alphaland
CORPORATION

ANNUAL REPORT 2016

Baguio Mountain Lodges: The view from the property

Balesin Island Club: Newly installed runway lights for night flights

M/Y Obsessions: Balesin's super yacht, now available for charter

ABOUT US

Alphaland Corporation, a Philippine property development company, is managed by the RVO Capital Ventures Group.

Alphaland's corporate philosophy states:

We are unique in that we are very selective in the property development projects that we undertake. We focus only on high-end and top-of-the-line projects.

We do not intend to be, and will never be, all things to all people.

ALPHALAND - UNIQUE!

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OFFICE OF THE CHAIRMAN

MICHAEL A.P.M. ASPERIN	ROBERTO V. ONGPIN	ANNA BETTINA ONGPIN
COO & BALESIN ISLAND CLUB CEO	CHAIRMAN AND CEO	VICE CHAIRMAN & PRESIDENT

February 3, 2017

Dear Members and Shareholders,

Alphaland achieved record profitability in 2016, despite a challenging environment. From a comprehensive 2015 net income of Php7.2 billion, the company's audited financial statements for 2016 showed an increase of 7.5% to Php7.7 billion. The company's net worth increased by 17.2% from Php44.7 billion in 2015 to Php52.4 billion in 2016. On a per share basis, the company's earnings were Php5.56 in 2016 as compared to Php4.50 in 2015, a net increase of 23.6%, and the net book value per share was Php41.14 at the end of 2016 as compared to Php35.07 in 2015, or an increase of 17.3%.

The company's balance sheet continues to be exceptionally strong with its conservative debt/equity ratio (debt of Php5.5 billion and Php52.4 billion in equity or 10.5% debt-to-equity ratio). This is the exact opposite of most property companies, where the equity is typically much smaller than the debt component. Thus, the borrowing capacity of your company remains strong.

The most significant aspect of Alphaland's financial situation was concluded early in 2017 when BDO, the country's largest bank, approved a Php5.5 billion loan facility for Alphaland which will be used mainly to refinance most of the existing bank debts. The balance in fresh cash(approximately Php1 billion), will be used to fund projects and working capital requirements. Additionally, the BDO loan has improved terms compared to existing bank debts of Alphaland.Thus, BDO has affirmed the strong financial position of Alphaland.

We are also pleased to inform you that the operations of our various projects continued to progress during 2016.

Despite the extremely difficult access to the island due to the congestion at NAIA, Balesin Island Club continued its profitable operations.

In an effort to alleviate the congestion problems which we expect will worsen before they improve, we have completed a number of major improvements in our aviation operations. First, we acquired a 68-seater ATR72 500 aircraft, thus bringing our capacity (including three other aircraft in our fleet) to as many as 500 members and guests to and from the island every day.

Second, we made a major investment in installing runway lights in Balesin, thus permitting night flights, which are unregulated because there is no congestion at NAIA during the nighttime–thus a significant game changer for Balesin.

Also, we have improved our facilities at Clark, and a significant number of our members and guests from the northern part of Manila and Central Luzon now travel to and from Balesin via Clark. With these developments, we expect much improved aviation operations for Balesin in 2017.

In September 2016, Balesin Island Club acquired one of the world's best super yachts – "M/Y Obsessions." This 38-meter aluminum hull yacht was built by the Heesen shipyard in Holland, and is the pride of their fleet. It can do up to 32 knots and thus outrun any weather. Our Balesin members and their guests have been enjoying chartering this yacht around Balesin for sunset cruises and to the nearby islands.

Our Alphaland Makati Place project was completed in 2016. We initiated a very aggressive financing program in order to support our sales efforts by providing up to 95% in-house financing. The City Club continued to improve its operations with the appointment of a new General Manager. Toward the close of 2016 we expect even further improvement in our operating performance for 2017.

Our first project, the Alphaland Southgate Tower and Mall, improved on its role as a major cash generator for Alphaland. During the year, we moved Alphaland's headquarter operations from Southgate to Makati Place and thus freed up two floors which have now been made available for lease. Thus, for year 2017, we project free cash flows of Php550 million.

Our Aegle Wellness Center, which was completed in the first quarter of 2016, continues to receive well-deserved accolades from our increasing number of clients. With two venues, one at The City Club in Makati and a full-fledged facility in Balesin, we project a strong increase in patronage from both domestic and international clients for 2017.

Our most significant new project, which we launched at the beginning of 2016, was the Alphaland Baguio Mountain Lodges. Despite the wet rainy season in Baguio in 2016, we made speedy progress in improving the road conditions and in the preparation of home sites, the first 50 of which we expect to sell in 2017. The Clubhouse and the first log home model units will be completed in March of this year and we will then open the project for sale to the many buyers who have already signified their interest in acquiring our usual top-of-the-line Alphaland standard of well-designed and well-executed homes. Over a three-year period, we expect to complete a total of 300 lodges on the 79-hectare site. With unbeatable views, but close enough to Baguio proper (9kilometers away), the project affords total security and amenities for the homeowners.

Also in 2016, we completed the acquisition of some 750 hectares of land on neighboring Patnanunganisland, which is only 22 nautical miles from Balesin. Balesin is only 500 hectares and thus this new property, which is 1-1/2 times the size of Balesin, and which we have christened Balesin Gateway, will be a massive project which should keep us busy for the next five years. We intend to build a 2.5 kilometer runway which will permit the entry of international flights from the neighboring countries in the region. Also, the island's major advantage is that it has fresh ground water unlike Balesin, where we have to have an intricate water collection system. Thus, we plan to build a golf course together with a 300-room hotel. We will then develop some 500 home sites on the beachfront and around the golf course. Since our acquisition cost for this project has been quite inexpensive (only half of what we paid for the entire Balesin Island), we are confident that this will be another project which will justify our slogan – "Alphaland—Unique!"

In order to serve its principal purpose which is to enable international members of Balesin to fly from their home cities directly to Balesin and bypass NAIA, we will acquire a Hong Kong/Macao-style jetfoil ferry which will allow access to Balesin from Balesin Gateway in only half an hour.

I cannot close this letter without a word of sincere thanks to my friend and partner for the last 10 years who was instrumental in the birth and growth of Alphaland, Atty. Mario "Babes" Oreta. After 10 years, Babes has decided to go back to his first love, his law practice, and we have now become one of his clients.

The success in 2016 was achieved despite adversity and we are determined to continue our strong and aggressive growth in 2017 and the years to come, and to bring our friends and members more and more world-class projects.

Sincerely yours,

Roberto V. Ongpin
Chairman

NICHOLAS BELASCO
GENERAL MANAGER
THE CITY CLUB

MARK BIDDLE
EXECUTIVE CHEF

MA. AMELIA SANTIAGO
SVP - INFORMATION TECHNOLOGY

MANAGEMENT COMMITTEE

CRISTY ZAPANTA
FINANCE DIRECTOR

ENRICO SISON
SVP - INTERIOR DESIGN

BENEDICT FRANCIS VALDECANAS, MD
MEDICAL DIRECTOR
AEGLE WELLNESS CENTER

ATTY. CLIBURN ANTHONY A. ORBE
SVP - HUMAN RESOURCES AND ADMIN; GENERAL COUNSEL; HEAD OF INTERNAL AUDIT


Toscana Village
St. Tropez Village & Crêperie
Cove Deck
Mykonos Village & Thanassis Taverna
Mykonos Beach Villas
Poseidon Lounge
Aegle Wellness Center
Balesin Seafood Farm
Rico's Hideaway
Balesin Seafood Shack
Bali Village & Warung
Nusa Dua Bar
Water Villas
Soccer Field
Paint Ball
Sports Center
The Stables
Archery Range
Ifugao Village
Chapel
Aviary
Exotic Frui
Farm

ALPHALAND BALESIN ISLAND CLUB

THE POOL AREA AT PHUKET VILLAGE

alphaland
BALESIN ISLAND CLUB

With more than seven kilometers of white-sand beach, Balesin Island sits in the Pacific Ocean, 29 nautical miles off the eastern coast of Luzon, and just 20 minutes by plane from Manila.

Balesin is an exclusive, world-class island resort off the east coast of the Philippines, for members only. It is the flagship project of Alphaland Corporation. Balesin Island sits on the Pacific Ocean, 29 nautical miles off the eastern coast of Luzon. It is 20 minutes' flight time from Manila, on Alphaland's private fleet of airplanes, which are boarded at Alphaland's private terminal. Balesin Island is about 500 hectares in size, of which less than 40 hectares (about 8%) will ever be developed. The majority of the island is undisturbed, original tropical rainforest. The island is ringed by more than seven kilometers of white-sand beach.

The resort redefines the Asian luxury beach experience, which is characterized by excellent service, and provides a comprehensive array of facilities, for an endlessly varied and evolving lifetime experience for its members.

The accommodations consist of 7 villages, each inspired by world-renowned destinations: Balesin, Bali, Costa del Sol, Mykonos, Phuket, St. Tropez, and Toscana. Each village is a distinct experience, and effectively a resort in itself. Each is designed and executed authentically, from architecture and interiors to landscaping and cuisine. The emphasis of the design is on privacy and exclusivity. Many of the accommodations are standalone villas, while the suites are also very private.

The Balesin Royal Villa is a majestic structure that is an ideal venue for large family and social gatherings, weddings, and corporate retreats. The Royal Villa's upper floor offers 4 spacious Maharlika suites, accessible via private elevator, with their own private decks and jacuzzis. On the ground floor are 10 villa-type suites with private entrances, as well as a luxuriously appointed Salon opening out onto a sweeping deck with two pools overlooking the sea.

In addition to the villages, there are extensive central facilities, including a main clubhouse larger than most country clubs, a Sports Center, an Aquatic Sports Center, the Aegle Wellness Center (opening 1st quarter of 2016), numerous restaurants, and many others.

Balesin is also home to the M/Y "Obsessions" super yacht for the use of its members and guests. The 38.5-meter aluminium-hulled vessel was built by the world-renowned Heesen Yachts in Holland and is the pride of their fleet.

GUESTS CAN TRAVERSE THE ISLAND ON HORSEBACK

M/Y OBSESSIONS

AERIAL VIEW OF THE BALESIN ROYAL VILLA

THE BALESIN SPA

The yacht has four beautifully decorated staterooms, all with en suite bathrooms, and is often chartered for full-day trips to the surrounding Polillo Island group, as well as for sunset cruises around the island, dinners, and photo shoots.

Balesin Island Club offers a number of complimentary villa nights a year depending on the type of membership. Members and their guests can choose to use these complimentary nights at any of the villages or at the clubhouse suites, which are designed for larger families.

Balesin's E.L. Tordesillas Airport, named after the founder of the original resort, has a 1.5 kilometer-long concrete runway, built to international aviation standards, that can accommodate regional aircraft and private jets. The club recently invested in runway lights with Area Navigation (RNAV) approach capability, so it can now operate as a 24-hour aerodome. The club regularly operates its own aircraft; charter aircraft with larger capacities are added during peak periods, and the club has operated a capacity of 1,000+ seats a day during these periods. A key aspect of the flight experience is our own private terminal at the Ninoy Aquino International Airport (NAIA), which is much more convenient—and luxurious—than the crowded public Domestic Terminal.

BALESIN SPA RECEPTION

BALESIN SPORTS BAR

RUNWAY LIGHTS

INTERIOR OF THANASSIS TAVERNA IN MYKONOS

ATR 72-500 WITH BALESIN LIVERY

THE BALESIN ROYAL VILLA

COSTA DEL SOL CASA GRANDE

PHUKET SALATHIP

BALESIN SALA

TOSCANA VILLAGE

ST. TROPEZ

NUSA DUA BAR

BALESIN TLC CRAB CAUGHT AT BALESIN SEAFOOD FARM

Alphaland utilized revolutionary technologies and concepts in developing Balesin Island Club. In any island development, the main challenge is water supply. The concrete runway serves as a rainwater catchment, collecting over 200 million liters per year into man-made lakes. The harvested water is processed into potable water via ultrafiltration, and is then distributed around the island. Used water is processed aerobically and anaerobically in modular sewage treatment plants, producing Class A greywater. This reclaimed greywater is used for the island's lush landscaping during the summer months. Balesin, is thus, uniquely among island resorts, self-sufficient in water.

The island also produces a lot of its own food, which is made possible by the abundant water. The original fishing community that continues to live on the island supplies the fish served in its restaurants, and also staffs the aquaculture facilities, which include fish and shellfish farms. The banana plantations on the island produce a surplus, which is sent to the mainland and marketed there. In addittion, 40,000 coconut trees on the island, with more planted every year, provide an ample supply of coconuts. Compact, high-technology organic vegetable farms established near the airport yield much of the produce needed by the island's restaurants, although

RICO'S HIDEAWAY AT DUSK

BADMINTON COURTS

THE AVIARY

FAMILY PICNIC GROVE

some items (like rice and meats) will always be brought in from the mainland, as we would rather not clear forest to accommodate these.

Location and ambiance are keys to Balesin Island's overall vision. In this regard, the resort's architectural design remains in harmony with its natural surroundings. This was achieved by partnering with one of the world's pre-eminent hospitality master planners, EcoPlan, of Florida, USA. EcoPlan has ensured that each structure never overwhelms its environment in any way.

SPORTS and RECREATION

Outdoor Activities

- Archery - Archery Range near the Sports Center
- Basketball - Outdoor Basketball Court at the Sports Center
- Bicycling - Bicycles are available for use at the Main Clubhouse
- Bird Watching - The Aviary
- Boating - Speedboats and sailboats may be rented at the Aquatic Sports Center; the M/Y Obsessions super yacht may be chartered for outings, dinners, and photo shoots
- Fishing - Deep sea, on board one of our fleet of speedboats, or gallery fishing at Fish Fun or Family Picnic Grove
- Gardening - Balesin has an Organic Vegetable Garden, where guests may harvest their own salads
- Hiking - 8 kms of nature trails through forest and banana fields
- Horseback Riding - Island Trail Ride, Bullring (equestrian), at the Stables
- Kayaking - Aquatic Sports Center
- Knockerball – Sports Center and soccer pitch
- Mountain Biking - The highest point of Balesin is just 10m above sea level, but we do have mountain bikes available for rent
- Paddle Boarding, Standup - Aquatic Sports Center
- Paintball/War Games - Sports Center
- Picnicking - Family Picnic Grove, which also offers fishing
- Sailing, Hobie Bravo - Aquatic Sports Center
- Sailing, Paraw (native boat) - Aquatic Sports Center
- Scuba Diving - Aquatic Sports Center
- Segway - Sports Center
- Snorkeling - Aquatic Sports Center
- Soccer – Soccer pitch, near the Sports Center
- Sunbathing - The main beach and all pool areas are provided with sun lounges.
- Surfing - Available at certain seasons, off various beaches. Our Aquatic Sports Center staff will show you the different breaks.

HOBIE CAT SAILING IN BALESIN'S CLEAR BLUE WATERS

M/Y OBSESSIONS

THE INDOOR CLIMBING WALL
AT THE SPORTS CENTER

SEGWAYS

- Swimming - Beach swimming with lifeguards is available at specified schedules. The Clubhouse has a lagoon pool, three outdoor whirlpools, and a kiddie pool; each village has one or more pools while Mykonos Cove Deck has five outdoor whirlpools, and Poseidon has an indoor/outdoor infinity pool;
  the Balesin Spa has a private pool
- Tennis - Outdoor Tennis Court, Sports Center
- Volleyball (beach) - Balesin Sala Beach Area
- Wakeboarding - Aquatic Sports Center
- Waterskiing - Aquatic Sports Center
- Windsurfing (sailboarding) - Aquatic Sports Center

Indoor Activities

- Airsoft Target Shooting Range - Sports Center
- Badminton - Indoor Courts, Sports Center
- Basketball - Indoor Basketball Court, Sports Center
- Billiards - Game Room, Main Clubhouse
- Boxing, with trainer - Sports Center
- Children's Indoor Playroom - Main Clubhouse
- Dancing - Ballroom, Latin, and other styles at various events throughout the island
- Gym - Sports Center
- Karaoke - Babes', Mike's and Rannie's KTV Rooms, Main Clubhouse
- Mahjong - Mahjong Rooms, Main Clubhouse
- Mixed Martial Arts, with trainer - Sports Center
- Poker and other card games - Poker Rooms, Main Clubhouse
- Reading - E.L. Tordesillas Library, Main Clubhouse
- Rock Climbing Wall - Sports Center
- Smoking - Tabacalera Cigar Divan, Main Clubhouse
- Table Tennis (Ping Pong) - Game Room, Main Clubhouse
- Tennis - Indoor Tennis Court, Sports Center
- Wii© - Wii© Room, Main Clubhouse

DINING

- Dining - Breakfast buffet, Main Clubhouse Lounge
- Dining - Filipino, Main Clubhouse Lounge, Balesin Dining Room, Verandah, Balesin Sala
- Dining - Fish "catch-it-yourself" at Fish Fun and Family Picnic Grove
- Dining - French, at St. Tropez Village
- Dining - Greek at Thanassis Taverna and Cove Deck, Mykonos Village, and Poseidon, Mykonos Beach Villas
- Dining - Indonesian at Bali Warung and Nusa Dua Bar
- Dining - Italian at Toscana Village
- Dining - Korean at Han Gang, Main Clubhouse
- Dining - Japanese at Sakura, Main Clubhouse

- Dining - Spanish at the Restaurante Español and Tapas Bar, Costa del Sol Village
- Dining - Thai at Salathip, Phuket Village
- Dining - Mongolian BBQ and mixed grill for lunch and cocktails for sunset at Rico's Hideaway
- Dining - Seafood at Balesin Seafood Shack and Fish Fun
- Dining, Private - Michelle's and Anna's at Main Clubhouse, Private Dining Rooms at Bali, Phuket, St. Tropez, Costa del Sol Village, Toscana, and Mykonos Village
- Cocktails - The Main Clubhouse has three (3) bars, the Pool bars serve the swimming pools and the beach, and the sala of each village has a bar with general cocktails and drinks and wines unique to its theme. The open-air Nusa Dua bar at Bali village sits on stilts on the water.

