 2015 (Note 14)	**2,109,768**	1,694,993	(1,797,087)
Item to be reclassified to profit or loss in subsequent periods			
Unrealized valuation gains (losses) on AFS financial assets	**90,000**	50,000	(20,000)
	2,199,768	1,744,993	(1,817,087)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱8,459,877)**	₱17,390,908	₱35,996,065
EARNINGS (LOSS) PER SHARE			
Basic and diluted (Note 16)	**(₱0.0055)**	₱0.0080	₱0.0233

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Capital Stock (Note 17)	Additional Paid-in Capital (Note 17)	Unrealized Valuation Gains (Losses) on AFS Financial Assets	Remeasurement Gains (Losses) on Retirement Benefit Plan, net of Deferred Taxes (Note 14)	Deficit	Total
Balances at January 1, 2015	**₱1,561,110,070**	**₱154,395,374**	**(₱150,000)**	**(₱3,735,486)**	**(₱454,016,066)**	**1,257,603,892**
Issuance of shares (Note 17)	390,277,500	46,833,300	–	–	–	437,110,800
Net income	–	–	–	–	37,813,152	37,813,152
Other comprehensive loss	–	–	(20,000)	(1,797,087)	–	(1,817,087)
Total comprehensive income (loss)	–	–	(20,000)	(1,797,087)	37,813,152	35,996,065
Balances at December 31, 2015	**1,951,387,570**	**201,228,674**	**(170,000)**	**(5,532,573)**	**(416,202,914)**	**1,730,710,757**
Net income	–	–	–	–	15,645,915	15,645,915
Other comprehensive income	–	–	50,000	1,694,993	–	1,744,993
Total comprehensive income	–	–	50,000	1,694,993	15,645,915	17,390,908
Balances at December 31, 2016	**1,951,387,570**	**201,228,674**	**(120,000)**	**(3,837,580)**	**(400,556,999)**	**1,748,101,665**
Net loss	–	–	–	–	(10,659,645)	(10,659,645)
Other comprehensive income	–	–	90,000	2,109,768	–	2,199,768
Total comprehensive income (loss)	–	–	90,000	2,109,768	(10,659,645)	(8,459,877)
Balances at December 31, 2017	**₱1,951,387,570**	**₱201,228,674**	**(₱30,000)**	**(₱1,727,812)**	**(₱411,216,644)**	**₱1,739,641,788**

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱11,851,134)**	₱26,147,524	₱50,100,691
Adjustments for:			
Interest expense (Notes 12 and 21)	**7,390,895**	2,383,190	–
Depreciation (Note 8)	**3,286,818**	4,060,915	3,328,011
Retirement benefit expense (Note 14)	**2,378,627**	2,817,295	1,982,455
Provision for impairment losses on receivables (Note 5)	**241,290**	–	–
Interest income (Note 4)	**(616,384)**	(2,385,504)	(675,799)
Operating income before working capital changes	**830,112**	33,023,420	54,735,358
Decrease (increase) in:			
Trade and other receivables	**(15,512,468)**	(49,155,757)	16,801,483
Real estate inventories	**21,422,829**	66,876,325	31,869,647
Input VAT	**(1,212,946)**	(42,630,548)	(8,519,481)
Increase (decrease) in accounts payable and accrued expenses	**2,373,979**	760,343	(206,623,666)
Net cash generated from (used in) operations	**7,901,506**	8,873,783	(111,736,659)
Interest received	**616,384**	2,385,504	675,799
Income taxes paid	**20,258**	(7,402,470)	(36,293,264)
Net cash flows from (used in) operating activities	**8,538,148**	3,856,817	(147,354,124)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to land held for future development (Note 7)	**(9,308,503)**	(191,815,871)	–
Acquisitions of property and equipment (Note 8)	**(49,374)**	(5,489,695)	(1,119,204)
Deposits for land acquisition (Note 10)	–	(4,483,115)	(33,506,830)
Net cash flows used in investing activities	**(9,357,877)**	(201,788,681)	(34,626,034)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease (increase) in due from related parties (Note 13)	**16,105,830**	(32,869,529)	–
Payment of liability for purchased land (Note 21)	**(64,152,804)**	–	–
Proceeds from share issuance (Note 17)	–	–	437,110,800
Net cash flows from (used in) financing activities	**(48,046,974)**	(32,869,529)	437,110,800
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(48,866,703)**	(230,801,393)	255,130,642
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**75,947,377**	306,748,770	51,618,128
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱27,080,674**	₱75,947,377	₱306,748,770

See accompanying Notes to Financial Statements.

ARANETA PROPERTIES, INC.
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information and Authorization for Issuance of Financial Statements**

   Corporate Information
   Araneta Properties, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on June 15, 1988 to acquire, own, hold, improve, develop, subdivide, sell, lease, rent, mortgage, manage and otherwise deal in real estate or any interest therein, for residential, commercial, industrial and recreational purposes, as well as to construct and develop or cause to be constructed and developed on any real estate or other properties, golf course, buildings, hotels, recreation facilities and other similar structures with their appurtenances; and in general, to do and perform any and all acts or work which may be necessary or advisable for or related incidentally or directly with the aforementioned business or object of the Company. The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since November 14, 1989.

   The Company's registered office address and principal place of business is 21st Floor, Citibank Tower, Paseo de Roxas, Makati City.

   Authorization for Issuance of Financial Statements
   The financial statements of the Company as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were authorized for issuance by the Company's Audit Committee on April 12, 2018, as delegated by the Board of Directors (BOD) on the same date.

2. **Summary of Significant Accounting Policies**

   Basis of Preparation
   The financial statements have been prepared under the historical cost basis, except for available for sale (AFS) financial assets which are carried at fair value. The financial statements are presented in Philippine peso (₱), which is the Company's functional currency. All values are rounded off to the nearest ₱ except when otherwise indicated.

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

   Changes in Accounting Policies and Disclosures
   The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improved PFRS which the Company has adopted starting January 1, 2017. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Company.

   - Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
     The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Company has provided the required information in Note 21 to the financial statements. As allowed under the transition provisions of the standard, the Company did not present comparative information for the years ended December 31, 2016 and 2015.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

<u>New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2017</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

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

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

  The Company has assessed that the adoption of these amendments will not have any impact on the 2018 financial statements.

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

  The Company is still assessing the potential impact of adopting PFRS 9 in 2018.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

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

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

  The Company is still assessing the potential impact of adopting PFRS 15 in 2018.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The Company has assessed that the adoption of these amendments will not have any impact on the 2018 financial statements.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  The Company is still assessing the potential impact of adopting PAS 40 in 2018.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Company has assessed that the adoption of these amendments will not have any impact on the 2018 financial statements.