SPA & WELLNESS

- Massage (various types) - Balesin Spa and Aegle Wellness Center
- Sauna and Steam Bath - Balesin Spa
- Aegle Wellness Center, Mykonos Beach Villas
- Thalassotherapy, Aegle Wellness Center

AMENITIES

- Beauty treatment - Salon, Main Clubhouse
- Concerts and Performances - Clubhouse Performance Theater, Main Clubhouse
- Haircut and grooming - Barber Shop, Main Clubhouse
- Locker Rooms (Men's and Women's) - Main Clubhouse and Sports Center
- Meetings and Conference facilities - Function Rooms, Main Clubhouse
- Shopping - Sundries and souvenirs at Balesin Souvenir Shop, Main Clubhouse and E.L. Tordesillas airport
- Worship - The Balesin Chapel offers regular Catholic masses on Sundays, and other days of Catholic observance. It is open all day for private prayer, and available for weddings and other occasions.

TRANSPORTATION

- Golf cart rides - All over the island
- Jeepney rides - All over the island
- Bicycling - Bicycles are available for use at the Main Clubhouse

PRIVATE MASSAGE BY THE BEACH

PIER FROM BALESIN FISH FUN

THE BEDROOM OF A TYPICAL UNIT AT THE RESIDENCES AT ALPHALAND MAKATI PLACE


EXTERIOR PERSPECTIVE OF ALPHALAND MAKATI PLACE

alphaland MAKATI PLACE 7232 AYALA AVENUE

Continued economic growth brings about the expansion of Makati's Central Business District. Alphaland Makati Place, located on a premium one-hectare property along Ayala Avenue Extension, near office buildings, schools, shopping centers, hospitals, and community areas, leads the charge.

Alphaland Makati Place is a uniquely intelligent, state-of-the-art residential and leisure complex that offers an integrated lifestyle solution in one dynamic complex. Every detail is planned for efficiency, sustainability, and enjoyment.

It consists of 3 towers on a six-storey podium. The first three floors of the podium contain an upscale public shopping center, high-end supermarket, world-class restaurants, and service hubs. The upper three floors of the podium house The City Club, an exclusive urban sport and leisure membership club and business haven. The City Club also houses Aegle Wellness Center, a center for longevity and holistic health. Atop the six-storey podium are the 494 units that compose The Residences at Alphaland Makati Place.

Alphaland Makati Place is the only complex in the Central Business District to present such a comprehensive living solution. It is designed by the well-established group of architectural and engineering practice, Wong and

FULLY FURNISHED KITCHEN AND DINING AREA AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

Ouyang, and the leading architectural firm in the country, the Casas + Architects.This complete community is designed to cut down on commuting to enable residents to save time and energy, and minimize traffic, all in secure, private surroundings.

Alphaland Makati Place is designed from the ground up with state-of-the-art building management, automation, and security, as well as energy-efficient mechanical, electrical, and sanitary systems. The complex will consume far less water and energy than comparable buildings, minimizing carbon emissions and unnecessary costs, while still achieving a high level of comfort. Moreover, the basement has five levels of parking, which provide approximately 1,000 parking spaces to reduce the urban "heat island effect". The project is registered under the United States Green Building Council (USGBC) rating system, which administers the Leadership in Energy and Environmental Design (LEED).

BORNGA KOREAN RESTAURANT

ZOO COFFEE

THE CITY CLUB AT ALPHALAND MAKATI PLACE

THE SWIMMING POOL ON THE 6TH FLOOR OF THE CITY CLUB

THE CITY CLUB ATRIUM

THE CITY CLUB
alphaland ◆ MAKATI PLACE

All rolled into one, like no other! The City Club is a three-hectare lifestyle hub for leisure, entertainment and business options in the heart of Makati's Central Business District. No other club offers all these options in one place.

The City Club is an integral component of Alphaland Makati Place. All unit owners at The Residences at Alphaland Makati Place are automatically members of The City Club, while non-residents may also purchase memberships. Located along Ayala Avenue, it occupies the top three floors of the six-storey podium of Alphaland Makati Place, with an area of 30,000 square meters. It is located within walking distance of many major corporations, residential buildings, and commercial establishments in the Central Business District. This provides convenience from work, home, and everywhere in between.

The City Club houses 8 specialty restaurants where you can choose from a variety of international cuisines. Among them are A Taste of France (French), Balesin Islander (Filipino), Costa del Sol (Spanish), Hai Shin

SPECIALTY OF COSTA DEL SOL

SPECIALTY OF A TASTE OF FRANCE

Lou (Chinese), Mark's Prime Rib (Steak House), Sakura by Edo-san (Japanese), Salathip (Thai) and Toscana Ristorante Italiano (Italian). These are complemented by the Tabacalera Cigar Divan where members can enjoy the finest cigars and single-malt whiskies, and TWG Tea Lounge, serving the finest luxury tea brand in the world.

Doing business outside the office is never a problem at The City Club. The Club's Business Center includes meeting and conference rooms that provide an ideal working environment. The Club offers Wi-Fi and a state-of-the-art fiber optic network to ensure that members stay connected anywhere around the club's premises. Function rooms are also available for events, from corporate functions to weddings and banquets.

CLUB LOUNGE

BOARD ROOM

CONFERENCE ROOM

BANQUET HALL

GYM

MOVIE THEATER/AUDITORIUM

LIBRARY

PILATES STUDIO

No club is complete without a pool, and The City Club has its lagoon-style swimming pool with additional areas for laps. Children also get to enjoy The City Club's child-friendly facilities, which include a kids' swimming pool, indoor playground and activity area. Other facilities such as game rooms, KTV rooms, a screening room, and a Wii room provide recreational activities that the entire family can enjoy.

In addition, The City Club has an extensive array of amenities dedicated to your health and wellness needs. Apart from its swimming pools, Aegle Wellness Center & Spa, and a fully equipped gym, sports enthusiasts will enjoy the indoor courts for basketball, tennis, badminton, and squash, the indoor airsoft range, and the high-definition virtual golf simulator, which is exclusive to The City Club and is the only one of its kind in the Philippines. For those who want to revitalize their minds and bodies, studios for Pilates, aerobics and yoga can also be found in the Club. There is also a boxing ring and martial arts studio for those who enjoy more strenuous activities.

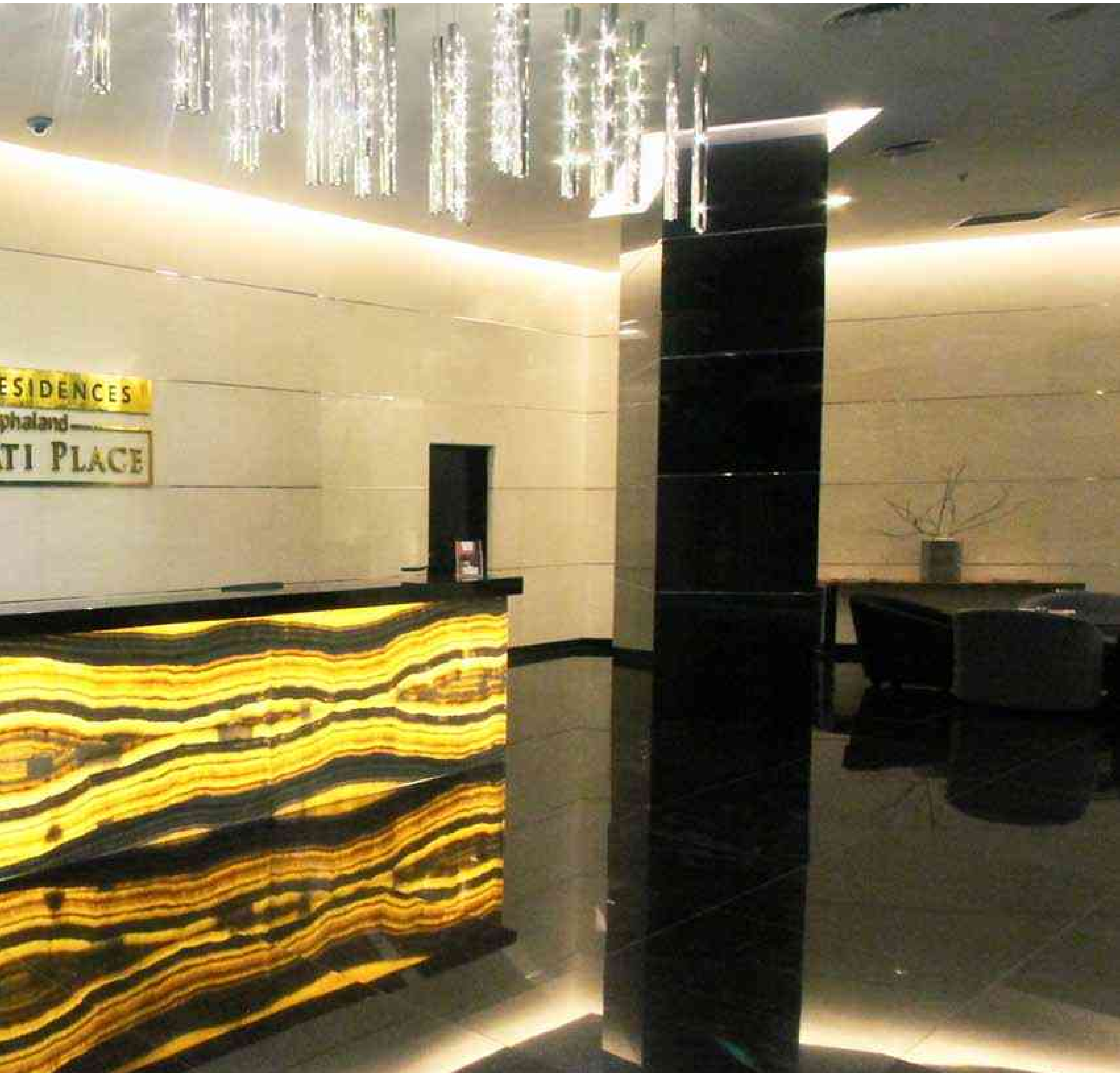
CLUB AMENITIES

- Indoor Tennis Court
- Indoor Basketball Court
- Badminton Courts
- Boxing Ring
- Squash Court
- Gym
- Billiard Tables
- Table Tennis Room
- Aerobics & Yoga Studio
- Martial Arts Studio
- Pilates Studio
- Dance Studios
- Aegle Wellness Center & Spa
- Swimming Pool
- Pool Sunbathing Deck
- High Definition Virtual Golf Simulator
- Clinic
- Health Bar
- Meeting and Conference Rooms
- Movie Theater/Auditorium
- Library
- Business Center
- Banquet Hall
- Private Function Rooms
- Chinese Function Rooms
- Private Dining Rooms
- The Boardroom
- Large Function Rooms
- Tabacalera Cigar Divan
- Outdoor Activity Area
- Banquets and Events
- Wii Room
- Health Bar
- Game Room
- Club Lounge
- Barber Shop
- KTV Rooms
- Screening Room
- Poolside Restaurant & Al Fresco Bar
- Restaurants:
    — Sakura by Edo San
    — Salathip Thai Restaurant
    — Hai Shin Lou
    — A Taste of France
    — Costa del Sol
    — Toscana Ristorante Italiano
    — Mark's Prime Rib
    — Balesin Islander
- The TWG Tea Lounge
- Canadian American School
- Children's Indoor Play Area
- Pro Shop
- Outdoor Playground
- Children's Pool
- Snack Bar
- Barbecue Area

HAI SHIN LOU

SALATHIP THAI RESTAURANT

THE RESIDENCES AT ALPHALAND MAKATI PLACE



THE RESIDENCES AT ALPHALAND MAKATI PLACE RECEPTION

TYPICAL BEDROOM OF A 3-BEDROOM UNIT AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

THE RESIDENCES
alphaland
MAKATI PLACE

Dubbed "the home of the future", The Residences at Alphaland Makati Place incorporates the limitless possibilities of future-receptive technology into residents' daily lives through the incorporation of fiber optic infrastructure.

The Residences at Alphaland Makati Place, a meticulously designed complex that ensures a natural fusion of aesthetics and efficiency offers fully fitted and fully furnished, state-of-the-art Ayala Avenue apartments. The strategic location of the complex makes it a perfect home for dynamic executives, young families, and upwardly mobile singles.

The residential towers offer several different unit types: 1-bedroom, 2-bedroom, premium 2-bedroom, and 3-bedroom suites. Each unit is delivered in ready-to-move-in condition. Units offer open-plan kitchen, living, and dining areas, and maximized space through cleverly concealed built-in storage areas in hallways and under windows to allow freedom of movement around the unit.

All units come with premium bathroom fixtures and top-of-the-line appliances. All furniture, fixtures, and major appliances are included in the unit price, and are installed and tested. Each unit has a dishwasher, air conditioners, beds, sofas, an intelligent lighting system, bathroom and kitchen fixtures, refrigerator/freezer, laundry washer and dryer, televisions, minibar, and a safe. Premium units come with a wine chiller. Extensive storage is provided, with each unit containing ample shelves, closets and bins. Fixtures for the units were handpicked from leading global brands, such as Philippe Starck and Kuysen.

Moreover, units are fully automated at no extra cost to the buyer. With the use of a provided tablet or any Internet-enabled device, unit owners are given complete control of the home. The interface allows access and control of the lighting, blinds, and other utilities in the home even if they are away. Lights turn on and off with motion-sensor technology, the flat screen TV can be hidden in a built-in recess and the temperature of the air conditioner can be modified with a press of a button. Other applications on the tablet PC connect to the front desk, maintenance, security, and other services. The complex incorporates high-speed fiber-optic infrastructure, ensuring that it will be technologically advanced for years to come.

As if that weren't enough, each unit in The Residences at Alphaland Makati Place comes with a resident membership in The City Club, whose top-of-the-line facilities are dedicated to fulfilling the most demanding lifestyle needs.

Turnover of units began in August 2015.

DESK AREA INSIDE A UNIT AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

SPACIOUS LIVING ROOM AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

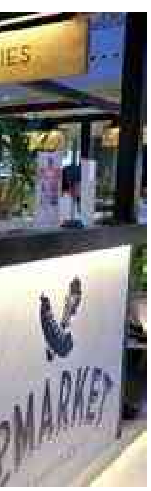
SPACE-EFFICIENT HALLWAY AT THE RESIDENCES AT ALPHALAND MAKATI PLACE

UPMARKET

AT MAKATI PLACE

Located at the ground floor atrium of The Shops at Alphaland Makati Place, UpMarket offers high-quality goods from the finest purveyors , assembled into a carefully curated selection. Its products include artisan sausages, Wagyu beef, organic vegetables, snacks, condiments, unique home and fashion accessories, personal care products, dairy, craft beers, wines, and much more.

UPMARKET AT MAKATI PLACE



THE ALPHA SUITES

The Alpha Suites is the quintessence of a boutique hotel, with 5 luxurious suites that are comparable to rooms in 5-star hotels in the Makati area.