Effective beginning on or after January 1, 2019

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

  The Company has assessed that the adoption of these amendments will not have any impact on its financial statements.

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

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

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

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

  The Company has assessed that the adoption of these amendments will not have any impact on its financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Company is currently assessing the impact of adopting this interpretation.

Deferred effectivity

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

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to an insignificant risk of change in value.

Financial Instruments
Date of Recognition
Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. The Company determines the classification of its financial instruments on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Initial Recognition
Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

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

As of December 31, 2017 and 2016, the Company does not have financial assets at FVPL, HTM investments and financial liabilities at FVPL.

Financial Assets
The Company's financial assets consist of loans and receivables and AFS financial assets.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS

financial assets or designated as financial assets at FVPL. This accounting policy mainly relates to the statement of financial position captions "Cash and cash equivalents", "Trade and other receivables" and "Due from related parties."

Loans and receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in "Interest" account in the statement of comprehensive income as part of profit or loss. The losses arising from impairment of receivables, if any, are recognized as expense in the statement of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectibility of accounts.

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

After initial measurements, AFS financial assets are measured at fair value. Unrealized gains and losses arising from fair valuation of AFS equity investments are reported as part of the "Other comprehensive income" section of the statement of comprehensive income.

AFS financial assets whose fair value cannot be reliably established are carried at cost less an allowance for any possible impairment. This normally applies to equity investments that are unquoted and whose cash flows cannot be forecasted reasonably.

When the investment is disposed of, the cumulative gains or losses previously recognized in the statement of changes in equity is recognized as part of net income in the statement of comprehensive income as a reclassification adjustment. Interest earned on holding AFS financial assets are reported as interest income using the EIR method. Dividends earned on holding AFS financial assets are recognized when the right to receive has been established which is usually the date of declaration of dividends. The losses arising from impairment of such investments are recognized as provision for impairment losses as part of profit or loss.

The Company has proprietary shares presented as "AFS financial assets" in the statements of financial position.

Financial Liabilities
The Company's financial liabilities consist of other financial liabilities.

Issued financial liabilities or their components, which are not designated as financial liabilities at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Company's "Accounts payable and accrued expenses", "Liability for purchased land" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and retirement benefit obligation).

Determination of Fair Value
Certain assets and liabilities are required to be measured or disclosed at fair value at each reporting date. 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:
1. In the principal market for the asset or liability, or
2. In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level of input that is significant to the fair value measurement is not observable

The AFS financial assets amounted to ₱2.49 million and ₱2.40 million as of December 31, 2017 and 2016, respectively. For the years ended December 31, 2017, 2016 and 2015, should the market be assessed to be inactive considering the volume or level of activity and sizes of transactions for a particular share may be very low and the quoted prices are only published once a week, which may result that the prices not being based on most recent information, the fair value hierarchy were assessed to be Level 2 rather than Level 1.

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss. In cases where data used are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is

derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit amount.

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or 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 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 debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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 a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. 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 loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss is charged to the statement of comprehensive income as part of profit or loss. If, in a subsequent year, the amount of the impairment loss decreases because an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income as part of profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Impaired debts are derecognized when they are assessed as uncollectible.

AFS Financial Assets
The Company assesses at each reporting date whether there is objective evidence that an AFS investment is impaired.

In the case of an AFS equity investment, this would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. If an AFS financial assets is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in net income, is transferred from other comprehensive income to income in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly in equity through the statement of comprehensive income.

Derecognition of Financial Instruments

Financial asset

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 Company's rights to receive cash flows from the asset have expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company 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 the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liability

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

Offsetting Financial Assets and Financial Liabilities

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

Current versus Non-current Classification

The Company presents assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Interests in Joint Operations

Interests in joint operations represent one or more assets, usually in the form of real estate development, contributed to, or acquired for the purpose of the joint operations. The assets are used to obtain benefits for the operators. Each operator takes a share of the output from the assets, as agreed between parties and each bears an agreed share of the expenses incurred. These joint operations do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the operators themselves. Each operator has control over its share of future economic benefits through its share of the results of the joint operation. Contribution of the Company to the joint operation is included in real estate inventories.

The Company's project agreement with Sta. Lucia Realty and Development, Inc. (SLRDI) is accounted for as a joint operation (see Note 18).

Real Estate Inventories

Property acquired or those that are being developed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land cost;
- Borrowing costs, professional fees, property transfer taxes and other related costs.

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

Value-added Tax (VAT)

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

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

Prepaid Taxes

Prepaid taxes pertain to the excess payment against the current income tax due which are expected to be utilized as payment for income taxes within twelve (12) months.

Land Held for Future Development
Land held for future development consists of properties for future development that are carried at the lower of cost and NRV. All costs incurred that are directly and clearly associated with the acquisition of the land and obtaining the necessary land conversion approval, including borrowing costs, are capitalized to land held under development. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Upon commencement of development, the subject land is transferred to “Real estate inventories.”

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of property and equipment comprises its purchase price, including import duties, any nonrefundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to expense in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is calculated using the straight-line method over the estimated useful life of the assets or term of the lease, in the case of building and improvements, whichever is shorter, as follows:

Category	Number of Years
Office condominium unit	25
Building and improvements	25
Hauling and transportation equipment	5
Machinery and equipment	5
Furniture, fixtures and other equipment	5

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

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation are removed from the accounts. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income as part of profit or loss in the year the asset is derecognized. Fully depreciated assets are retained as property and equipment until these are no longer in use.

Investment Property
Investment property, comprising parcels of land, is held either to earn rental income or for capital appreciation or both. Investment property is measured initially and subsequently at cost, including transaction costs less any accumulated impairment losses.

Investment property is derecognized when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income as part of profit or loss in the year of the 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 Company accounts for such property in accordance with PAS 16 up to the date of change in use.

Deposit for Land Acquisition
This represents deposits made to land owners for the purchase of certain parcels of land that are intended for future development. The Company normally makes deposits before a Contract to Sell (CTS) or Deed of Absolute Sale (DOAS) is executed between the Company and the land owner. Deposit for land acquisition is initially measured at cost, including transaction costs. Subsequent to initial recognition, deposit for land acquisition is stated at cost less any accumulated impairment losses.

Impairment of Property and Equipment, Investment Property and Other Nonfinancial Assets
These assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The fair value less costs to sell 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 less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income as part of profit or loss.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the statement of comprehensive income as part of profit or loss. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

Capital Stock and Additional Paid-in Capital
The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds. Additional paid-in capital represents the excess of the investors' total contribution over the stated par value of shares.

Deficit
Deficit includes accumulated losses attributable to the Company's stockholders. Deficit may also include effect of changes in the accounting policy as may be required by the transitional provisions of new and amended standards.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Real Estate
Real estate revenue arising from the project agreement with SLRDI is accounted for using the percentage of completion method. The percentage of completion method is used to recognize income from sales of projects where the Company has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the project's supervising engineer's percentage of completion report.

Interest Income
Interest income is recognized as it accrues using the EIR method.

Income from Penalties and Other Income
Income from penalties and other income is recognized when earned.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expenses arise while interest expenses are accrued in the appropriate period.

Cost of Real Estate Sold
Cost of real estate sales arising from the project agreement with SLRDI is recognized consistent with the revenue recognition method applied. Cost of subdivision land includes land cost, planning and design costs, professional fees, property transfer taxes and other related costs.

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

Retirement Benefit Expense
The Company has an unfunded, defined benefit retirement plan. The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Interest on the defined benefit liability
- Remeasurements of defined benefit liability

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

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

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Income Taxes

Current Income Tax

Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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

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

Deferred tax relating to items recognized directly in equity is recognized in the statement of changes in equity and as other comprehensive income in the statement of comprehensive income.

Provisions

Provisions are recognized when the Company 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 made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income as part of profit or loss, net of any reimbursement.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Earnings (Loss) Per Share
The Company presents basic and diluted earnings per share data for its common shares. Basic earnings/loss per share is calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares issued and outstanding during the period after giving retroactive effect to any stock dividends declared.

Diluted earnings (loss) per share is calculated in the same manner, adjusted for the effects of any dilutive potential common shares. Where the effect of the dilutive potential common shares would be anti-dilutive, basic and diluted earnings per share are stated at the same amount.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (i.e., adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments and Estimates

The Company's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
Distinction between Joint Operation and Joint Venture
The Company applies judgment when assessing whether a joint arrangement is a joint operation or a joint venture. The Company determines the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement. The Company assesses its rights and obligations by considering the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. The Company's arrangement with SLRDI is not structured through a separate vehicle. The contractual arrangement establishes the Company's and SLRDI's rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses. Accordingly, this agreement was accounted for as a joint operation (see Note 18).

Determining Indicators of Impairment of Property and Equipment, Investment Property and Deposit for Land Acquisition
The Company assesses impairment on these assets whenever events or changes in circumstances indicate that their carrying amounts are no longer recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the cost of disposal. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit to which the asset belongs. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make judgments and estimates that can materially affect the financial statements.

There were no impairment indicators noted for property and equipment, investment property and deposit for land acquisition in 2017, 2016 and 2015, as such, there were no impairment provided. The aggregate carrying amounts of property and equipment, investment property and deposit for land acquisition amounted to ₱21.63 million and ₱29.02 million as of December 31, 2017 and 2016, respectively (see Notes 8, 9 and 10).

Estimates
Estimating Revenue and Cost Recognition
The Company's sale of real estate arises from its joint operation agreement with SLRDI. The Company's revenue from the sale of real estate and its related costs are recognized based on the percentage of completion method and are measured principally on the basis of estimated completion of a physical proportion of the contract work by the project's supervising engineer. Furthermore, management uses 20% of the contract price as the collection threshold before a sale is recognized. Revenue from sale of real estate amounted to ₱60.97 million, ₱134.88 million, and ₱93.28 million in 2017, 2016 and 2015, respectively. The related costs of real estate sold amounted to ₱21.42 million, ₱66.88 million, and ₱31.87 million in 2017, 2016 and 2015, respectively.

Estimating Impairment of Trade and Other Receivables
The Company evaluates specific accounts where the Company has information that certain customers or third parties are unable to meet their financial obligations. Factors, such as the Company's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered in determining the amount of allowance for impairment that will be recorded. The allowance is re-evaluated and adjusted as additional information is received.

Allowance for impairment losses amounted to ₱55.54 million and ₱55.30 million as of December 31, 2017 and 2016, respectively. Provision for impairment losses on trade and other receivables recognized amounted to ₱0.24 million, nil in 2017, 2016 and 2015, respectively. The carrying amounts of trade and other receivables amounted to ₱316.93 million and ₱301.65 million as of December 31, 2017 and 2016, respectively (see Note 5).

Estimating NRV of Real Estate Inventories and Land Held for Future Development
The Company estimates adjustments for write-down of real estate inventories and land held for future development to reflect the excess of cost of real estate inventories and land held for future development over their NRV. NRV of real estate inventories and land held for future development are assessed regularly based on selling prices of real estate inventories in the ordinary course of business, less the costs of marketing and distribution. The Company provides write-down on the carrying amount whenever NRV of real estate inventories and land held for future development becomes lower than cost due to changes in price levels or other causes. No adjustments on real estate inventories and land held for future development were recognized in 2017, 2016 and 2015. The aggregate carrying amounts of real estate inventories and land held for future development, at cost, amounted to ₱1,513.75 million and ₱1,525.86 million as of December 31, 2017 and 2016, respectively (see Notes 6 and 7).

Estimating Retirement Benefit Expense
The determination of the Company's retirement benefit obligation and expense is dependent on the management's selection of certain assumptions used by the actuary in calculating such amounts (see Note 14).

Retirement benefit expense amounted to ₱2.38 million, ₱2.82 million and ₱1.98 million in 2017, 2016 and 2015, respectively. Actuarial gain (losses) on retirement benefit plan recognized in other comprehensive income, net of tax, amounted to ₱2.11 million gain, ₱1.69 million gain and ₱1.80 million losses in 2017, 2016 and 2015, respectively. Retirement benefit obligation amounted to ₱21.56 million and ₱22.19 million as of December 31, 2017 and 2016, respectively (see Note 14).

Estimating Realizability of Deferred Tax Assets
The Company reviews the carrying amounts of its deferred tax assets at each reporting date and reduces the amounts 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. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future planning strategies to which the deferred tax assets can be utilized as well as the volatility of government issuances on tax interpretations. As of December 31, 2017 and 2016, the Company's deferred tax assets amounted to ₱27.11 million and ₱23.25 million, respectively (see Note 15).

4. **Cash and Cash Equivalents**

	2017	2016
Cash on hand and in banks	**₱6,959,610**	₱55,627,337
Cash equivalents	**20,121,064**	20,320,040
	₱27,080,674	₱75,947,377

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods up to three months depending on the immediate cash requirements of the Company and earn interest at the respective deposit rates.

Interest income earned from cash with banks and cash equivalents amounted to ₱0.62 million, ₱2.39 million and ₱0.68 million in 2017, 2016 and 2015, respectively.