Located on the 3rd floor of Alphaland Makati Place, The Alpha Suites operates under the management of The City Club and is available to guests of Alphaland, members of Balesin Island Club and their guests, and members of The City Club and their guests.

The suites consist of the following:

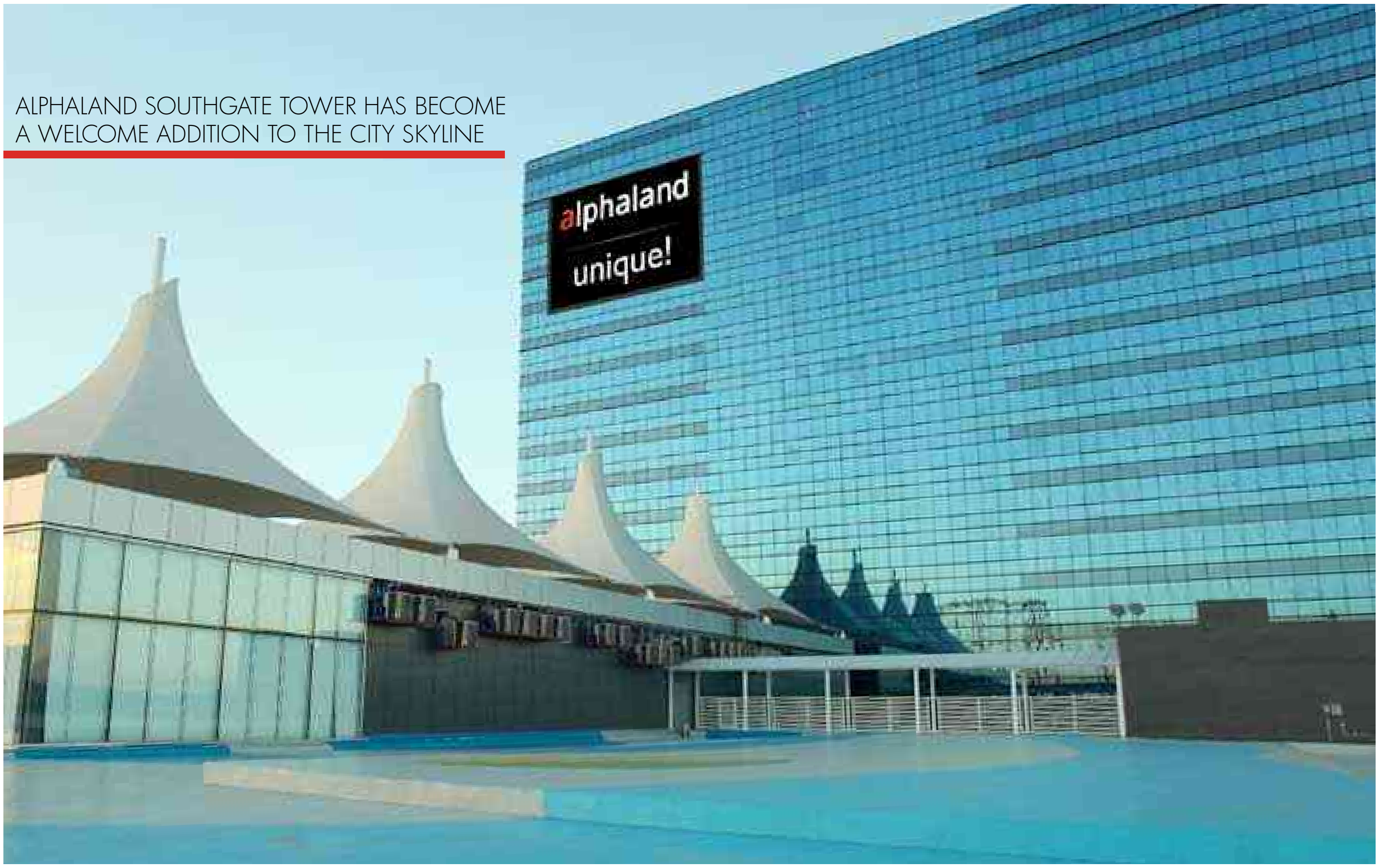
- One 1-bedroom suite (63 sqm)
- Three 2-bedroom suites (90, 120, and 123 sqm)
- One 3-bedroom suite (153 sqm)


alphaland
unique!

ALPHALAND SOUTHGATE TOWER AND MALL

ALPHALAND SOUTHGATE TOWER AND MALL LOCATED AT THE CORNER OF EDSA AND CHINO ROCES AVENUE

ALPHALAND SOUTHGATE TOWER HAS BECOME A WELCOME ADDITION TO THE CITY SKYLINE



The Southgate Tower is Alphaland's corporate headquarters and exemplifies the company's vision of superior value transformation.

ALPHALAND SOUTHGATE TOWER

Alphaland Southgate Tower has become an iconic establishment and functions as the gateway to Makati. Its distinctive LED display, set in the building's blue glass facade, welcomes visitors to the metropolis' Central Business District.

The project began as an unfinished high-rise building that remained idle for nearly 30 years. The Alphaland Corporation reinvented it as a modern glass office tower with a podium mall, transforming a former eyesore into one of the city's most recognizable and vibrant landmarks.

In 2010 Alphaland Southgate first opened its doors, with the initial batch of tenants composed of companies within the group, including Alphaland itself, PhilWeb Corporation, ISM Communications, and Atok-Big Wedge. Major BPO players such as Teleperformance, GHD Pty. Ltd., Genie Technologies, and Alorica Inc. soon followed. Later on, Anthem Solutions Inc., MRL Gold Phils., Jorge Yulo Architects, and Western Mindanao rounded out the rest of the building's occupants.

By the end of 2011, Alphaland Southgate Tower had reached full occupancy.

ALPHALAND SOUTHGATE MALL

Convenience is the main driver of the Alphaland Southgate Mall.

The Alphaland Southgate Mall is directly connected to the Southgate Tower. It offers about 18,340 sq.m. of floor area on three levels, with the third level providing commuters with direct access to the Magallanes MRT station. The building houses major bank branches like BDO and PBCOM, fast-food and casual dining establishments, food kiosks, a department store computer shops, beauty and wellness shops, and fashion outlets. Mall events are regularly held during holidays on the ground floor and the third floor.

Alphaland's own property operations team addresses tenants' needs and requests. Supported by a professional staff and a 24/7 concierge service, the group deals with any of their construction, engineering, housekeeping, parking, and security concerns that may arise.

The Alphaland Southgate Mall is open from 10AM to 9PM, Mondays to Sundays, including holidays.

THE SEVENTH ANNIVERSARY OF ALPHALAND SOUTHGATE

DEPARTMENT STORE

COFFEE SHOP

ALPHALAND SOUTHGATE MALL INTERIOR

AEGLE WELLNESS CENTER

AEGLE WELLNESS CENTER
AT THE CITY CLUB

Aegle Wellness Center is a state-of-the-art integrative health and wellness center purposely set in two complementary sites – a five-star city center facility and an exclusive island resort setting – to nurture and sustain our unique wellness programs.

AEGLE WELLNESS CENTER

Named after the Greek goddess of radiant good health, Aegle illustrates the marriage of science and health-Aegle being the daughter of Aesculapius, the god of medicine, and Epione, the goddess of soothing of pain. Aegle is the sister of Panacea, the goddess of medicines, and Hygeia, goddess of health.

AegleWellness Center is devoted to the maintenance of health through lifestyle modification based on cutting-edge technology from the basic sciences such as cell physiology, molecular biology, and human genomics. Protocols are hinged on the three foundations of wellness, namely proper nutrition, regular exercise, and supplementation; utilizing programs customized for natural detoxification, weight management, ageing medicine, and holistic health.

Complementing the limitations of Western medicine with the preventive health values of traditional healing, Aegle provides multi-faceted programs to address health concerns ranging from treatment of lifestyle diseases, to enhancing function and athletic performance, to providing support to terminal illness prevention.

Leading Aegle's acclaimed medical team are Dr. Claude Chauchard, world-renowned Anti-Ageing and Preventive Medicine specialist and Dr. Ben Valdecañas, the country's leading authority in the field of Sports and Regenerative Medicine.

The city center facility of Aegle Wellness Center, which is located at The City Club, began operations in late2015, while its second center, located adjacent to the Mykonos Beach Villas in Balesin Island Club, opened its doors in April 2016. The Aegle facility at Balesin offersThalassotherapy as a centerpiece of its wellness programs.

SERVICES AND PROGRAMS

Professional Assessment & Evaluation

- Professional Age Management Consults
- Exercise Instruction, Initiation, and Integration
- Nutritional Consults, Management, and Support
- Life Coaching
- Mind-Body-Spirit Coaching
- Thalassotherapy (Aegle Balesin only)
- Laboratory Assessment
  - — Complete Blood Analysis and Serum Chemistry
  - — Metabolic Analysis Testing
  - — Food Sensitivity Testing
  - — Genomic Analysis
  - — Hormonal Assay
  - — Micronutrient Assay
  - — Cancer Markers
  - — Toxicology Scan
  - — Gut Micro Biome Analysis
  - — Oxidative Stress
  - — Neurotransmitter Assay
  - — Amino Acid Assay
  - — Cardiovascular assessment
  - — Chronic Fatigue Syndrome
- Ancillary Assessment
  - — Plethysmography for Autonomic Nervous System Stress Response
  - — Body Composition Analysis (BCA)
  - — Live Blood Analysis

Treatments

- Hyperbaric Oxygen Therapy (HBOT)
- Colon Hydrotherapy
- Intravenous Detoxification
- Sports Recovery
- Customized Supplementation
- Thalassotheraphy

HYPERBARIC OXYGEN THERAPY TREATMENT

INTRAGEN TREATMENT

ALPHALAND BAGUIO MOUNTAIN LODGES

BREATHTAKING VIEW FROM ALPHALAND BAGUIO MOUNTAIN LODGES PROJECT SITE

ALPHALAND BAGUIO MOUNTAIN LOGDES MODEL

alphaland BAGUIO MOUNTAIN LODGES

The Alphaland Baguio Mountain Lodges is a master-planned development of 300 lodge-style log homes, situated on a 78-hectare property. The development is just 9 kilometers north of Baguio City on Ambuklao Road, which is now fully paved and is only a 15-minute drive from Baguio City proper. The development will also offer three helipads.

The site enjoys lush Benguet pine forest and totally pollution-free mountain air. There are 5 designs and floor plans to choose from, and the homes will be sited to maximize the views of the surrounding pine-forested mountains. The homes will range in size from 3½ to 5½ bedrooms, and will be sold fully furnished or unfurnished. Each home will be constructed from imported western cedar or Douglas fir. The entire property will be secured by an 8-foot concrete perimeter fence, with 12 security outposts.

The master plan was completed by EcoPlan of Florida in the U.S., the same master planner for Balesin Island. The lodges will be sold individually as horizontal condominiums, where the land will be proportionately owned by all 300 homeowners. This will allow for the optimization of the locations and views of all of the home sites.

Each group of five to six homes will have its own water cistern that collects rainwater from the roof of each building, as well as a complete genset that will serve as a backup source of power. Landscaping will be provided and maintained by Alphaland, to the usual superior Alphaland standard.

On the main Ambuklao Road part of the property, we will construct a commercial center consisting of 8 pine log units, which we will provide rent-free to the best restaurants and popular shops in Baguio, as well as a laundromat for the convenience of our homeowners.

The latter half of 2016 saw extensive site preparation and infrastructure works, including widening, grading, and paving of the 2-kilometer, 6-meter wide principal road. The 5 model units and clubhouse, along with the first 50 homes, will be completed in 2017, followed by the next 100 homes in 2018, and the final 150 homes in 2019.

BAGUIO'S RUSTIC CHARM FLOURISHING IN ALPHALAND BAGUIO MOUNTAIN LODGES

ENTRANCE TO ALPHALAND BAGUIO MOUNTAIN LODGES

"OLD BAGUIO" AMBIANCE AT A ALPHALAND BAGUIO MOUNTAIN LODGES

ENTRANCE TO ALPHALAND BAGUIO MOUNTAIN LODGES


CONCRETE SECURITY FENCE


MACTAN ROTUNDA

ACCESS ROAD TO MODEL UNIT

ROAD FROM TIRAD TO MACTAN

VIEW OF HELIPAD AND BLOCK 1

NURSERY AREA

ACCESS ROAD FROM BLOCK 1 TO TOPSIDE

BALESIN GATEWAY

Alphaland has acquired more than 700 hectares in Patnanungan Island, which is only 22 nautical miles north of Balesin. Between Balesin and Patnanungan it takes only 10 minutes by helicopter, 5 minutes by our Cessnas, and half an hour by a fast ferry.

We intend to build a full international airport facility with a runway of 2,500 meters, which will accommodate even Boeing 747s, although we are targeting only the Airbus 320s that fly around the region.

We have always envisioned making Balesin directly accessible to international flights. With the establishment of the Balesin Gateway International Airport, our international members and guests will be able to bypass the congestion of NAIA in Manila and fly directly to Balesin from Tokyo, Seoul, Taipei, Hong Kong, Bangkok, Singapore, and Jakarta, and

AERIAL VIEW OF PATNANUNGAN ISLAND

CLOSER LOOK AT PATNANUNGAN ISLAND

PATNANUNGAN BEACH

PATNANUNGAN SITE

even Sydney, all cities that will be the target of our aggressive international marketing of Balesin Island Club in 2017.

Because the island has fresh ground water, we also plan to build an 18-hole championship golf course and a 300-room hotel, as well as 500 beachfront and golf course homes. So that we do not end up with a mish-mash of design and are able to preserve the pristine character of the land, we will design and build each individual home. The homes can be directly owned by individuals and companies who would like to acquire their own beach houses.

The entire project will take 3 to 4 years to complete. In the latter half of 2016, we worked on the master plan for the island as well as the necessary permits and regulatory approvals.


F-WN

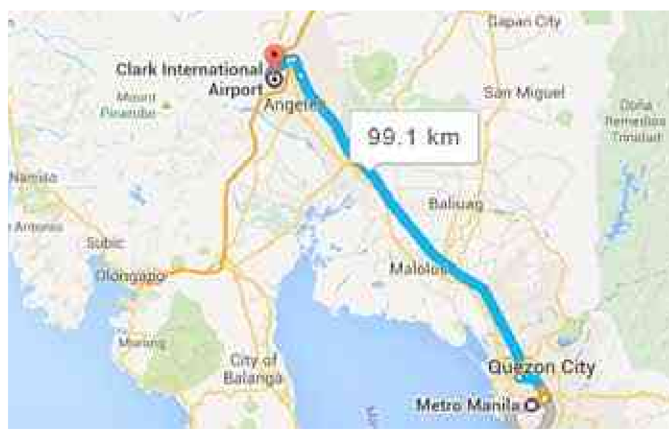
ATR 72-500 Aircraft

Alphaland acquired an ATR 72-500 aircraft in the first quarter of 2016. The 68-seater ATR 72-500 is one of the most popular regional aircrafts worldwide. The larger-capacity plane has greatly facilitated the travel of our members to and from Balesin and has substantially diminished the charter fees that we used to pay. We plan to acquire another identical ATR 72-500 in the first quarter of 2017.

VIEW OF CLARK HANGAR FROM THE APRON

Clark Facility

In late 2016, we signed the lease for our own facilities at Clark Airport in Pampanga to improve our aviation services for Balesin members who live in the northern part of Metro Manila and in Central Luzon. We began scheduling flights to and from Clark to avoid the air traffic and runway congestion at NAIA. Construction of our private Alphaland lounge at Clark will be completed in the first quarter of 2017.



DISTANCE OF CLARK AIRPORT TO MANILA


alphaland
BALESIN ISLAND CLUB

PAL MABUHAY MILES PARTNERSHIP

PAL Mabuhay Miles Partnership

In March 2016, Alphaland announced the launch of its partnership with Philippine Airlines (PAL) wherein PAL's Mabuhay Miles Million Milers, Premier Elite and Elite Members can redeem their miles to enjoy a stay in Balesin Island Club resort as the "ultimate" frequent flyer reward.

PAL's Million Milers are those who have flown one million cumulative tier miles on PAL and PAL Express, earning the highest level of privileges in the Premier Elite level for life. These customers are given first-priority treatment and dedicated travel assistance.

Founded in March 1941, PAL is one of the legacy commercial carriers in Asia and the national carrier of the Philippines. PAL operates flights within the Philippine archipelago and throughout Asia, Oceania, the Middle East, North America and Europe.