5. Trade and Other Receivables

	2017	2016
Trade receivables (see Note 18)	**₱314,917,592**	₱300,666,684
Impaired installment receivables	**55,316,122**	55,074,832
Advances to officers and employees and others:		
Impaired	**226,458**	226,458
Unimpaired	**2,007,665**	987,395
	372,467,837	356,955,369
Less allowance for impairment losses	**55,542,580**	55,301,290
	316,925,257	301,654,079
Less noncurrent portion of trade receivables	**158,522,959**	132,336,494
Current portion	**₱158,402,298**	₱169,317,585

Trade receivables mainly represent the Company's outstanding balance in the sale of real estate. These receivables pertain to amounts due from SLRDI and customers.

Receivables from SLRDI pertain to collections by SLRDI from customers for remittance to the Company. These are noninterest-bearing and are due on demand.

Receivables from customers consist of interest-bearing and noninterest-bearing receivables which are collectible in monthly installments over a period of one to five years. Income from interests and penalties arising from late payment of these receivables amounting to ₱19.54 million, ₱17.27 million and ₱42.35 million in 2017, 2016 and 2015, respectively, are recognized as "Interests and penalties" in the "Other Income (Expense)" section in the statement of comprehensive income.

Impaired installment receivables pertain to the uncollected portion of the amount arising from the sale of non-operating properties to Platinum Group Metal Corporation (PGMC) in 2005. The contract price is collectible in fixed monthly payment of ₱2.00 million starting January 24, 2006. Installment receivables were discounted using the credit-adjusted risk-free rates prevailing at the time of the sale which resulted in an effective interest rate of 9.45%. The Company recognized full allowance on these receivables while they are currently in the process of renegotiating with the management of PGMC with respect to the settlement of the said installment receivables.

Advances to officers and employees and others are noninterest-bearing receivables and are due within 12 months from the reporting date.

The movements in the allowance for impairment losses on receivables from customers determined through collective impairment assessment follow:

	2017	2016
Balance at beginning of year	**₱55,301,290**	₱55,301,290
Provision	**241,290**	−
Balance at end of year	**₱55,542,580**	₱55,301,290

6. Real Estate Inventories

This account pertains to land developed for residential subdivisions under the project agreement with SLRDI. As discussed in Note 18 to the financial statements, the Company, together with SLRDI, began their regular activities in 2005 based on their project agreement. As of December 31, 2017, the residential area of Phase 1, Phase 2, and Phase 3 are 100%, 100%, and 99.68% completed, respectively, based on the physical completion report provided by the project's supervising engineer.

The roll-forward of this account follows:

	2017	2016
At January 1	**₱881,024,137**	₱947,900,462
Recognized as cost of real estate sold	**(21,422,829)**	(66,876,325)
At December 31	**₱859,601,308**	₱881,024,137

Based on management's evaluation, the NRV of the real estate inventories is substantially higher than its cost, accordingly, no write-down was recognized in 2017, 2016 and 2015.

The amount of real estate inventories recognized under "Cost of real estate sold" in the statements of comprehensive income amounted to ₱21.42 million, ₱66.88 million and ₱31.87 million in 2017, 2016 and 2015, respectively.

7. Land Held for Future Development

This account comprises parcels of land acquired by the Company for future real estate development.

Movements in land held for future development are set-out below:

	2017	2016
At January 1	**₱644,840,422**	₱190,684,677
Additions	**9,308,503**	393,123,505
Transfer from deposit for land acquisition (see Note 10)	**–**	61,032,240
At December 31	**₱654,148,925**	₱644,840,422

On September 19, 2016, the Company entered into a contract for acquisition of a 580,154 sqm. land, from Insular Life Insurance Company for a total gross consideration of ₱430.47 million, inclusive of input VAT amounting to ₱46.07 million. As of December 31, 2017, the Company has already paid ₱257.51 million of the contract price. The remaining balance of ₱172.96 million is payable on installment basis over a period of four years and is recognized under "Liability for purchased land" account (see Note 12). The effect of discounting of the liability amounting to ₱20.91 million was deducted from the contract price to arrive at the cost of the acquired land.

Also in 2016, a 169,904 sqm. land is transferred from deposit for land acquisition for a consideration of ₱61.03 million from a third party. As of December 31, 2017, the Company has already paid ₱48.40 million while the remaining balance of ₱12.63 million was recognized under "Liability for purchased land" (see Notes 10 and 12).

In 2017, the Company purchased land from Paramount Finance Corporation amounting to ₱3.72 million, while the remaining portion amounting to ₱5.59 million pertains to additions made to previous lots purchased.

Based on management's evaluation, the NRV of the land held for future development is substantially higher than its cost, accordingly, no write-down was recognized in 2017, 2016 and 2015.

8. Property and Equipment

2017

	Office Condominium Unit	**Building and Improvements**	**Hauling and Transportation Equipment**	**Machinery and Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Costs:						
Balances at beginning of year	**₱46,047,004**	**₱15,290,341**	**₱11,958,448**	**₱4,486,929**	**₱9,479,749**	**₱87,262,471**
Additions	–	–	–	–	**49,374**	**49,374**
Reclassification	–	–	**(4,893,150)**	–	–	**(4,893,150)**
Balances at end of year	**46,047,004**	**15,290,341**	**7,065,298**	**4,486,929**	**9,529,123**	**82,418,695**
Accumulated depreciation:						
Balances at beginning of year	**34,966,490**	**13,643,008**	**6,638,985**	**4,486,929**	**8,429,560**	**68,164,972**
Depreciation	**1,842,206**	**548,059**	**570,877**	–	**325,676**	**3,286,818**
Reclassifications	–	–	**(733,973)**	–	–	**(733,973)**
Balances at end of year	**36,808,696**	**14,191,067**	**6,475,889**	**4,486,929**	**8,755,236**	**70,717,817**
Net book values	**₱9,238,308**	**₱1,099,274**	**₱589,409**	**₱–**	**₱773,887**	**₱11,700,878**

2016

	Office Condominium Unit	Building and Improvements	Hauling and Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Total
Costs:						
Balances at beginning of year	₱46,047,004	₱15,290,341	₱7,065,298	₱4,486,929	₱8,883,204	₱81,772,776
Additions	–	–	4,893,150	–	596,545	5,489,695
Balances at end of year	46,047,004	15,290,341	11,958,448	4,486,929	9,479,749	87,262,471
Accumulated depreciation:						
Balances at beginning of year	33,124,610	13,031,394	5,305,891	4,486,929	8,155,233	64,104,057
Depreciation	1,841,880	611,614	1,333,094	–	274,327	4,060,915
Balances at end of year	34,966,490	13,643,008	6,638,985	4,486,929	8,429,560	68,164,972
Net book values	₱11,080,514	₱1,647,333	₱5,319,463	₱–	₱1,050,189	₱19,097,499

Depreciation expense is presented as part of "General and administrative expenses" in the statements of comprehensive income.

Fully depreciated property and equipment with cost of ₱21.42 million and ₱16.41 million are still being used in operations as of December 31, 2017 and 2016, respectively.

No property and equipment were pledged as security to the Company's obligations in 2017, 2016 and 2015.

9. Investment Property

On January 24, 2005, the Company entered into a contract of lease with PGMC for the lease of the land where the non-operating properties are located (see Note 5). The contract is for a period of 10 years subject to renewal upon mutual consent of both parties. The contract also calls for an initial payment of ₱0.60 million comprising of one month advance rental deposit and security deposit amounting to ₱0.20 million and ₱0.40 million, respectively.

As of December 31, 2017 and 2016, the carrying value of investment property amounted to ₱5.44 million. The Company did not recognize the rent income from this lease arrangement in 2017, 2016 and 2015, as management assessed that it is not probable that the benefit associated with the transaction will flow to the Company. There were no restrictions on realizability of the investment property and no significant costs were incurred to maintain the investment property. There are also no obligations on the part of the Company to develop this investment property.

Based on the latest appraisal report, the fair value of the investment property amounted to ₱393.87 million. The valuation performed was made by a qualified independent appraiser. The valuation techniques were in accordance with that recommended by the International Valuation Standards Committee and in accordance with PFRSs.

This is categorized as Level 3 in the fair value hierarchy as of December 31, 2017 and 2016.

Valuation technique used and key inputs to valuation on investment property are as follows:

	Valuation technique	Significant unobservable inputs	Range
Land			
Residential	Market		₱800 - ₱375
Industrial	Data Approach/	Price per	₱1,750 - ₱600
Foreshore/beaches	Sales Comparison	square meter	₱2,500 - ₱1,800

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the property.

10. Deposit for Land Acquisition

Movements in deposit for land acquisition are set-out below:

	2017	2016
Balances at beginning of year	**₱4,483,115**	₱33,506,830
Additions	–	4,483,115
Reclassified to land held for future development	–	(33,506,830)
Balances at end of year	**₱4,483,115**	₱4,483,115

In 2016, upon execution of the CTS, the Company transferred to “Land held for future development” account the deposit made to a third party in 2015 amounting to ₱33.51 million for the acquisition of a 169,904 sqm. parcel of land situated in Laoag, Ilocos Norte. The cost of the land transferred amounted to ₱61.03 million (see Note 7).

11. **Accounts Payable and Accrued Expenses**

	2017	2016
Trade payables	**₱25,617,535**	₱24,257,852
Accrued expenses	**6,057,652**	5,882,912
Others	**1,330,296**	490,740
	₱33,005,483	₱30,631,504

Trade payables are unsecured, noninterest-bearing and are generally due and demandable.

Accrued expenses include accruals for professional fees, utilities, salaries and wages and outside services.

Others include withholding taxes payable, SSS, Philhealth and HDMF contributions.

12. **Liability for Purchased Land**

This account pertains to the outstanding payable of the Company for the cost of land purchased recognized under "Land held for future development". This consists of the following:

	2017	2016
Current	**₱64,148,202**	₱70,983,305
Noncurrent	**110,306,123**	160,232,929
Total	**₱174,454,325**	₱231,216,234

As discussed in Note 7, on September 19, 2016, the Company entered into a contract for acquisition of a 580,154 sqm. land from Insular Life Insurance Company for a total gross consideration of ₱430.47 million. As of December 31, 2017, the Company has already paid ₱257.51 million of the contract price. The liability pertaining to the remaining balance which is payable on installment basis over a period of four years was recorded at fair value upon initial recognition using the discounted cash flow model using the prevailing discount rate at the time of acquisition.

Details of the liability of purchased land from Insular Life Insurance Company as of December 31, 2017 follow:

Principal	₱172,958,411
Unamortized discount:	
Beginning balance	18,526,076
Amortization (see Note 21)	(7,390,895)
Ending balance	11,135,181
	161,823,230
Less noncurrent portion	108,873,883
	₱52,949,347

In 2015, the Company entered into a contract for acquisition of a 169,904 sqm. land, for a consideration of ₱61.03 million from a third party. This was initially recorded as deposit for land acquisition (see Note 10). In 2016, this was reclassified to "Land held for future development" account (see Note 6). As of December 31, 2017, the Company has already paid ₱48.40 million while the remaining balance of ₱12.63 million was recognized as "Liability for purchased land".

13. Related Party Transactions

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

The Company has transactions with related parties in 2017 and 2016 as follows:

Category/ Related Party	**Year**	**Transactions**	**Outstanding balance**	**Terms**	**Conditions**
Under common control					
HE Heacock Resources Corporation					
Advances	2017	**₱6,500,000**	**(₱7,932,240)**	Due and demandable; noninterest-bearing	Unsecured
Stockholder					
Carmel Development, Inc.					
Due from affiliates	2017	**(₱49,114,093)**	**₱20,922,876**	Due and demandable; noninterest-bearing	Unsecured; no impairment
		(₱42,614,093)	**₱12,990,636**		

Category/ Related Party	Year	Transactions	Outstanding balance	Terms	Conditions
Under common control					
HE Heacock Resources Corporation					
Advances	2016	₱6,000,000	₱6,000,000	Due and demandable; noninterest-bearing	Unsecuredt
Stockholder					
Gregorio Araneta, Inc.					
Due from affiliates	2016	17,500,000	17,500,000	Due and demandable; noninterest-bearing	Unsecured; no impairment
Carmel Development, Inc.					
Due from affiliates	2016	9,369,529	9,369,529	Due and demandable; noninterest-bearing	Unsecured; no impairment
		₱32,869,529	₱32,869,529		

Compensation of Key Management Personnel
Short-term compensation of key management personnel of the Company amounted to ₱6.61 million, ₱7.60 million and ₱6.61 million in 2017, 2016 and 2015, respectively.

14. Retirement Benefit Obligation

The Company has an unfunded defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on the years of service and percentage of latest monthly salary.

The defined benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement in 2017, 2016 and 2015.