BALESIN COASTAL CLEAN-UP VOLUNTEERS

VOLUNTEERS AT BALESIN'S COASTAL CLEAN-UP DAY

Corporate Social Responsibility

DRUG REHABILITATION FACILITY

After conducting an in-depth study on drug rehabilitation centers and how other countries have addressed this need, Alphaland plans to build a drug rehabilitation facility on a 2.1 hectare property that it owns in Atimonan, Quezon. Our intention is for this to be a "model" facility that can be used as a prototype for other centers to be established by the government and the private sector to support the fight against drugs in the country.

Located on the coast, Atimonan is only 25 nautical miles from Balesin Island and can be supported by our facilities at Balesin Island, particularly our Balesin Aegle Wellness Center, once we staff it with experts in medical toxicology and other specialists. Atimonan also has the advantage of being reachable by land from Manila (about 2-1/2 hours), and in fact was used as the staging area during construction of Balesin Island Club. We will begin construction on this project in 2017.

COMMUNITY DEVELOPMENT PROGRAMS

Balesin Island Club supports the island's residents through various community development programs. One of the program's main thrusts is the hiring of local residents to train with and eventually become part of the island's workforce. The club employs its staff from a community of around 2,000 people. The children of these workers also become scholars of Balesin Island Club. Eventually, upon reaching high school, they may choose to take their "on-the-job training" (OJT) in the club, effectively becoming skilled workers in the luxury hospitality industry.

BALESIN INTEGRATED SCHOOL

The Balesin Integrated School is an island-based school that serves the needs of the children of Balesin Island's local residents. Founded in 1999, it is a direct beneficiary of Alphaland Corporation. The company regularly donates materials and supplies during the Christmas holidays and other special occasions. Aside from supporting the school through charitable donations, Alphaland also grants scholarships to deserving students, many of whom continue their further education at top universities on the mainland.

ANNUAL OUTREACH PROGRAMS

Every December, Alphaland Corporation shares its blessings with those less fortunate through a yearly outreach program. The beneficiaries of this annual event are the residents of the local Balesin island community. Members from various Alphaland departments are chosen to fly to the island for a day of fellowship and camaraderie. While on the island, they pack Christmas ham and fruit baskets, attend a thanksgiving mass, and share a simple yet meaningful meal in celebration of the true meaning of the season. The children of the local residents are also treated to a magic show, parlor games, and loot bags.

ANNUAL COASTAL CLEAN-UP

Alphaland Balesin Island Club participates in the annual international coastal clean-up, the largest volunteer event in the world. This event is dedicated to improving beaches, coastal areas, and their surroundings.

TRASH COLLECTED DURING BALESIN'S COASTAL CLEAN-UP DAY

MAGIC SHOW FOR THE KIDS OF THE LOCAL BALESIN ISLAND COMMUNITY

BOARD OF DIRECTORS

Roberto V. Ongpin
Chairman & CEO

Anna Bettina Ongpin
Vice Chairman & President

Michael A.P.M. Asperin
COO & Balesin Island Club CEO

Atty. Cliburn Anthony A. Orbe
Executive Vice President for Legal and Corporate Secretary

Atty. Mario A. Oreta
Director

Dennis O. Valdes
Director

Margarito B. Teves
Independent Director

Gregorio Ma. Araneta III
Independent Director

Sen. Edgardo J. Angara
Independent Director

Victor C. Macalincag
Independent Director

Lorenzo V. Tan
Advisor to the Board

CONSOLIDATED FINANCIAL STATEMENTS

alphaland
CORPORATION

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS"

The management of **Alphaland Corporation and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, 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 consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Group's financial reporting process.

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

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

ROBERTO V. ONGPIN
Chairman

ANNA BETTINA ONGPIN
President and Vice Chairman

CRISTINA B. ZAPANTA
Vice President - Finance

Signed this 27th day of January 2017

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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Makati City 1226 Philippines
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Alphaland Corporation and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Alphaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2016, 2015 and 2014, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years ended December 31, 2016, 2015 and 2014 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report for the year ended December 31, 2016 is expected to be made available to us after the date of this auditor's report.

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

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

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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FIRM PRINCIPLES. WISE SOLUTIONS

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

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

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 audits.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-1 Group A
    Validity extended until April 30, 2017
BIR Accreditation No. 08-005144-4-2017
    Valid until January 13, 2020
PTR No. 5908526
    Issued January 3, 2017, Makati City

January 27, 2017
Makati City, Metro Manila

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	6	**₱256,145,749**	₱453,723,476
Trade and other receivables	7	**1,254,520,709**	793,395,054
Land and development costs and parking lots for sale	8	**5,436,014,614**	4,533,017,164
Advances to related parties	18	**2,412,742,581**	1,994,185,348
Available-for-sale (AFS) financial assets	11	**985,810,900**	985,810,900
Other current assets	9	**2,126,562,967**	2,177,641,528
Total Current Assets		**12,471,797,520**	10,937,773,470
Noncurrent Assets			
Investments in and advances to associates	10	**22,668,630**	23,108,112
AFS financial assets - net of current portion	11	**29,271,411,300**	28,684,132,600
Investment properties	12	**27,297,299,071**	17,544,311,142
Property and equipment	13	**1,492,834,887**	904,420,019
Other noncurrent assets	14	**306,986,289**	359,472,495
Total Noncurrent Assets		**58,391,200,177**	47,515,444,368
		₱70,862,997,697	₱58,453,217,838
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	15	**₱2,519,536,752**	₱1,435,110,564
Current portion of:			
Long-term debt	16	**1,480,479,000**	1,592,525,229
Customers' deposits	19	**22,932,572**	56,556,944
Advances from related parties	18	**8,692,951**	2,855,970
Income tax payable		**4,992,874**	–
Total Current Liabilities		**4,036,634,149**	3,087,048,707
Noncurrent Liabilities			
Long-term debt - net of current portion	16	**4,041,878,349**	3,480,425,988
Customers' deposits - net of current portion	19	**127,033,880**	67,418,749
Retirement liability	21	**31,415,915**	22,575,988
Net deferred tax liabilities	22	**10,124,486,789**	6,984,896,394
Other noncurrent liabilities		**89,808,470**	91,938,618
Total Noncurrent Liabilities		**14,414,623,403**	10,647,255,737
Total Liabilities		**18,451,257,552**	13,734,304,444

(Forward)

	Note	December 31 2016	2015
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	17	**₱2,655,707,417**	₱2,655,707,417
Additional paid-in capital		**10,739,039,485**	10,739,039,485
Other comprehensive income:			
Unrealized valuation gains on AFS financial assets	11	**23,574,599,480**	23,019,668,962
Accumulated remeasurement gain on retirement liability		**22,845,569**	24,191,433
Revaluation surplus	13	**72,679,524**	–
Retained earnings		**32,172,445,048**	25,095,299,802
		69,237,316,523	61,533,907,099
Less:			
Parent Company's shares held by a subsidiary	17	**16,817,972,390**	16,817,972,390
Cost of 1,523,900 shares and 423,900 shares in treasury in 2016 and 2015, respectively	17	**12,213,526**	1,213,526
		52,407,130,607	44,714,721,183
Noncontrolling interests		**4,609,538**	4,192,211
Total Equity		**52,411,740,145**	44,718,913,394
		₱70,862,997,697	₱58,453,217,838
Book value per share	23	**₱41.140**	₱35.072

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2016	2015	2014
REVENUES				
Real estate sales		**₱1,421,234,818**	₱1,417,878,987	₱259,307,651
Rent	19	**696,046,064**	662,816,830	597,265,604
Transportation service		**174,773,504**	88,011,000	16,625,000
Interest income	6	**19,635,331**	13,508,632	18,727,565
Others		**24,057,832**	5,058,889	7,940,692
		2,335,747,549	2,187,274,338	899,866,512
COSTS AND EXPENSES	20			
Cost of real estate sold		**1,094,857,486**	1,207,386,222	244,245,692
Cost of services		**285,883,593**	202,884,181	147,187,679
General and administrative		**562,110,166**	559,724,241	1,132,604,972
		1,942,851,245	1,969,994,644	1,524,038,343
OTHER INCOME (EXPENSES)				
Gain on fair value changes of investment properties	12	**10,007,052,488**	8,578,761,163	729,714,574
Interest expense and other finance charges	16	**(294,749,467)**	(251,302,872)	(278,314,792)
Gain on sale of AFS financial assets	11	**108,505,049**	272,342,449	283,179,926
Net foreign exchange gain (loss)		**(1,883,954)**	799,568	1,508,626
Equity in net loss of a joint venture and associates	10	**(1,135,226)**	(744,340)	(22,389,024)
Gain on disposal of assets	4	**–**	–	3,928,806,929
		9,817,788,890	8,599,855,968	4,642,506,239
INCOME BEFORE INCOME TAX		**10,210,685,194**	8,817,135,662	4,018,334,408
PROVISION FOR (BENEFIT FROM) INCOME TAX	22			
Current		**87,084,086**	63,900,947	34,578,593
Deferred		**3,046,777,525**	2,635,457,324	(958,135,386)
		3,133,861,611	2,699,358,271	(923,556,793)
NET INCOME		**7,076,823,583**	6,117,777,391	4,941,891,201

(Forward)

	Note	**2016**	2015	2014
OTHER COMPREHENSIVE INCOME (OCI)				
To be reclassified to profit or loss in subsequent periods -				
Net unrealized valuation gain on AFS financial assets	11	**₱616,595,021**	₱1,155,622,862	₱618,033,124
Income tax effect		**(61,664,503)**	(115,562,286)	(61,803,312)
		554,930,518	1,040,060,576	556,229,812
Not to be reclassified to profit or loss in subsequent periods -				
Remeasurement gain (loss) on retirement liability	21	**(1,345,864)**	9,044,282	2,776,356
Revaluation surplus	13	**103,827,891**	–	–
Income tax effect		**(31,148,367)**	–	–
		72,679,524	–	–
		626,264,178	1,049,104,858	559,006,168
TOTAL COMPREHENSIVE INCOME		**₱7,703,087,761**	₱7,166,882,249	₱5,500,897,369
Net income attributable to:				
Equity holders of the Parent Company		**₱7,076,406,256**	₱6,118,500,366	₱4,942,577,048
Noncontrolling interests		**417,327**	(722,975)	(685,847)
		₱7,076,823,583	₱6,117,777,391	₱4,941,891,201
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**₱7,702,670,434**	₱7,167,605,224	₱5,501,583,216
Noncontrolling interests		**417,327**	(722,975)	(685,847)
		₱7,703,087,761	₱7,166,882,249	₱5,500,897,369
Basic/Diluted Earnings Per Share				
In accordance with Philippine Accounting Standard 33, *Earnings per Share**	23	**₱5.553**	₱4.495	₱2.043
Based on outstanding shares at the end of the year**	23	**₱5.555**	₱4.799	₱3.475

See accompanying Notes to Consolidated Financial Statements.

* Computed based on the weighted average number of shares outstanding for the year.

** Computed based on the outstanding shares as at end of year. This information is intended for management's reporting purposes only.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	2016	2015	2014
CAPITAL STOCK	17			
Balance at beginning of year		₱2,655,707,417	₱2,655,707,417	₱1,838,370,551
Issuance of shares during the year		–	–	817,336,866
Balance at end of year		2,655,707,417	2,655,707,417	2,655,707,417
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		10,739,039,485	10,739,039,485	9,513,034,186
Issuance of shares during the year	17	–	–	1,226,005,299
Balance at end of year		10,739,039,485	10,739,039,485	10,739,039,485
UNREALIZED VALUATION GAIN ON AFS FINANCIAL ASSETS	11			
Balance at beginning of year		23,019,668,962	21,979,608,386	21,423,378,574
Net unrealized valuation gain on AFS financial assets		554,930,518	1,040,060,576	556,229,812
Balance at end of year		23,574,599,480	23,019,668,962	21,979,608,386
ACCUMULATED REMEASUREMENT GAIN ON RETIREMENT LIABILITY	21			
Balance at beginning of year		24,191,433	15,147,151	12,370,795
Remeasurement gain (loss) on retirement liability		(1,345,864)	9,044,282	2,776,356
Balance at end of year		22,845,569	24,191,433	15,147,151
REVALUATION SURPLUS	13			
Balance at beginning of year		–	–	–
Revaluation gain		73,418,514	–	–
Amortization of revaluation surplus		(738,990)	–	–
Balance at end of year		72,679,524	–	–
RETAINED EARNINGS				
Balance at beginning of year		25,095,299,802	18,976,799,436	14,034,222,388
Net income during the year		7,076,406,256	6,118,500,366	4,942,577,048
Amortization of revaluation surplus		738,990	–	–
Balance at end of year		32,172,445,048	25,095,299,802	18,976,799,436
PARENT COMPANY'S SHARES HELD BY A SUBSIDIARY	17	(16,817,972,390)	(16,817,972,390)	(16,817,972,390)
TREASURY SHARES	17			
Balance at beginning of year		(1,213,526)	(1,213,526)	(1,213,526)
Additions		(11,000,000)	–	–
Balance at end of year		(12,213,526)	(1,213,526)	(1,213,526)
NON-CONTROLLING INTERESTS				
Balance at beginning of year		4,192,211	4,915,186	5,601,033
Net income (loss)		417,327	(722,975)	(685,847)
Balance at end of year		4,609,538	4,192,211	4,915,186
		₱52,411,740,145	₱44,718,913,394	₱37,552,031,145

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱10,210,685,194**	₱8,817,135,662	₱4,018,334,408
Adjustments for:				
Gain on fair value changes of investment properties	12	**(10,007,052,488)**	(8,578,761,163)	(729,714,574)
Interest expense and other finance charges	16	**294,749,467**	251,302,872	278,314,792
Depreciation and amortization	13	**121,858,881**	104,465,936	64,222,940
Gain on sale of AFS financial assets	11	**(108,505,049)**	(272,342,449)	(283,179,926)
Interest income	6	**(19,635,331)**	(13,508,632)	(18,727,565)
Unrealized foreign exchange loss (gain)		**1,883,954**	(799,568)	(1,508,626)
Equity in net income of a joint venture and associates	10	**1,135,226**	744,340	22,389,024
Gain on disposal of assets	4	**–**	–	(3,928,806,929)
Operating income (loss) before working capital changes		**495,119,854**	308,236,998	(578,676,456)
Decrease (increase) in:				
Trade and other receivables		**(458,383,163)**	(34,372,708)	(459,958,340)
Land and development costs and parking lots for sale		**(458,693,723)**	(874,891,723)	208,999,855
Other current assets		**220,505,922**	(55,114,250)	(55,566,996)
Increase (decrease) in:				
Trade and other payables		**1,062,892,283**	448,721,082	(1,941,403,660)
Customers' deposits		**25,990,759**	13,492,902	10,347,563
Retirement liability		**7,494,063**	4,680,688	10,523,013
Net cash generated from (used for) operations		**894,925,995**	(189,247,011)	(2,805,735,021)
Income taxes paid		**(82,091,212)**	(63,866,097)	(858,155,989)
Interest received		**19,635,331**	13,508,632	18,727,565
Net cash provided by (used in) operating activities		**832,470,114**	(239,604,476)	(3,645,163,445)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of AFS financial assets	11	**137,821,370**	508,306,210	2,249,448,637
Decrease (increase) in:				
Investment properties	12	**(226,678,334)**	(346,019,154)	5,247,233,344
Advances to associates		**(695,744)**	509,642	982,971,562
Other noncurrent assets		**52,517,272**	(58,267,581)	321,199,670
Proceeds from sale of:				
Subsidiaries		**–**	833,333,333	1,666,666,667
Associates		**–**	–	720,533,776
Additions to:				
Property and equipment	13	**(608,326,854)**	(507,223,352)	(345,073,317)
Software	14	**(153,572)**	(129,464)	(161,260)
Deconsolidation of subsidiaries, net of cash	4	**–**	–	(2,910,873,410)
Net cash used in investing activities		**(645,515,862)**	430,509,634	7,931,945,669

(Forward)

	Note	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of long-term debt		**₱2,157,784,196**	₱3,310,943,860	₱–
Payments of:				
Long-term debt		**(1,713,540,558)**	(2,740,897,720)	(2,891,848,640)
Interest and other finance charges		**(231,613,902)**	(319,025,236)	(277,096,273)
Finance lease		**–**	–	(1,054,831)
Net changes in accounts with related parties		**(412,720,252)**	(346,513,309)	(368,050,134)
Purchase of treasury shares	17	**(11,000,000)**	–	–
Movement in other noncurrent liabilities		**(2,130,148)**	(19,134,500)	(720,476,600)
Issuance of new shares		–	–	543,342,165
Parent Company shares held by a subsidiary		**–**	–	(24,206,484)
Net cash provided by (used in) financing activities		**(213,220,664)**	(114,626,905)	(3,739,390,797)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(1,883,954)**	799,568	1,508,626
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(28,150,366)**	77,077,821	548,900,053
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and cash equivalents	6	**453,723,476**	603,166,902	173,775,856
Restricted cash	9	**551,098,205**	324,576,958	205,067,951
		1,004,821,681	927,743,860	378,843,807
CASH AND CASH EQUIVALENTS AT END OF YEAR				
Cash and cash equivalents	6	**256,145,749**	453,723,476	603,166,902
Restricted cash	9	**720,525,566**	551,098,205	324,576,958
		₱976,671,315	₱1,004,821,681	₱927,743,860
NONCASH FINANCIAL INFORMATION				
Conversion of deposits intended for equity subscription	17	**₱–**	₱–	₱1,500,000,000
Transfer from investment properties to land and development costs	8	**392,383,235**	–	1,295,184,206

See accompanying Notes to Consolidated Financial Statements.