The movements of retirement benefit obligation recognized in the statements of financial position are as follows:

	2017	2016
Balances at beginning of year	**₱22,191,012**	₱21,795,135
Retirement benefit expense recognized in profit or loss:		
Current service costs	**1,507,972**	1,753,692
Net interest costs	**870,655**	1,063,603
	2,378,627	2,817,295
Remeasurement gains recognized in other comprehensive income	**(3,013,954)**	(2,421,418)
Balances at end of year	**₱21,555,685**	₱22,191,012

The components of retirement benefit expense recognized in profit or loss are as follows:

	2017	2016	2015
Current service costs	**₱1,507,972**	₱1,753,692	₱1,431,900
Net interest costs	**870,655**	1,063,603	550,555
	₱2,378,627	₱2,817,295	₱1,982,455

The principal assumptions used in determining the defined benefit obligation are as follows:

	2017	2016	2015
Discount rate	**5.75%**	5.31%	4.88%
Salary increase rate	**6.70%**	6.70%	8.00%

The sensitivity analysis below has been determined based on reasonably possible changes to each significant assumption on the retirement benefit obligation, assuming all other assumptions are held constant:

	Increase (decrease) in basis points	Amounts **2017**	Amounts 2016
Discount rate	+100	**(₱997,704)**	(₱1,284,843)
	-100	**1,151,823**	1,506,506
Salary increase rate	+100	**1,229,275**	1,572,323
	-100	**(1,090,868)**	(1,373,155)

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2017:

Years	Amounts
Less than 1 year	₱12,586,511
More than 1 year to 5 years	3,772,517
More than 5 years to 10 years	1,999,072
More than 10 years to 15 years	15,530,461
More than 15 years to 20 years	2,669,365
More than 20 years	19,203,095
Total	₱55,761,021

The Company does not expect to contribute to its retirement plan in 2018.

The average working life of employees as of December 31, 2017 and 2016 is 13.26 years and 12.26 years, respectively.

15. Income Taxes

The provision for current income tax represents minimum corporate income tax (MCIT) in 2017 and regular corporate income tax in 2016 and 2015.

The components of the Company's net deferred tax liability are as follows:

	2017	2016
Recognized in profit or loss:		
Deferred tax assets:		
Allowance for impairment losses	**₱16,662,774**	₱16,590,387
Retirement benefit recognized in profit or loss	**5,726,215**	5,012,627
Net operating loss carryover (NOLCO)	**2,954,691**	–
MCIT	**1,024,477**	–
	26,368,157	21,603,014
Deferred tax liability:		
Effect of difference between revenue recognized for tax and accounting	**(48,627,078)**	(46,077,902)
	(22,258,921)	(24,474,888)
Recognized in other comprehensive income:		
Remeasurement losses on defined benefit obligation	**740,491**	1,644,677
Net deferred tax liability	**(₱21,518,430)**	(₱22,830,211)

A reconciliation of the statutory income tax expense at statutory rate of 30% to the provision for income tax expense is as follows:

	2017	2016	2015
At statutory income tax rate	**(₱3,555,340)**	₱7,844,257	₱15,030,207
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**2,551,672**	3,373,003	6,737,257
Nontaxable income	**(187,821)**	(715,651)	(202,740)
Others	**–**	–	(9,277,185)
	(₱1,191,489)	₱10,501,609	₱12,287,539

Details of the tax effects of the Company's NOLCO and MCIT which are available for offset against future taxable income and income tax payable, respectively, follow:

Inception Year	NOLCO	Expired	Balance	Expiry Year
2017	₱2,954,691	₱–	₱2,954,691	2020

Inception Year	MCIT	Expired	Balance	Expiry Year
2017	₱1,024,477	₱–	₱1,024,477	2020

Republic Act (RA) No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

16. **Earnings (Loss) Per Share**

	2017	2016	2015
Net income (loss)	**(₱10,659,645)**	₱15,645,915	₱37,813,152
Weighted average common shares	**1,951,387,570**	1,951,387,570	1,626,156,320
Basic and diluted earnings (loss) per share	**(₱0.0055)**	₱0.0080	₱0.0233

The Company does not have any dilutive common shares outstanding, accordingly, the basic and diluted earnings per share are the same.

The weighted average number of shares takes into account the weighted average effect of changes in number of shares outstanding during the year. In November 2015, the Company issued additional 390,277,500 shares (see Note 17)

17. **Financial Instruments and Capital Management**

General
The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

Financial Risk Management Objectives and Policies
The Company's principal financial instruments consist of cash and cash equivalents and trade and other receivables. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as AFS financial assets and accounts payable and accrued expenses and liability for purchased land which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk and credit risk.

As of December 31, 2017 and 2016, the Company has minimal exposure to any significant foreign currency risk because its financial instruments are denominated in Philippine peso, the Company's functional currency. As assessed by the management, the Company has minimal exposure to equity price risk for the AFS financial assets and as such, has no material impact to the financial statements. BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Company's credit standing.

The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement.

The following tables summarize the maturity profile of the Company's financial assets held for liquidity purposes based on contractual and undiscounted receivables and financial liabilities based on contractual and undiscounted payables.

2017

	On demand	**Within 1 year**	**More than 1 year**	**Total**
Financial assets:				
Cash and cash equivalents	**27,048,393**	**–**	**–**	**27,048,393**
Trade and other receivables[1]	**–**	**158,402,298**	**158,522,959**	**316,925,257**
Due from related parties	**20,922,876**	**–**	**–**	**20,922,876**
	47,971,269	**158,402,298**	**158,522,959**	**364,896,526**
Financial liabilities:				
Accounts payable and accrued expenses[2]	**(32,517,223)**	**–**	**–**	**(32,517,223)**
Liability for purchased land	**–**	**(64,148,202)**	**(110,306,123)**	**(174,454,325)**
	(32,517,223)	**(64,148,202)**	**(110,306,123)**	**(206,971,548)**
Net financial assets (liabilities)	**₱15,454,046**	**₱94,254,096**	**₱48,216,836**	**₱157,924,978**

[1] *Excluding impaired receivables.*
[2] *Excluding withholding taxes and other statutory tax liabilities.*

2016

	On demand	Within 1 year	More than 1 year	Total
Financial assets:				
Cash and cash equivalents	₱55,627,337	₱20,320,040	₱–	₱75,947,377
Trade and other receivables[1]	–	169,317,585	132,336,494	301,654,079
Due from related parties	32,869,529	–	–	32,869,529
	88,496,866	189,637,625	132,336,494	410,470,985
Financial liabilities:				
Accounts payable and accrued expenses[2]	(30,327,530)	–	–	(30,327,530)
Liability for purchased land	–	(76,783,899)	(172,958,411)	(249,742,310)
	(30,327,530)	(76,783,899)	(172,958,411)	(280,069,840)
Net financial assets (liabilities)	₱58,169,336	₱112,853,726	(₱40,621,917)	(₱130,401,145)

[1] *Excluding impaired receivables.*
[2] *Excluding withholding taxes and other statutory tax liabilities.*

Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The credit risk of the Company is controlled by the approvals, limits and monitoring procedures. It is the Company's policy to enter into transactions with creditworthy parties to mitigate any significant concentration of credit risk. The Company ensures that credit transactions are made with parties with appropriate credit history and has internal mechanism to monitor granting of credit and management of credit exposures. The Company's maximum exposure to credit risk is equal to the carrying amounts of its financial assets (excluding cash on hand) amounting to ₱364.90 million and ₱412.84 million as of December 31, 2017 and 2016, respectively. Except for impaired receivables amounting to ₱55.54 million and ₱55.30 million as of December 31, 2017 and 2016, the Company's financial assets are neither past due nor impaired as of December 31, 2017 and 2016.