ALPHALAND CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Matters

Corporate Information

Alphaland Corporation (ALPHA or Parent Company) is a holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 19, 1990. The principal business of ALPHA and its subsidiaries (collectively referred to as the "Group") is real property development.

The registered office address of ALPHA is 9th Floor, Alphaland Southgate Tower, 2258 Chino Roces Avenue corner EDSA, Makati City.

The consolidated financial statements as at and for the year ended December 31, 2016 were approved and authorized for issuance by the Executive Committee of the Board of Directors (BOD) on January 27, 2017.

ALPHA's Significant Legal Subsidiaries as at December 31, 2016 and 2015

a. *Alphaland Balesin Island Resort Corporation (ABIRC), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on May 26, 2010. ABIRC's primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, and exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

   ABIRC has investment in preferred shares of Alphaland Balesin Island Club, Inc. (ABICI).

b. *Alphaland Southgate Tower, Inc. (ASTI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on May 29, 2007 as Alphaland Development, Inc. On October 15, 2015, the Philippine SEC approved the change in corporate name from "Alphaland Development, Inc." to "Alphaland Southgate Tower, Inc." ASTI's primary purpose is to engage in real property acquisition and development. ASTI's main property is a 20-storey office tower building with a six-storey podium shopping mall known as Alphaland Southgate Tower (see Note 12).

c. *Alphaland Makati Place, Inc. (AMPI), 100%-owned by ASTI,* was incorporated in the Philippines and registered with the Philippine SEC on March 6, 1991 as Silvertown Property Development Corporation. On February 26, 2010, the Philippine SEC approved the change in corporate name from "Silvertown Property Development Corporation" to "Alphaland Makati Place, Inc."

   AMPI's primary purpose is to acquire by exchange of shares, purchase, lease that specific property described as three-storey building with basement of strong materials together with the warehouse, other land improvements and machinery and equipment as well as the leasehold rights on the land, which is situated at Ayala Avenue corner Malugay Street, Makati, Metro Manila.

   AMPI entered into a joint venture with Boy Scouts of the Philippines (BSP) to develop the Malugay Property into a first class commercial development now known as Alphaland Makati Place (see Note 5). It is a mixed-use property development consisting of three (3) high end residential towers atop an upscale six-storey podium with a shopping center and a City Club, including a Boy Scout Convention Center.

AMPI has investment in preferred shares of The City Club at Alphaland Makati Place, Inc. (TCCAMPI).

d. *Alphaland Reclamation Corporation (ARC), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on April 5, 2011, and primarily engaged in the construction of reclamation projects and to contract for and perform reclamation works.

e. *Alphaland Balesin Gateway, Inc. (ABGI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the SEC on May 19, 2010 as Aklan Boracay Properties Inc. On October 17, 2016, the Philippine SEC approved the change in the Company's corporate name from "Aklan Boracay Properties, Inc." to "Alphaland Balesin Gateway, Inc.". ABGI's primary purpose is to invest in, purchase or otherwise acquire and own, hold use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose, as may be permitted by law, of real and personal property of every kind and description.

f. *Alphaland Aviation, Inc. (AAI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on July 31, 2012 and is primarily engaged in the aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

g. *Alphaland Baguio Mountain Log Homes, Inc. (ABMLHI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the Philippine SEC on January 17, 2013 as Alphaland Holdings Company, Inc. On September 7, 2016, the Philippine SEC approved the change in corporate name from "Alphaland Holdings Company, Inc." to "Alphaland Baguio Mountain Log Homes, Inc.".

   ABMLHI's primary purpose is to deal and engage in the real estate business in all its aspects; to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent, or otherwise deal in and dispose of, for itself or for others, all kinds of real estate projects, involving commercial, industrial, urban, residential or other kinds of real property, improved or unimproved, with or to such persons and entities and under such terms and conditions as may be permitted by law.

h. *2258 Blue Holdings, Inc. (Blue Holdings), 100%-owned by ASTI,* was incorporated in the Philippines and registered with the Phillppine SEC on September 17, 2012 and its primary purpose is to purchase, own and hold the stock of other corporations, and to do every act and thing covered generally by the denomination of "holding corporation," especially to direct the operations of other corporations through the ownership of stock therein.

i. *Alphaland Southgate Restaurants, Inc. (ASRI), 100%-owned by ASTI,* was incorporated in the Philippines and registered with the Philippine SEC on March 28, 2011 as Alphaland Ukiyo, Inc. It was renamed as ASRI on June 27, 2013. Its primary purpose is to establish, maintain and operate restaurants, coffee shops, refreshment parlors and cocktail lounge.

j. *Choice Insurance Brokerage, Inc. (CIBI), 70%-owned by Blue Holdings,* was incorporated in the Philippines and registered with the SEC on November 6, 2012, and is primarily engaged to, conduct, carry on and maintain insurance business, to act as a broker, and to do other related activities.

k. *Alphaland International, Inc. (AII), 100%-owned by ALPHA,* was incorporated and registered with the Philippine SEC on January 29, 2014. AII's primary purpose is to market assets, including club shares and condominium units of the Alphaland Group of Companies outside the Philippine market.

l. *Aegle Wellness Center, Inc. (AWCI), 100%-owned by ALPHA,* was incorporated in the Philippines and registered with the SEC on September 28, 2015, and is primarily engaged to provide diagnostic, therapheutic and naturopathic services using formulated herbal supplements and natural health products and sale of such herbal supplements.

m. *Alphaland Aviation - Pampanga, Inc. (AAPI), 100%-owned by AAI,* was incorporated in the Philippines and registered with the SEC on December 5, 2016, and is primarily engaged in the aviation industry and its related businesses, including but not limited to, the provision of hangarage and moorage, parking and landing operations, aircraft maintenance, supply of parts, oils, and lubricants and other related businesses.

<u>Major Sources of Funds</u>

The Group generates funds primarily from sale of condominium units and parking spaces at Alphaland Makati Place, Inc. Also, Alphaland Southgate Tower and Mall operations continue to provide recurring cash flows.

The Group also generates funds through secondary sale of membership shares of the completed Club projects, namely, Alphaland Balesin Island Club and The City Club at Alphaland Makati Place.

Moreover, on April 30, 2014, the Group sold its 20% investment in the Shangri-la Hotel at the Fort project for ₱1,700.0 million (see Note 4).

As discussed below, on June 5, 2014, the Group entered into a settlement agreement with a "Major Shareholders" Group. The ₱2,500.0 million cash payment from the settlement agreement was received as follows: first payment of ₱1,666.7 million on October 17, 2014 and final payment of ₱833.3 million on February 4, 2015.

On February 18, 2016, ALPHA entered into an OLSA with PBCom for a loan facility of ₱480.0 million for the purpose of financing the general corporate purpose of ALPHA.

On March 4, 2016, AAI entered into an Amortized Commercial Loan (ACL) agreement with BDO Leasing and Finance, Inc. for a loan facility of ₱309.0 million for the purpose of financing the acquisition of ATR72 Turboprop Aircraft.

In August 5, 2016, ABMLHI entered into an OLSA with Philippine National Bank for a loan facility of ₱720.0 million for the purpose of partially financing the construction and development of Alphaland Baguio Mountain Lodges Project.

On August 3, 2015, ASTI entered into an Omnibus Loan and Security Agreement (OLSA) with Philippine Bank of Communications (PBCom) for a loan facility of ₱2,500.0 million for the purpose of refinancing an existing OLSA with BDO Unibank, Inc. (BDO) by way of loan take-out and for financing its general corporate business.

Actual loan availments in 2016 and 2015 amounted to ₱2,157.8 million and ₱3,310.9 million, respectively (see Note 16).

New ₱5.5 Billion Credit Facility

As at December 31, 2016, the Group has total bank debts amounting to ₱5.5 billion with a blended interest rate of 5.31% per annum.

In order to rationalize its bank debts, the Group recently agreed to a proposal by one of the lending local universal banks for the Group to obtain a ₱5.5 billion credit facility which will be used mainly to refinance most of the existing bank debts. The balance will be used to fund projects and working capital requirements.

Aside from the fresh cash to be made available under this credit facility, the other advantages of rationalizing the Group's bank debts as such would be improved loan terms, extension of maturity dates by seven years (with a grace period of one year for principal repayment) and the ease of having to deal with essentially just one lender.

The Group is grateful for the vote of confidence extended by this lender to the Group and it expects the credit facility to be available sometime in February 2017.

PAGCOR City Property

In December 2015, the Group (through a wholly-owned subsidiary, ARC) acquired approximately 4,000 square meters of land along Diosdado Macapagal Avenue, Parañaque City. The beneficial owner of the property, Mr Roberto V. Ongpin (RVO), is the majority shareholder and Chairman of ALPHA.

The property was acquired by the Group at its zonal value of ₱50,000 per square meter or a total of ₱198.9 million. The appraised value at the time of the acquisition by the Group was ₱200,000 per square meter or four times higher than the zonal valuation. In consideration of the foregoing, the Group granted RVO the right to buy back the property at the same ₱50,000 per square meter price. Alternatively, the Group has the option to buy out RVO's option by paying him an additional price of ₱150,000 per square meter.

The fair value of the property based on an independent appraisal report dated November 15, 2016 is at ₱250,000 per square meter, or a total of ₱994.5 million.

On January 11, 2017, the parties agreed to rescind the sale whereby the Group returned and delivered to the Seller the titles to, and all other rights over the property. In turn, the Seller returned the full Purchase Price of the Property and other costs to the Group (see Note 12).

Transfer of Assets and Related Liabilities to a Major Shareholders' Group

On June 5, 2014, Alphaland Holdings (Singapore) Pte. Limited (AH) and Masrickstar Corporation (MC) on one hand, and another group affiliated with RVO including ALPHA and ASTI (collectively, the "RVO Group") entered into a Memorandum of Agreement (MOA) to settle a shareholder dispute. Pursuant to the MOA, ALPHA, through its 100%-owned subsidiary, ASTI acquired the shares of stock of ALPHA owned by AH, MC and Credit Suisse (Singapore) Limited (Credit Suisse), another shareholder, and received ₱2,500.0 million in cash in exchange for assets and liabilities mainly comprising of 100% ownership of Alphaland Makati Tower, Inc. (AMTI); 100% ownership of Alphaland Marina Corporation (AMC) including AMC's investment in preferred shares of Alphaland Marina Club, Inc. (AMCI); 50% ownership of Alphaland Bay City Corporation (ABCC), the joint venture company formed by ASTI and a group led by D.M.Wenceslao & Associates, Inc. (DMWAI) (the Wenceslao Group or "WG"); and 60% interest in the unincorporated joint venture between the

Group and Akean Resorts Corporation and the additional parcels of land acquired by the Group with total area of approximately 10.81 hectares.

On October 17, 2014, these assets owned by the Group were sold to Bedfordbury Development Corporation (BDC), a newly incorporated company owned by AH and MC for ₱3,774.0 million. AH, MC and BDC will be collectively referred to as the "AH Group" (see Note 4).

The Group's joint venture with WG is subject to litigation because of WG's actions in causing a delay in ASTI and AMC's construction and development of the Marina Club Project. With BDC's takeover of AMC and AMCI, BDC assumed the responsibility of handling the litigation with WG.

2. Summary of Significant Accounting Policies

<u>**Basis of Preparation and Statement of Compliance**</u>

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee, adopted by the SEC, including SEC pronouncements.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All amounts are rounded to the nearest Peso unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS financial assets, investment properties and transportation equipment presented under "Property and equipment" which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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 Group uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Notes 5, 12, 13 and 25.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2016:

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal* – The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.

- Amendment to PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

- Amendments to PFRS 10, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* – The amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in PFRS 3, *Business Combinations*) to apply all of the business combinations accounting principles and disclosure in PFRS 3 and other PFRS, except for those principles that conflict with the guidance in PFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Amended PFRS Not Yet Adopted
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

Effective for annual periods beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through OCI), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in OCI (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group except for PFRS 9. Additional disclosures will be included in the financial statements, as applicable.

The Group anticipates that the application of PFRS 9 might have a significant effect on the amounts reported in respect of the Group's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Basis of Consolidation

Subsidiaries - Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. The Parent Company has control when it is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The following are the legal subsidiaries as at December 31, 2016 and 2015:

Company	Place of Incorporation	Nature of Business	Percentage of Ownership 2016	2015
ASTI	Philippines	Real property development	100	100
ABIRC	Philippines	Real property development	100	100
AMPI [a]	Philippines	Real property development	100	100
ARC	Philippines	Real property development	100	100
ABPI	Philippines	Real property development	100	100
Blue Holdings [a]	Philippines	Holding company	100	100
AAI	Philippines	Aviation	100	100
ABMLHI	Philippines	Holding company	100	100
ASRI [a]	Philippines	Restaurant operations	100	100
CIBI [b]	Philippines	Insurance brokerage	70	70
AII	Philippines	Holding company	100	100
Alphaland International, Inc. - BVI (formerly Digital Excel Development, Ltd.)	British Virgin Islands	Holding company	100	100

(Forward)

Company	Place of Incorporation	Nature of Business	Percentage of Ownership 2016	2015
Alphaland International, Inc. - Seychelles	Seychelles	Holding company	100	100
Superface Enterprises Limited	Hongkong	Holding company	100	100
AWCI	Philippines	Wellness center	100	100
AAPI [(c)]	Philippines	Aviation	100	–

(a) Through ASTI
(b) Through Blue Holdings
(c) Through AAI; incorporated in 2016

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest [NCI] or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions and presented as "Excess of acquisition price over acquired interest."

When the Parent Company has less than a majority of the voting or similar rights of an investee it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to elements evidencing control.

NCI represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the parent and are separately disclosed in the consolidated statements of comprehensive income. NCI pertains to the equity interest in CIBI as at December 31, 2016 and 2015.

Losses within a subsidiary are attributed to the NCI even if that results in a deficit balance.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statements of financial position;

- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS. That retained interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with PAS 39 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and
- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

Business Combinations and Goodwill - Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Financial Assets and Financial Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Differences. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transactions price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification of Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments are acquired or incurred and whether they are quoted in an active market.

As at December 31, 2016 and 2015, the Group does not have financial assets and liabilities at FVPL and HTM investments.

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are either designated in this category or not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported in the consolidated statements of comprehensive income and in the equity section of the consolidated statements of financial position. These changes in fair values are recognized in equity until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

Classified under this category are investment in shares of stock of ABICI (Island Club), TCCAMPI (City Club) and Wack Wack Golf and Country Club (Wack Wack).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market.

Subsequent to initial measurement, loans and receivables are measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Included in this category are cash in banks, cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related parties, restricted cash (presented under other current assets), refundable deposits (presented under other noncurrent assets) and advances to associates.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or are not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowings.

Other financial liabilities are recognized initially at fair value less any direct transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes trade and other payables (excluding statutory payables), long term debt, customers' deposits, advances from related parties and other noncurrent liabilities.

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables. The Group assesses at each reporting date whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the financial assets in a portfolio with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of financial asset's carrying amount over its net realizable value (NRV), normally based on the present value of the estimated future cash flows from the financial asset. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Any impairment loss determined is recognized in profit or loss.

The carrying amount of an impaired financial asset is reduced to its NRV through the use of an allowance account. For an impaired financial asset, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

AFS Financial Assets. In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized, is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right 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.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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 assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Land and Development Costs and Parking Lots for Sale

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and NRV.