Receivables that are neither past due nor impaired are due from creditworthy counterparties with good payment history with the Company. Such receivables are collectible and in good standing as assessed by the Company's management.

Cash with banks and short-term investments are deposits and investments, respectively, made with reputable banks duly approved by the BOD. As such, cash and cash equivalents are assessed by Management as high grade.

Capital Management
The Company considers the following items in the statements of financial position as its core capital:

	2017	2016
Capital stock	**₱1,951,387,570**	₱1,951,387,570
Additional paid-in capital	**201,228,674**	201,228,674
Deficit	**(411,216,644)**	(400,556,999)
	₱1,741,399,600	₱1,752,059,245

The primary objective of the Company's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in 2017, 2016 and 2015.

Below is the Company's track record of registration of securities under the Securities Regulation Code of the SEC:

Date of Registration (SEC Approval)	Description	Number of shares (in 000's)	Par value per share	Total amount (in 000's)
1988	Capital upon registration:			
	Class A	30,000,000	₱0.01	₱300,000
	Class B	20,000,000	0.01	200,000
		50,000,000		500,000
1992	Decrease in authorized capital stock and change of par value from ₱0.01 to ₱1.00			
	Class A	150,000	1.00	150,000
	Class B	100,000	1.00	100,000
		250,000		250,000
1994	Change of par value from ₱1.00 to ₱0.30			
	Class A	150,000	0.30	45,000
	Class B	100,000	0.30	30,000
		250,000		75,000
1995	Increase in authorized capital stock and removal of classification of shares of stock	1,000,000	0.30	300,000
1996	Increase in authorized capital stock and change of par value from ₱0.30 to ₱1.00	5,000,000	1.00	5,000,000
Total authorized capital		5,000,000	₱1.00	₱5,000,000

In November 2015, the Company issued additional 390,277,500 shares out of the 3,438,889,930 remaining authorized shares with par value of ₱1.00 to Gregorio Araneta, Inc. based on the latter's agreed subscription, for a total proceeds of ₱437.11 million. There were no movements in the Company's registered securities in 2017 and 2016. As of December 31, 2017, there are 2,208 shareholders who hold 1,951,387,570 shares in the Company.

Fair Value and Categories of Financial Instruments

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	2017		2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and receivables:				
Trade receivables	**₱158,522,959**	**₱125,722,563**	₱132,336,494	₱104,969,439
AFS financial assets	**2,490,000**	**2,490,000**	2,400,000	2,400,000
	₱161,012,959	**₱128,212,563**	₱134,736,494	₱107,369,439
Other financial liabilities:				
Liability for purchased land	**₱174,454,325**	**₱174,454,325**	₱231,216,234	₱231,216,234

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents, Other Receivables, Due from Related Parties, and Accounts Payable and Accrued Expenses
The carrying amounts of these financial instruments approximate fair values due to the short-term nature of these financial instruments.

Noncurrent Trade Receivables
Fair value is based on discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. This is classified under level 3 of the fair value hierarchy.

AFS Financial Assets
AFS financial assets are carried at fair value. The fair values of AFS financial assets are based on the quoted market prices. This is classified under level 2 of the fair value hierarchy.

Liability for Purchased Land
Fair value of liability for purchased land is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. This is classified under level 3 of the fair value hierarchy.

In 2017, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

18. **Project Agreement with SLRDI**

The Company together with SLRDI began their activities based on their agreement dated June 5, 2003. Under the agreement, SLRDI will develop and sell certain parcels of land owned by the Company at its own cost. The Company is responsible for the delivery of the parcels of land free from liens and encumbrances including any claims of tenants or third parties and from any form of litigation. The project shall consist of the development of an exclusive mixed-use residential-commercial subdivision with a country club. Once developed, the property will be shared by the parties either through cash or lot overrides. The Company shall receive 40% of the net sales proceeds, in case of cash override, or 40% of the saleable lots, in case of a lot override, while SLRDI shall receive 60% of the net sales proceeds or the saleable lots. The Company opted to receive its share through a combination of cash override and lot override.

On April 27, 2006, SLRDI’s application to obtain license to sell from the Housing and Land Use Regulatory Board was approved.

On January 29, 2013, SLRDI assigned its rights and interests over the sales proceeds from the sales of saleable area in Phase 3 to Sta. Lucia Land, Inc. The latter assumes the responsibility of collecting payments or amortizations and undertakes to remit the Company’s share from the sales proceeds.

As at December 31, 2017, the project has been substantially completed.

The Company presently derives its revenue and the related costs solely from the sale of real estate under this joint operation. Such revenue and costs have been accounted for based on the percentage of completion method and are measured principally on the basis of estimated completion of a physical proportion of the contract work by the project's supervising engineer. In addition, management uses 20% of the contract price as the collection threshold before a sale is recognized.

The Company's unsold real estate inventories amounting to ₱859.60 million and ₱881.02 million and trade receivables amounting to ₱314.92 million and ₱300.67 million as of December 31, 2017 and 2016, respectively, pertains to its share in the assets of the joint operation.

Sales and cost of sales recognized amounted to ₱60.97 million and ₱21.42 million, respectively, in 2017, ₱134.88 million and ₱66.88 million, respectively, in 2016 and ₱93.28 million and ₱31.87 million, respectively, in 2015.

19. **Contingencies**

In the ordinary course of business, the Company has pending claims/assessments which are in various stages of discussion/protest/appeal with relevant third parties. Management believes that the bases of the Company's position are legally valid such that the ultimate resolution of these claims/assessments would not have a material effect on the Company's financial position and results of operations. No provision is recognized as the criteria under PAS 37 have not been met based on management's assessment.

20. **Segment Reporting**

The Company has only one reportable segment that sells only one product line.

All segment revenues are derived from external customers. The Company sells real estate properties. No specific customer pass the concentration threshold.

Operating results of the Company are regularly reviewed by the Company's Chief Operating Decision Maker, who is the Company's Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the presentation and classification in the statements of comprehensive income.

The Company has only one geographical segment as all of its assets are located in the Philippines.

21. **Other Matters**

Note to Statement of Cash Flows
The following are noncash investing activities in 2016:
- Transfer from "Deposit for land acquisition" to "Land held for future development" amounting to ₱33.51 million.
- Unpaid additions to "Land held for future development" recorded under "Liability for purchased land" amounting to ₱228.83 million.

There are no noncash investing activities in 2017.

In 2017, the movements in the financing activity pertain to the advances made by/to the related parties to/by the Company for funding purposes and the payment for the liability of the purchased land. There are no noncash financing activities incurred during the year.

Interest Expense
Interest expense consists of amortization of discount liability for purchased land amounting to ₱7.39 million and ₱2.38 million in 2017 and 2016, respectively (see Note 12).

22. Supplementary Tax Information Required under Revenue Regulations (RR) 15-2010

The Company reported and/or paid the following types of taxes in 2017:

VAT

a. The Company is VAT-registered with taxable sale of goods amounting to ₱66,025,269 with a corresponding output VAT of 12% amounting to ₱7,923,032.

   The Company's income that are subject to VAT are based on actual collections received, hence, may not be the same as the amounts recognized in the 2017 statement of comprehensive income. The Company's VAT exempt sales arise from the sale of real properties from the Company's project agreement with SLRDI.

   RA No. 8424, Tax Reform Act of 1997, Title IV, Chapter 1, Section 109(p) specified that sale of residential lot amounting to ₱1,500,000 and below for purposes of computing VAT are VAT exempt transactions and therefore, will not be subject to VAT. Provided, however that not later than January 31, 2009 and every three (3) years thereafter, the amounts stated herein shall be adjusted to its present value using the Consumer Price Index, as published by the National Statistics Office (NSO) and that such adjustment shall be published through revenue regulations to be issued not later than March 31 of each year.

   Per RR 3-2013, the adjustment in computing VAT resulted in a revised threshold amounting to ₱1,919,500 effective January 1, 2013.

b. Input VAT

   The amount of input VAT claimed are broken down as follows:

Balance at January 1, 2017	₱79,553,465
Domestic purchases/payments for:	
Goods for resale or manufacture	370,161
Services lodged under other accounts	842,785
Balance at December 31, 2017	₱80,766,411

Other Taxes and Licenses

The following are the details of the Company's taxes and licenses:

A. Local	
Business taxes	₱2,569,660
Real estate taxes	3,548,447
Licenses, permits and fees	795,003
Community tax certificate	10,500
Others	2,764,644
B. National	
Annual registration	405,951
	₱10,094,205

Withholding Taxes

The amount of withholding taxes paid/accrued for the year amounted to:

Withholding taxes on compensation and benefits	₱210,683
Expanded withholding taxes	77,070
	₱287,753

Tax Assessment and Cases

As at December 31, 2017, the Company has no pending final assessment notices. The Company is not aware of any tax case under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.

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

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Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Araneta Properties, Inc.
21st Floor, Citibank Tower
Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Araneta Properties, Inc. as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, and have issued our report thereon dated April 12, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Narciso T. Torres, Jr.
Partner
CPA Certificate No. 84208
SEC Accreditation No. 1511-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 102-099-147
BIR Accreditation No. 08-001998-111-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 6621336, January 9, 2018, Makati City

April 12, 2018

ARANETA PROPERTIES, INC.
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

ARANETA PROPERTIES, INC.

SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E

DECEMBER 31, 2017

PLEASE REFER TO THE SCHEDULES ATTACHED UNDER 17-A ANNUAL REPORT

ARANETA PROPERTIES, INC.

SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS AS OF DECEMBER 31, 2017

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as at December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	*First-time Adoption of Philippine Financial Reporting Standards*	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	*Share-based Payment*			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	*Business Combinations*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
(Revised)				
PFRS 4	*Insurance Contracts*			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9, Financial Instruments, with PFRS 4			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓
PFRS 7	*Financial Instruments: Disclosures*	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	*Operating Segments*	✓		
PFRS 9	*Financial Instruments: Classification and Measurement of Financial Assets*	✓		
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 9: Hedge Accounting			✓
PFRS 10	*Consolidated Financial Statements*			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Assets between an Investor and its Associate or Joint Venture			
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	*Joint Arrangements*	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	*Disclosure of Interests in Other Entities*			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)			✓
PFRS 13	*Fair Value Measurement*	✓		
PFRS 14	*Regulatory Deferral Accounts*			✓
PFRS 15	*Revenue from Contracts with Customers*			✓
PFRS 16	*Leases*			✓
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative	✓		
PAS 2	*Inventories*	✓		
PAS 7	*Statement of Cash Flows*	✓		
	Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 10	*Events after the Reporting Date*	✓		
PAS 11	*Construction Contracts*			✓
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 14	*Segment Reporting*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19	*Employee Benefits*	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Revised)	*Employee Benefits*	✓		
	Amendments to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions			✓
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	*Borrowing Costs*	✓		
PAS 24 (Revised)	*Related Party Disclosures*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27	*Consolidated and Separate Financial Statements*			✓
PAS 27 (Revised)	*Amendments to PAS 27 (Amended): Investment Entities*			✓
	Amendments to PAS 27 (Revised): Cost of an			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Investment in a Subsidiary, Jointly Controlled Entity or Associate			
PAS 27 (Amended)	*Separate Financial Statements*			✓
	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27 (Amended): Equity Method in Separate Financial Statements			✓
PAS 28	*Investments in Associates*			✓
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*			✓
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value		✓	
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 31	*Interests in Joint Ventures*			✓
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	*Earnings per Share*	✓		
PAS 34	*Interim Financial Reporting*	✓		
PAS 36	*Impairment of Assets*	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*			✓
	Amendments to PAS 38: Clarification of			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Acceptable Methods of Amortization			
PAS 39	*Financial Instruments: Recognition and Measurement*	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	*Investment Property*	✓		
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	*Agriculture*			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*			✓
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			✓
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	*Reassessment of Embedded Derivatives*			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	*PFRS 2- Group and Treasury Share Transactions*			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 13	*Customer Loyalty Programmes*			✓
IFRIC 14	*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	*Agreements for the Construction of Real Estate*			✓
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓
IFRIC 18	*Transfers of Assets from Customers*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*	✓		
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*			✓
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-12	*Consolidation - Special Purpose Entities*			✓
	Amendment to SIC - 12: Scope of SIC 12			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		**Adopted**	**Not Adopted**	**Not Applicable**
SIC-13	*Jointly Controlled Entities - Non-Monetary Contributions by Venturers*			✓
SIC-15	*Operating Leases - Incentives*			✓
SIC-21	*Income Taxes - Recovery of Revalued Non-Depreciable Assets*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures.*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*			✓

Standards tagged as "Not applicable" have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2017.

Standards tagged as "Not adopted" are standards issued but not yet effective as of December 31, 2017. The Company will adopt the Standards and Interpretations when these become effective.