Cost includes:

- Cost of the land;
- Construction and development costs; and

- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated specifically identifiable costs to complete and the estimated costs to sell.

<u>Other Current Assets</u>
This account consists of the excess of input value-added tax (VAT) over output VAT, restricted cash, advances to contractors and suppliers, creditable withholding taxes (CWT), supplies, deferred rent and prepayments.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" in the consolidated statements of financial position.

Restricted Cash. Restricted cash includes cash in banks under trust and to be used for interest and principal loan payments, funds reserved for the purchase of Euro notes and environmental escrow funds. This is classified as current asset if the expected release is within 12 months from the financial reporting date. Otherwise, this is classified as a noncurrent asset.

Advances to Contractors and Suppliers. Advances to contractors and suppliers represent advance payments on services to be incurred in connection with the Group's operations. These are charged to expense or capitalized to projects in the consolidated statements of financial position, upon actual receipt of services or supplies. These are considered as nonfinancial instruments as these will be applied against future billings from contractors and suppliers. Advance payments to contractors and suppliers, relating to the portion of the project that is classified as investment property and advance payments that will be applied against future billings beyond 12 months from the reporting date, are presented as part of "Other noncurrent assets" account in the consolidated statements of financial position.

CWT. CWT represents the amount withheld by the Group's customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Prepayments. Prepayments are expenses not yet incurred but paid in advance. Prepayments are apportioned over the period covered by the payment and charged to the appropriate account in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as noncurrent asset.

Interests in Joint Venture and Joint Operations
The Group has joint arrangements classified as joint venture and joint operations.

Joint Venture. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statements of comprehensive income reflect the Group's share of the results of operations of the joint venture. Any change in the OCI of the joint venture is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is presented in the consolidated statements of comprehensive income outside operating profit and represents share in income or loss after tax in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. When the remaining investment in a joint venture constitutes significant influence, it is accounted for as an investment in an associate.

Joint Operations. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

The Group recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Investments in Associates
The Group's investments in associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflect the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The share in net income of the associates is shown as "Equity in net income (loss) of associates" account in the consolidated statements of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

Investment Properties

Investment properties comprise of completed properties and land for future development held by the Group to earn rentals or for capital appreciation, or both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred and if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date as determined by independent appraisers. Gains and losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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

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

Property and Equipment

Property and equipment, except for land and certain transportation equipment, is stated at cost less accumulated depreciation, amortization and impairment in value, if any. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, nonrefundable taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when 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 additional cost of property and equipment.

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

In 2016, the Group adopted the revaluation model in measuring its aircraft under transportation equipment. This change in the accounting policy was applied by the Group prospectively. Under the revaluation model, aircraft is initially recorded at cost and subsequently measured at fair value. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does no differ materially from its carrying amount. Additions subsequent to the last appraisal date are stated at acquisition cost.

A revaluation increase is recorded initially in other comprehensive income and accumulated to the revaluation surplus in equity. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. A revaluation decrease is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in revaluation surplus in equity in which case the decrease is recognized in other comprehensive income.

Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives of the assets (except for land). The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Asset Type	Number of Years
Buildings	20 to 35
Transportation equipment	2 to 25
Machinery, equipment and tools	2 to 15
Office furniture and equipment	2 to 5
Leasehold improvements	2 to 10 or lease term, whichever is shorter

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 profit or loss in the year the asset is derecognized.

Fully depreciated items are retained as property and equipment until these are no longer in use.

Construction in progress, which includes cost of construction and other direct costs, is stated at cost and is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property and equipment when the construction and other related activities necessary to prepare the assets for their intended use are completed and the assets are available for use.

Software
Software is measured initially at cost. Software is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, software is measured at cost less accumulated amortization and any impairment loss.

Amortization of software is computed on a straight-line basis over the estimated useful life of five years.
The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible assets.

Impairment of Nonfinancial Assets
Nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill. The Group assesses whether there are any indicators that goodwill is impaired at each financial reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates.

Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Investments in Joint Venture and Associates. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the Group's investment in its joint venture and associates. The Group determines at each financial reporting date whether there is any objective evidence that the investments in joint venture and associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying values and recognizes the amount in profit or loss under the "Equity in net income (loss) of joint venture and associates" account.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Incremental costs directly attributable to the issue of new capital stock are recognized as a deduction, net of tax, from the equity.

Retained Earnings

Retained earnings represent the cumulative balance of the Group's results of operations and dividend distributions.

Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Parent Company's Shares Held by a Subsidiary

Parent's shares which are held by a subsidiary are treated similar to treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. The following specific recognition criteria must also be met before revenue is recognized.

Real Estate Sales. Revenue from sales of completed projects is accounted for using the full accrual method. The percentage of completion method will be used to recognize income from sales of projects where the Group has material obligations under the sales contracts to complete the project after the property is sold. Under this method, sales is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical portion of the contract work. Costs that relate to the acquisition, development, improvement and construction of the real estate projects are capitalized and are charged to operations when the related revenues are recognized.

The Group accounts for any cash received from buyers as deposits from sale of condominium units when the construction is not beyond a preliminary stage. Construction is not beyond a preliminary stage if engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are incomplete. Proceeds shall be accounted for as deposits until the criteria for percentage of completion method are met. Excess of collections over the recognized receivables are included in the "Trade and other payables" account in the consolidated statements of financial position, if expected to be applied within 12 months from the financial reporting date. Otherwise, these are classified as noncurrent liability under "Other noncurrent liabilities" account in the consolidated statements of financial position.

For sale of condominium units and preferred shares under a single contract to sell, the selling price is allocated to each component using the residual method. Collections received are initially applied to the selling price of the condominium unit and the remainder to the selling price of the preferred share.

Revenue on the sale of parking lots is recognized using the full accrual method.

Rent. Rent income from operating leases is recognized on a straight-line basis over the term of the lease. Contingent rent income is recognized when it arises. This also includes common utilities, services and maintenance charges, as well as other incidental income in providing the service.

Transportation Service. Transportation service is recognized when the related service has been rendered.

Gain on Sale of AFS Financial Assets. Gain on sale of AFS financial assets are recognized upon transfer of risks and rewards to the buyer.

Interest. Income is recognized as the interest accrues taking into account the effective yield on the assets.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the project is determined based on actual costs and project estimates of building contractors and technical staff.

Contract costs include all direct materials and labor costs and those direct costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Cost of Services. Cost of services is recognized as expense when services are rendered.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are expensed as incurred.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Retirement Benefit Costs. The Group has an unfunded, non-contributory defined benefit plan covering all qualified employees. Retirement benefit costs are actuarially determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements; and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The defined retirement benefits obligation is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

Group as a Lessee - Finance Lease. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to current operations. Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

Group as a Lessee - Operating Lease. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

Group as a Lessor. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rent income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded. All other borrowing costs are expensed in the period they occur.

Foreign Currency Denominated Transactions

Transactions denominated in foreign currencies are initially recorded in Philippine peso using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency using the rate of exchange prevailing at the reporting date. Foreign exchange differences between the rate at transaction date and settlement date or reporting date are credited to or charged against profit or loss. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the dates of initial transactions.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

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

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the end of reporting period.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in relation to the underlying transaction either in OCI or directly in equity.

Related Parties

Parties are considered to be related 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 operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

Contingencies

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

Events after the Reporting Date

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

<u>Earnings per Share Attributable to the Equity Holders of the Parent Company</u>
The Group presents basic and diluted earnings per share data for its common shares.

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, excluding common shares purchased by the Parent Company or its subsidiaries and held as treasury shares.

Diluted earnings per share amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares.

The Parent Company has no dilutive potential common shares.

<u>Book Value per Share</u>
The Group presents book value per common share outstanding.

Book value per share is computed by dividing the total equity by the outstanding number of common shares, excluding common shares purchased by the Parent Company or its subsidiaries and held as treasury shares.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts of assets, liabilities, income and expenses reported in the consolidated financial statements. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. While management believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Recognizing Revenue from Sale of Real Estate. The recognition of revenue requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyers' commitment is evaluated based on collections and credit standing of the buyers. The Group's revenue from sale of real estate is recognized using the percentage-of-completion method. Completion of development is determined based on engineer's judgment and estimates on the physical portion of contract work done and that the development is beyond the preliminary stage.

Real estate sales recognized amounted to ₱1,421.2 million, ₱1,417.9 million and ₱259.3 million in 2016, 2015 and 2014, respectively.

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, functional currency has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

Determining the Classification of Operating Lease Commitments. The Group entered into a number of operating lease agreements as a lessor. As a lessor, the Group has determined that it retains substantially all the risks and rewards of ownership of the assets being leased out under operating lease agreements.

The Group recognized rent income amounting to ₱696.0 million, ₱662.8 million and ₱597.3 million in 2016, 2015 and 2014, respectively (see Note 19).

Determining the Classification of Financial Instruments. The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Determining Control, Joint Control or Significant Influence over an Investee Company. Control is presumed to exist when an investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed to share control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has assessed it has control over its subsidiaries and joint control in all joint arrangements.

The Group has a 50% interest in Alphaland Heavy Equipment Corporation (AHEC) and 40% interest in Alphaforce Security Agency, Inc. (ASAI). The Group accounts for these investments as associates since management has assessed that there is no joint control between the parties.

Determining the Classification of Joint Arrangements. The joint venture agreement with BSP is accounted for as a joint operation since the parties that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Classifying Investment Properties and Owner-Occupied Properties. The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

<u>**Estimates and Assumptions**</u>

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

Recognizing Revenue and Cost. The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost from sale of real estate recognized based on the percentage of completion are measured principally on the basis of the estimated completion of physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Revenue from sale of condominium units and preferred shares under a single contract to sell is allocated to each component using the residual method. The fair value of the preferred share is measured at its current cash selling price to third parties on a stand-alone basis and the fair value of the condominium unit is the residual amount of the transaction price.

Revenue recognized based on percentage of completion amounted to ₱1,421.2 million, ₱1,417.9 million and ₱259.3 million in 2016, 2015 and 2014, respectively. Cost recognized based on percentage of completion amounted to ₱1,094.9 million, ₱1,207.4 million and ₱244.2 million in 2016, 2015 and 2014, respectively (see Note 20).

Determining Fair Value of Financial Instruments. PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity.

The fair value of the Group's financial assets and liabilities are disclosed in Note 25.

Estimating Impairment Losses of Trade and Other Receivables and Advances to Associates and Related Parties. The Group estimates the allowance for impairment losses related to receivables and advances to associates and related parties based on specific evaluation of accounts and collectively for receivables that are not individually significant, and where the Group has information that certain customers are unable to meet their financial obligations. In these cases, the use of estimate is based on the best available facts and circumstances, including but not limited to, the length of relationship with the customers and known market factors, to record specific reserves against amounts due from debtors to reduce the receivable amount that is expected to be collected.

Impairment loss recognized on receivables amounted to ₱34.1 million in 2016 and nil in 2015 and 2014. The carrying amount of receivables amounted to ₱1,254.5 million and ₱793.4 million as at December 31, 2016 and 2015, respectively (see Note 7).

Determining NRV of Land and Development Costs and Parking Lots for Sale. The Group writes down the carrying value of land and development costs and parking lots for sale whenever the NRV becomes lower than cost due to changes in market prices or other causes. The NRV of projects under construction is assessed with reference to market price at reporting date for similar completed property, less estimated costs to complete the construction and estimated costs to sell. The carrying value is reviewed regularly for any decline in value.

The carrying value of land and developments costs amounted to ₱5,284.3 million and ₱4,360.1 million as at December 31, 2016 and 2015, respectively. Parking lots for sale amounted to ₱151.7 million and ₱172.9 million as at December 31, 2016 and 2015, respectively (see Note 8).

Determining Fair Value of Investments in Clubs' Preferred Shares. The Group establishes fair value by using recent arm's length market transactions between knowledgeable, willing parties. The fair value of investments in preferred shares of the Clubs is determined based on the current cash selling price to third parties.

The carrying value of investments in preferred shares amounted to ₱30,257.2 million and ₱29,652.9 million as at December 31, 2016 and 2015, respectively (see Note 11).

Assessing Impairment of AFS Financial Assets. The Group assesses AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or whether other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the original cost of investment, and 'prolonged' as period more than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and future cash flows and the discount factors for unquoted equities.

The Group's AFS financial assets amounted to ₱30,257.2 million and ₱29,669.9 million as at December 31, 2016 and 2015, respectively (see Note 11).

Estimating Useful Lives of Property and Equipment and Software. The Group estimates the useful lives of the property and equipment and intangible assets based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of property and equipment and software in 2016 and 2015. The carrying amount of property and equipment amounted to ₱1,492.8 million and ₱904.4 million as at December 31, 2016 and 2015, respectively (see Note 13). The carrying amount of software amounted to ₱0.2 million and ₱0.1 million as at December 31, 2016 and 2015, respectively (see Note 14).

Estimating Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group 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 estimated recoverable amount.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

No impairment loss on nonfinancial assets was recognized in 2016 and 2015. The carrying amounts of nonfinancial assets are as follows:

	Note	2016	2015
Other current assets*	9	**₱1,406,037,401**	₱1,626,543,323
Investments in associates	10	**19,956,607**	21,091,833
Property and equipment	13	**1,492,834,887**	904,420,019
Other noncurrent assets**	14	**224,490,013**	230,928,719

**Excluding restricted cash*
***Excluding noncurrent portion of trade receivables and refundable deposits*

Determining Fair Value of Investment Properties. The Group engaged an independent appraiser to determine the fair value of its investment properties. The Fair values of investment properties were based on the valuation performed in 2016 and 2015. The fair values of land were determined using sales comparison and land development approach. Sales comparison approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. If there is limited data within the area, the independent appraiser considers the expansion of the research on properties considered comparable. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element. Land development approach is basically a discounting process wherein the present worth of the potential value of the property as "raw" land for subdivision purposes may be estimated. The fair value of properties held for lease, was determined using income capitalization approach which considers income and expense data relating to the property being valued and estimated it through capitalization process. Capitalization relates income, usually a net income figure, and a defined value type by converting an income amount into a value estimate.

Further information about the assumptions made in measuring fair values of investment properties are discussed in Note 12.

Gain on fair value changes which was recognized in the consolidated statements of comprehensive income amounted to ₱10,007.1 million and ₱8,578.8 million in 2016 and 2015, respectively. Carrying values of investment properties amounted to ₱27,297.3 million and ₱17,544.3 million as at December 31, 2016 and 2015, respectively (see Note 12).

Determining Retirement Benefits. The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 to the consolidated financial statements.

Retirement expense amounted to ₱7.5 million and ₱9.4 million in 2016 and 2015, respectively. Retirement liability amounted to ₱31.4 million and ₱22.6 million as at December 31, 2016 and 2015, respectively (see Note 21).

Assessing Realizability of Deferred Tax Assets. The Group reviews its deferred tax asset at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. There is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax asset to be utilized.

Unrecognized deferred tax assets amounted to ₱79.8 million and ₱64.6 million as at December 31, 2016 and 2015, respectively (see Note 22). Management believes that it is not probable that sufficient taxable income will be available to allow all these deferred tax assets to be utilized.

4. Disposal of Assets and Deconsolidation

a. Disposal of Subsidiaries

As discussed in Note 1, ASTI transferred to BDC its 100% ownership interest in AMTI and AMC for an aggregate amount of ₱3,774.0 million on October 17, 2014. The disposal resulted in the deconsolidation of AMTI and AMC from the Group's consolidated financial statements.

b. Disposal of Joint Arrangements

ABCC (Joint Venture)
The definitive agreement signed by the major shareholders of ALPHA as discussed in Note 1 includes the transfer of the Group's 50% interest in ABCC as at October 17, 2014.

Details of investment in ABCC as at date of disposal are as follows:

Acquisition cost	₱7,485,034,883
Accumulated equity in net income	5,859,360,723
	₱13,344,395,606

c. Disposal of Caticlan Property (Joint Operation)

As discussed in Note 1, the Group's 60% interest in the unincorporated joint venture with Akean Resorts Corporation, including 10.81 hectares of land was conveyed to BDC on October 17, 2014 pursuant to the MOA signed by the major shareholders of ALPHA on June 5, 2014. As at disposal date, the carrying amount of the Caticlan property which was previously recorded as investment property by the Group amounted to ₱197.5 million.

d. Disposal of Associates

On April 21, 2014, the BOD approved the disposition of the Group's ownership interest in Shang Global City Properties, Inc. (SGCPI) and Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI), the project companies of the Shangri-la Hotel at the Fort project. On April 30, 2014, ASTI sold its 20% stake and collected its advances for future stock subscription in both these companies for a total consideration of ₱1,700.0 million. The carrying amount of SGCPI and FBSHI at disposal date amounted to ₱37.6 million.

Gain on Disposal of Assets

The resulting gain on the above disposal of assets is as follows:

Total considerations	₱20,419,180,806
Less total investment cost	9,512,553,044
Total excess of consideration over investment cost	10,906,627,762
Less: Accumulated equity in net income of JV and associates	5,372,929,984
Excess of carrying amount of net assets over investment cost of subsidiaries	1,604,890,849
	₱3,928,806,929

5. Joint Operation

On June 30, 2008, AMPI and BSP entered into a Joint Venture Agreement to develop the Malugay Property into a first class commercial development to be known as Alphaland Makati Place (the "Project") whereby BSP shall contribute the Malugay Property while AMPI shall contribute the improvements (the "Development Costs") and its exclusive right (the "Leasehold Rights") over the Malugay Property, as well as to provide all necessary funds, equipment, materials, construction works, expertise and related undertakings for the development of the Project.

The Project consists of three high-end residential towers atop an upscale six-storey podium, the bottom half of which is a shopping center and the top half a City Club for urban sports and leisure. The Project also includes a Boy Scout Convention Center as provided in the Joint Venture Agreement.

AMPI and BSP agreed to share at 85% and 15%, respectively, of the total gross floor area of completed and disposable units in the Project. The 85% share of AMPI shall include The City Club and the 15% share of BSP shall include the Boy Scout Convention Center. As provided in the Joint Venture Agreement, AMPI shall submit progress reports of the development works in the Project on a regular basis to BSP.

On June 2, 2011, BSP sold the Malugay Property to AMPI for a total consideration of ₱600.0 million. The amount of consideration paid to BSP was then contributed by BSP to the development of the Project. The Leasehold Right was effectively terminated when AMPI acquired the land from BSP in June 2011. Despite the sale, the Joint Venture remained and the partners continued the 85:15 Sharing Scheme. The partners have amended the Joint Venture Agreement accordingly.

Pursuant to the Joint Venture Agreement, ALPHA has issued a corporate guaranty in favor of BSP whereby, in the event AMPI is unable to complete the Project (for reasons attributable to the fault of AMPI), ALPHA shall pay BSP the amount of ₱600.0 million in exchange for BSP's 15% share in the sharing scheme as defined in the Joint Venture Agreement.

The Group accounts for the joint venture arrangement as a joint operation. As at December 31, 2016 and 2015, the Group recognized its share in the development costs of the Project (excluding the costs related to the City Club - see Note 8) in the following accounts:

	Note	**2016**	2015
Land and development costs and parking lots for sale	8	**₱5,436,014,614**	₱4,533,017,164
Investment properties	12	**3,539,246,271**	3,534,975,549
		₱8,975,260,885	₱8,067,992,713

Prior to November 2014, the Group intended to develop the third tower of the Project as a hotel-type of operation (i.e., for lease). In November 2014, the Group decided that it would be more profitable if the third tower would be developed into residential units for sale.

On September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement. The Supplement expressly enumerates the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots. The Supplement further provides that the BSP Share in Tower 3 shall be determined in another Supplement to be entered into by the Parties after the plans for Tower 3 shall have been finalized and completed.

6. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	**₱110,928,460**	₱450,570,917
Short-term placements	**145,217,289**	3,152,559
	₱256,145,749	₱453,723,476

Cash in banks earn interest at prevailing bank deposit rates.

Short-term placements are made for varying periods of up to three months, depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term placement rates.

Sources of interest income recognized by the Group follows:

	Note	2016	2015	2014
Cash and cash equivalents		**₱1,344,745**	₱5,229,103	₱5,152,307
Trade and other receivables	7	**9,489,939**	6,525,287	11,866,079
Other current assets	9	**419,155**	1,754,242	1,709,179
In-house financing	8	**8,381,492**	–	–
		₱19,635,331	₱13,508,632	₱18,727,565

7. Trade and Other Receivables

This account consists of:

	Note	2016	2015
Trade receivables from:			
Sale of real estate		**₱645,743,612**	₱535,766,867
Sale of club shares	11	**352,689,005**	77,671,326
Transportation service		**153,462,289**	98,572,320
Tenants	19	**90,382,116**	66,218,954
Advances to officers and employees	18	**18,705,165**	8,571,968
Others		**33,444,192**	12,445,704
		1,294,426,379	799,247,139
Less allowance for impairment losses		**39,905,670**	5,852,085
		₱1,254,520,709	₱793,395,054

Receivables from sale of club shares and real estate have terms ranging from one to three years. Noncurrent portion of these receivables are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 14). Amortization of interest on these receivables amounting to ₱9.5 million, ₱6.5 million and ₱11.9 million in 2016, 2015 and 2014, respectively, was recorded as part of "Interest income" account in the consolidated statements of comprehensive income (see Note 6).

Receivable from transportation service are unsecured, noninterest-bearing and are due and demandable.

Receivables from tenants are noninterest-bearing and are generally on a 30-day term.

Advances to officers and employees are non-interest bearing and are subject to liquidation.

Other receivables mainly consist of accrued interest income, SSS claims and other receivables.

Allowance for impairment loss pertains to receivables from several lessees of ASTI and unit buyers of AMPI that are at least 90 days past due.

Movements of allowance for impairment loss are as follows:

	Note	2016	2015	2014
Balance at beginning of year		**₱5,852,085**	₱5,852,085	₱5,852,085
Provisions	20	**34,053,585**	–	–
		₱39,905,670	₱5,852,085	₱5,852,085

The Group wrote-off trade and other receivables amounting to ₱6.8 million and ₱19.4 million in 2016 and 2015, respectively (see Note 20).

8. Land and Development Costs and Parking Lots for Sale

This account consists of the following:

	2016	2015
Land and development costs	**₱5,284,289,615**	₱4,360,126,045
Parking lots for sale	**151,724,999**	172,891,119
	₱5,436,014,614	₱4,533,017,164

Land and Development Costs

Movements in land and development costs are as follows:

	Note	2016	2015
Balance at beginning of year		**₱4,360,126,045**	₱3,409,031,970
Additions:			
Development costs		**1,569,032,535**	2,082,277,945
Capitalized borrowing costs	16	**36,439,166**	48,833,908
Transfers from investment property	12	**392,383,235**	–
Cost of real estate sold	20	**(1,073,691,366)**	(1,180,017,778)
Balance at end of year		**₱5,284,289,615**	₱4,360,126,045

Land and development costs pertain to the Alphaland Makati Place project. This project, which is a joint venture with BSP (see Note 5), is located on a one-hectare lot along Ayala Avenue Extension corner Malugay Street, Makati City. Alphaland Makati Place consists of three residential towers atop a six-storey podium comprising of a shopping center and the City Club for sports and leisure (see Note 12). As at December 31, 2016 and 2015, the project is 100% and 64.0% completed, respectively.

Project cost classified as land and development costs pertains to the Group's proportionate interest in the three residential towers of Alphaland Makati Place that are intended for sale.

In October 2011, the Group started the pre-selling of condominium units in Tower 1 and in November 2013 for Tower 2. The terms and conditions of the Contract to Sell (CTS) involve the sale of one condominium unit and one City Club share, i.e., a preferred share of TCCAMPI, in which ownership of the condominium unit and the City Club share are inseparable. Under the CTS, the components are sold under a single selling price with downpayment payable upon signing of the CTS and the unpaid balance payable in monthly installments for a period of three years from date of CTS. Ownership of the City Club share will allow the buyer to enjoy the amenities and facilities of the City Club.

The Housing and Land Use Regulatory Board issued the permanent License to Sell (LTS) to AMPI for the sale of condominium units in Tower 1 of Alphaland Makati Place on October 9, 2012 and for the sale of condominium units in Tower 2 on May 27, 2014.

As discussed in Note 5, on September 8, 2015, the Parties executed a Supplement to the Joint Venture Agreement enumerating the specific units in the Project that constitute the BSP Share with respect to the Podium, Tower 1, Tower 2 and Parking Slots.

Total estimated cost to complete this portion of the project amounted to nil and ₱2,459.5 million as at December 31, 2016 and 2015, respectively. Some of the condominium units of Towers 1 and 2 were turned over to the buyers in 2015. Other units will be turned over upon full payment of the selling price.

As at December 31, 2016 and 2015, total borrowing costs that were capitalized as part of land and development costs amounted to ₱36.4 million and ₱48.8 million, respectively.

AMPI received deposits from the sale of real estate. As at December 31, 2016 and 2015, the current portion amounting to ₱116.0 million and ₱33.4 million, respectively, were presented under "Trade and other payables" account (see Note 15) and the noncurrent portion amounting to ₱3.7 million and ₱9.8 million as at December 31, 2016 and 2015, respectively, were presented under "Other noncurrent liabilities" account in the consolidated statements of financial position.

Parking Lots for Sale

Movements in parking lots for sale are as follows:

	Note	2016	2015
Balance at beginning of year		**₱172,891,119**	₱200,259,563
Cost of real estate sold	20	**(21,166,120)**	(27,368,444)
Balance at end of year		**₱151,724,999**	₱172,891,119

In May 2016, AMPI started to sell condominium units and parking lots under in-house financing arrangement at 5% down payment, payable monthly over a maximum of 10 years with interest rate at 8% per annum. As at December 31, 2016, AMPI has 12 and 3 sold condominium units and parking lots, respectively. Interest earned from real estate sales under in-house financing amounting to ₱8.4 million was recorded as part of "Interest income" account in the consolidated statements of comprehensive income (see Note 6).

9. Other Current Assets

This account consists of:

	Note	2016	2015
Input VAT		**₱1,001,684,596**	₱1,093,020,163
Restricted cash		**720,525,566**	551,098,205
Advances to contractors and suppliers	26	**237,767,196**	377,435,284
CWT		**85,105,036**	71,251,752
Supplies		**49,242,584**	34,204,053
Deferred rent		**16,902,994**	26,630,537
Prepayments		**15,334,995**	24,001,534
		₱2,126,562,967	₱2,177,641,528

Input VAT

Input VAT arises from the acquisition of land and payments to suppliers and contractors for the acquisition of goods and development of the Group's projects.

Restricted Cash

Details of restricted cash are as follows:

	2016	2015
Debt Service Reserve Account (DSRA)	**₱694,917,782**	₱549,894,579
Reserve Fund	**24,404,158**	–
Escrow - Environmental Funds	**1,203,626**	1,203,626
	₱720,525,566	₱551,098,205

Under the OLSA, ASTI, AMPI, ABIRC (collectively, the Borrowers) are required to maintain a DSRA for the security of interest and/or principal repayments to the lenders. The Borrowers are required to deposit cash to the DSRA equivalent to the upcoming interest and/or principal repayment (see Note 18).

Reserve Fund - pertains to cash placed in a bank to be used strictly for buying Euro notes. The Euro notes will eventually be used for the purchase of logs in relation to the Alphaland Baguio Mountain Lodges project (see Note 12).

Escrow - Environmental Funds represent cash deposited with PBCom, pursuant to the Environmental Compliance Certificate issued to ABIRC relating to the rehabilitation of the Project-affected area throughout the construction and maintenance of the Island Club. The funds shall be replenished annually or whenever the amount goes below 50% of the initial deposit.

Interest income earned from restricted cash amounted to ₱0.5 million, ₱1.8 million and ₱1.7 million in 2016, 2015 and 2014, respectively (see Note 6).

Advances to Contractors and Suppliers

Advances to contractors and suppliers represent advance payments to contractors for the construction and development of the Group's projects and are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances to contractors and suppliers, relating to the portion of the project that is classified as investment property and to advance payments that will be applied against future billings beyond 12 months from the reporting date, amounting to ₱138.4 million as at December 31, 2016 and 2015 are presented under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 14).

Prepayments

Prepayments include prepaid rent, insurance and commissioning fees.

10. Investments in and Advances to Associates

This account consists of:

	Note	2016	2015
Investments in associates		**₱19,956,607**	₱21,091,833
Advances to associates	18	**2,712,023**	2,016,279
		₱22,668,630	₱23,108,112

Details of investments in associates are as follows:

	2016	2015
Acquisition costs:		
Balance at beginning and end of year	**₱57,999,950**	₱57,999,950
Accumulated equity in net loss:		
Balance at beginning of year	**(36,908,117)**	(36,163,777)
Equity in net losses during the year	**(1,135,226)**	(744,340)
Balance at end of year	**(38,043,343)**	(36,908,117)
	₱19,956,607	₱21,091,833

Details of investments in and advances to associates are as follows:

	2016		2015	
	Investments	**Advances**	Investments	Advances
AHEC	**₱11,325,990**	**₱705,651**	₱11,354,683	₱639,288
ASAI	**8,630,617**	**2,006,372**	9,737,150	1,376,991
	₱19,956,607	**₱2,712,023**	₱21,091,833	₱2,016,279

The following are the associates of the Group as at December 31, 2016 and 2015:

		Percentage of Ownership	
Associates	Principal Activities	**2016**	2015
AHEC	Sale and lease of heavy equipment	**50%**	50%
ASAI	Security agency	**40%**	40%

AHEC

On April 5, 2013, the BOD of AHEC approved a resolution to shorten the corporate life of AHEC to four years. As at December 31, 2016, AHEC's liquidation is still in progress. The remaining carrying amount represents the Group's share in the residual net assets of AHEC.

ASAI

ASAI was incorporated and registered with the Philippine SEC on March 18, 2011 primarily to engage in the business of providing security and investigation services to private institutions and government organizations.

Condensed financial information of the associates prepared on the historical basis of accounting are as follows:

	2016	2015
Current assets	**₱88,210,283**	₱83,916,369
Noncurrent assets	**1,408,469**	3,954,244
Current liabilities	**35,712,286**	34,162,334
Noncurrent liabilities	**8,975,259**	9,681,710
Net equity	**44,931,207**	44,026,569

	2016	2015	2014
Revenue	**₱12,546,968**	₱10,170,530	₱13,324,453
Costs and expenses	**15,370,632**	9,178,056	55,902,527
Net income (loss)	**(₱2,823,664)**	₱992,474	(₱42,578,074)

The Group has not incurred any contingent liabilities in relation to its investment in associates nor do the associates themselves have any contingent liabilities for which the Group is contingently liable as at December 31, 2016 and 2015.

The Group has not entered into any capital commitments in relation to its investment in associates and did not receive any dividends from the associates as at December 31, 2016 and 2015.

11. AFS Financial Assets

This account consists of:

	2016	2015
Unquoted Clubs' preferred shares:		
ABICI	**₱24,630,722,200**	₱23,978,443,500
TCCAMPI	**5,626,500,000**	5,674,500,000
Quoted -		
Wack Wack	**–**	17,000,000
	₱30,257,222,200	₱29,669,943,500

On July 20, 2016, ALPHA sold the club share in Wack Wack for ₱18.0 million, resulting in a gain of ₱7.4 million.

The rollforward analysis of the account as at December 31 is as follows:

	2016	2015
Balance at beginning of year	**₱29,669,943,500**	₱28,750,284,400
Fair value adjustments	**738,453,500**	1,216,371,500
Sale of AFS financial assets	**(151,174,800)**	(296,712,400)
Balance at end of year	**₱30,257,222,200**	₱29,669,943,500
Current	**₱985,810,900**	₱985,810,900
Noncurrent	**29,271,411,300**	28,684,132,600
	₱30,257,222,200	₱29,669,943,500

The preferred shares held by the Group are not required to gain control of the Clubs and are intended to be disposed of over time to third parties. The preferred shareholders are entitled to name one nominee per share to become a member and avail of the amenities and facilities of the Clubs. They are not entitled to vote and be voted for in all meetings of the shareholders of the Clubs. The preferred shares have preference over the Issuer's common shares in the distribution of assets in case of dissolution and liquidation.

Liability Related to Acquisition of AFS Financial Assets

The cost of the Group's investments in the preferred shares of ABICI and TCCAMPI includes the cash consideration and the cost of the obligation to deliver as incurred and to complete the Clubs' facilities.

a. ABICI

On February 10, 2011, ALPHA, ABIRC and ABICI entered into a DA for the development and construction of a resort club (the "Island Club"). It is agreed that ABIRC will develop and construct the Island Club with ALPHA extending any financing required for the completion of the Island Club and its amenities in exchange for the ABICI shares. It was clarified that, in consideration for the Island Club's construction, ABICI agrees that the excess of the construction costs over the par value of the shares issued by ABICI shall be treated as additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the Island Club, its facilities and amenities will be transferred to ABICI as cost is incurred.

On February 24, 2011, the Philippine SEC approved ABICI's Registration Statement on the Island Club Offer Shares for the primary offering of 391 of its Class "B" preferred shares and secondary offering of its 3,519 Class "B" preferred shares (Offer Shares or Tranche 1). In 2013, the SEC approved ABICI's Amended Registration Statement to increase its offer price from ₱2,000,000 per share to ₱3,000,000 per share. ABICI filed in 2013 a Second Amended Registration Statement to further increase its offer price to ₱5,000,000, which is still subject for approval by the SEC as at December 31, 2016.

In 2012, ABIRC subscribed to additional Class "B" preferred shares of ABICI totaling 3,090 shares. As a consideration for the additional acquisitions of ABICI preferred shares, ABIRC entered into a Supplemental DA with ABICI in June 2012 increasing its obligation to complete the Island Club's facilities. By virtue of these additional subscriptions, ABIRC transferred investment properties to ABICI amounting to ₱453.3 million and the liability related to the acquisition of ABICI shares increased by ₱1,414.0 million (see Note 12). As at December 31, 2012, the original 180 villas as committed in the Registration Statement were already then complete and operational. Expansion projects were undertaken to increase the number of villas. At present, the Club has 314 villas/rooms.

On November 12, 2012, the shareholders of ABICI approved an amendment to the ABICI's shareholder structure whereby the additional 3,090 shares with par value of ₱100 were split into 6,180 shares (Tranche 2) with a par value of ₱50 per share. As a result, ABIRC's subscription to the above 3,090 shares was converted to 6,180 shares. On January 31, 2013, the stock split was approved by the SEC.

The initial liability related to acquisition of AFS financial assets amounting to ₱1,834.0 million is allocated for luxury villa clusters (75%), clubhouse (11%) and utilities and other facilities (14%). As at December 31, 2016 and 2015, no liability related to the acquisition was outstanding since the Island Club was fully completed in December 2014.

In April 2013, ABICI and ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounted to ₱1,575.5 million as at December 31, 2014 (see Note 18). In 2015, ABICI already financed its own construction in the Island Club.

ABICI's Tranche 1 and Tranche 2 preferred shares entitle the holder for 14 and 7 free villa night's stay in the Island Club, respectively. Tranche 2 is specifically offered to foreign nationals only.

There are 2,716 and 2,736 unsold shares from Tranche 1 as at December 31, 2016 and 2015, respectively. As at December 31, 2016 and 2015, the fair value of unsold shares amounted to ₱10,864.0 million and ₱10,944.0 million, respectively.

There are 6,153 and 6,155 unsold shares from Tranche 2 as at December 31, 2016 and 2015, respectively. As at December 31, 2016 and 2015, the fair value of unsold shares amounted to ₱13,766.7 million and ₱13,034.4 million, respectively

M/Y Obsessions
On May 2, 2016, ABICI acquired Caramelo Holdings N.V. (Caramelo), a company incorporated in Curacao for ₱322.6 million. With the acquisition of Caramelo, ABICI also acquired ownership of the vessel M/Y Obsessions, a 138-foot yacht build by Heesen Yachts in the Netherlands, with a top speed of 32 knots. The yacht is an addition to the many amenities of Balesin Island Club.

The fair value of the yacht based on an independent appraisal report dated December 19, 2016 is ₱388.0 million.

b. TCCAMPI

In October 2010, ASTI, AMPI and TCCAMPI entered into a DA for the development and construction of a City Club in Alphaland Makati Place. It is agreed that ASTI and/or AMPI will develop and construct the City Club with AMPI extending any financing required for its completion and amenities in exchange for the TCCAMPI shares.

On December 9, 2010, the SEC approved the Company's registration of an aggregate of 5,000 preferred shares, with issue price of ₱100 per share, comprising of 500 shares to be offered by way of primary offering and 4,500 shares by way of secondary offering.

In December 2010, ASTI, AMPI and TCCAMPI entered into a Supplemental DA to clarify that under the DA, it is AMPI who has the primary obligation to develop and construct the City Club. Moreover, it was clarified that, in consideration for the City Club's construction, TCCAMPI agrees to convert any and all advances provided by ASTI and AMPI to additional paid-in capital as cost is incurred. Furthermore, it was clarified that the ownership of the City Club, its facilities and amenities will be transferred to TCCAMPI as cost is incurred.

The initial liability related to acquisition of AFS financial assets amounting to ₱1,190.6 million is allocated for the construction of podium and club equipment (88%) and land (12%). The City Club was fully completed in January 2014.

AMPI's AFS financial assets are marked to market using the fair value of ₱1.5 million per share as at December 31, 2016 and 2015.

There are 3,751 and 3,783 unsold shares as at December 31, 2016 and 2015, respectively. As at December 31, 2016 and 2015, the fair value of unsold shares amounted to ₱5,626.5 million and ₱5,674.5 million, respectively.

Unrealized Valuation Gains on AFS Financial Assets

The Group's AFS financial assets is marked to market using the fair value equivalent to the cash selling price of a recent sale to the public for the unquoted preferred shares and published price quotations in an active market for the quoted ordinary shares.

Movements in the unrealized gain n AFS financial assets, net of related tax effect, are as follows:

	2016	2015
Balance at beginning of year	**₱23,019,668,962**	₱21,979,608,386
Unrealized valuation gain on AFS financial assets	**652,580,562**	1,267,912,393
Realized gain	**(97,650,044)**	(227,851,817)
Balance at end of year	**₱23,574,599,480**	₱23,019,668,962

Receivable arising from the sale of AFS financial assets amounted to ₱126.3 million and ₱133.9 million as at December 31, 2016 and 2015, respectively (see Notes 7 and 14). Gain on sale of AFS financial assets amounted to ₱108.5 million and ₱272.3 million in 2016 and 2015, respectively.

As at December 31, 2016 and 2015, deposits received from buyers of club shares amounting to ₱128.2 million and ₱99.0 million, respectively, were presented under "Trade and other payables" account in the consolidated statements of financial position (see Note 15).

12. Investment Properties

Movements in this account are as follows:

	Note	2016	2015
Balance at beginning of year		**₱17,544,311,142**	₱8,583,436,197
Fair value change		**10,007,052,488**	8,578,761,163
Transfers to land and development costs	8	**(392,383,235)**	–
Additions:			
Purchases		**84,731,926**	–
Capital expenditures		**53,586,750**	346,019,154
Capitalized borrowing costs	16	**–**	36,094,628
Balance at end of year		**₱27,297,299,071**	₱17,544,311,142

Investments carried at fair value consist of the following:

	Note	2016	2015
Alphaland Southgate Tower	16	**₱9,640,267,775**	₱6,564,343,631
Alphaland Balesin Island Property	16	**7,482,136,180**	4,118,786,600
Baguio Property		**3,558,599,415**	2,201,397,000
Alphaland Makati Place	16	**3,539,246,271**	3,534,975,549
Silang Property		**1,890,005,040**	840,000,000
Patnangunan Property		**956,061,952**	71,204,862
PAGCOR City Property	16	**216,278,938**	198,900,000
Atimonan Property		**14,703,500**	14,703,500
		₱27,297,299,071	₱17,544,311,142

Alphaland Southgate Tower

In January 2008, ASTI acquired from South China Resources, Inc. and the Puyat family two parcels of land measuring a total of 9,497 square meters, more or less, at the corner of EDSA and Chino Roces Avenue in Makati City together with the existing improvements thereon. The property is now a fully developed and operational 20-storey office tower building with a 6-storey podium known as Alphaland Southgate Tower. It was declared an Information Technology Zone on January 12, 2009 by the Philippine Economic Zone Authority, pursuant to Presidential Proclamation No. 1692 dated December 22, 2008. The property secures the long-term debt of ASTI (see Note 16).

Rent income from Alphaland Southgate Tower including common utilities, services and maintenance charges amounted to ₱624.6 million, ₱586.0 million and ₱571.1 million in 2016, 2015 and 2014, respectively (see Note 19). Direct costs related to rent income amounted to ₱111.3 million, ₱121.2 million and ₱138.5 million in 2016, 2015 and 2014, respectively (see Note 19), which mainly comprised of utilities and commissary costs.

Alphaland Balesin Island Property

ABIRC acquired approximately 394 hectares of land in Balesin Island, Polillo, Quezon. The lots in Balesin Island secure the loans payable obtained by ABIRC on May 21, 2013 and March 29, 2012 (see Note 16). Additional 12 hectares were also acquired via land-for-share swaps with existing Balesin Island landowners. This brings the total land ownership to 406 hectares. Of this total, approximately 98 hectares in 2016 and 2015 was committed for transfer to ABICI (see Note 11). The transfer of certificates of title is currently being processed.

Baguio Property

This consists of parcels of land and related transaction costs acquired by the Group (through a wholly-owned subsidiary) from various sellers in July 2015. The beneficial owner of the entire property is RVO, the majority shareholder and Chairman of ALPHA.

These parcels of land, measuring approximately 73.4 hectares as of the end of 2015, of rolling terrains are situated in Itogon, Benguet, just ten minutes from Baguio City by land. RVO likewise transferred to the Group rights to another 2.9 hectares of land to complete the total area at 76.3 hectares.

The fair value of the property based on an independent appraiser's report dated December 2, 2016 and December 10, 2015 is at ₱5,900 per square meter or a total of ₱2.5 billion and ₱3,500 per square meter or a total of ₱4.4 billion. The Group acquired the property in 2015 at its zonal value, or a total acquisition cost of ₱106.0 million, which is substantially below the appraised value.

The Group intends to develop the property into the Alphaland Baguio Mountain Lodges. As a consideration to RVO for having sold the property at its zonal value, RVO shall have a 15% interest in the project without need of any further investment or equity infusion. The Group will shoulder all development cost required for the project.

In 2016, due to the management's intention to develop the property as horizontal condominium for sale, 13.1 hectare of the property that is currently being developed for such purpose, was reclassified to land and development costs.

Alphaland Makati Place

This represents the Podium at the Alphaland Makati Place and is currently operated as a mall and is for lease to third parties (see Notes 5 and 8). In 2015, the Group changed its intention to sell the condominium units in Tower 3 instead of leasing it to third parties. Accordingly, this portion was reclassified to "Land and Development Costs" account.

As at December 31, 2016 and 2015, total capitalized borrowing costs amounted to ₱24.5 million and ₱84.9 million, respectively. The property, including the project cost classified as land and development costs (see Note 8), currently secures the long-term debt obtained by AMPI (see Note 16).

Rent income earned from Alphaland Makati Place amounted to ₱71.4 million, ₱76.8 million and ₱26.2 million in 2016, 2015 and 2014, respectively (see Note 19).

Silang Property

ASTI's three parcels of land in Silang, Cavite, measuring a total of 300,000 square meters, more or less, is reserved for future development.

Patnanungan Property

In 2016 and 2015, the Group acquired approximately 385.6 hectares and 325.3 hectares of land, respectively, in Patnanungan, Quezon. This brings the total land ownership to 710.9 hectares, more or less, which is reserved for future development.

PAGCOR City Property

In December 2015, the Group (through a wholly-owned subsidiary) acquired PAGCOR City Property at its zonal value of ₱50,000 per square meter or a total of ₱198.9 million. However, on January 11, 2017 the parties agreed to rescind the sale whereby the Group returned and delivered to the Seller the titles to, and all other rights over the property. In turn, the Seller returned the full Purchase Price of the Property and other costs to the Group (see Note 1).

Atimonan Property

ABIRC's land in Atimonan, Quezon Province, measuring a total of 21,000.5 square meters, more or less, is reserved for future development.

The fair value of the investment properties as at December 31, 2015 is based on valuations performed by accredited independent appraisers. As at December 31, 2016, the management evaluated that the carrying value of the investment property approximates the fair value as at reporting date since there were no significant changes in the condition of this property and economic environment between those dates.

The description of the valuation techniques used and key inputs to fair valuation are as follows.

Income Capitalization Approach

	2016		2015	
Significant Unobservable Inputs	Alphaland Southgate Tower	Alphaland Makati Place	Alphaland Southgate Tower	Alphaland Makati Place
Stabilized net operating income (NOI)	₱517,888,920	₱67,967,576	₱447,536,824	₱67,740,029
Capitalization Rate	5.00%	2.00%	6.53%	2.00%

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the entity's portfolios of investment properties are:

- *Stabilized NOI:* calculation used to identify performance of an investment property that produces stable income.

- *Capitalization rate:* rate used to estimate the potential return of the investment property.

Direct capitalization method estimates the value of the investment property through the operating income it produces. It uses simple projections of cash flow or single year's net income and assumes that expectations for future income are similar for the subject and comparables. Using this method, fair value is estimated using a stable operating income capitalized by a market driven capitalization rate. Rates are based on the income the investment property is expected to generate and its current market value.

Sensitivity Analysis. Generally, an increase (decrease) in stabilized NOI will result in an increase (decrease) to the fair value of investment property. An increase (decrease) in the capitalization rate will result in a decrease (increase) to the fair value of an investment property. The capitalization rate magnifies the effect of a change in stabilized NOI, with a lower capitalization rate resulting in a greater impact of a change in stabilized NOI than a higher capitalization rate.

Market Data Approach

			Range	
Project	Class of Property	Significant Unobservable Inputs	**2016**	2015
Alphaland Balesin Island	Land	Price per square meter	**₱1,500-₱8,300**	₱850-₱870
		Value adjustments (for development)	**200%-220%**	275%-290%
Atimonan	Land	Price per square meter	**₱1,200-₱3,600**	₱1,200-₱3,600
		Value adjustments	**40%-80%**	40%-80%
Patnanungan	Land	Price per square meter	**₱400-₱950**	–
		Value adjustments	**250%-260%**	–
Silang*	Land	Price per square meter	–	₱2,500-₱3,500
		Value adjustments	–	10%-20%
Baguio*	Land	Price per square meter	–	₱3,500-₱4,500
		Value adjustments	–	15%-40%

**Changed from Sales Comparison to Land Development Cost Approach in 2016.*

The significant unobservable inputs to fair valuation are as follows:

Price per square meter: estimated value prevailing in the real estate market depending on the location, area, shape and time element.

Value adjustments: adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size, architectural features and etc.

Sales comparison approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

Land Development Approach

	2016	
Significant Unobservable Input	Baguio	Silang
Period of land development and selling program	5 years	5 years
Administrative/marketing cost	7% of gross sales	12% of gross sales
Interest rate selected for discounting	14%	14%
Developer's profit	20% of development cost	25% of development cost
Proposed selling price	₱40,000 - ₱50,000	₱18,000 – ₱26,400
Calculated no. of subdivision lot	300	600 lots

In 2016, based upon an analysis of the prevailing land usage in the neighborhood and the character of the subject properties, the independent appraiser assessed that a residential subdivision development would represent the highest and best use of the properties. As such, the method of valuation for Silang and Baguio properties were changed from sales comparison to land development cost approach.

Using the land development approach, the properties are treated as mixed-used subdivision development and the gross sales that may be expected from the proposed saleable lots are then estimated in accordance with the prevailing prices of comparable development subdivision lots within the immediate vicinity. Overhead and sales expenses, and developer's profit, the residual sales income is then attributed to the "raw" land value.

The valuation process consists of the following:

- Preparation of a subdivision study in accordance with the highest and best use concept of the land;

- Establishment of total revenue or proceeds of sales of subdivision lots on the basis of what ready-to-build sites in similar subdivisions are selling;

- Determination of development costs consisting of clearing and grading, survey, tilting services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor's profit and overhead expenses;

- Estimation of overhead and sales expenses such as broker's commissions, promotion and advertisement, administrative and collection, taxes and miscellaneous expenses.

Sensitivity Analysis. The following factors were considered in determining the market value of the subject property:

- location/neighborhood
- the subject property is a commercial/residential

- grid analysis (quantitative market value adjustments)
- highest and best use (commercial and residential building)

Significant increase (decrease) in value adjustments would result in a significantly higher (lower) fair value measurement. Significant increase (decrease) in value adjustments would result in a lower (higher) fair value measurement.

Grid analysis is the process of listing the comparables, properties that was recently sold or available for sales which are substantially equivalent in terms of characteristics and are situated in a similar market as the subject property, and effect some adjustments considering the factors affecting land value such as the location, size or area, access and zoning. In the absence or lack of hard sales data, listings and offerings may also be considered. The comparison is based on such factors as location, size, shape, utility, desirability, and time element. If there is limited data within the area, the independent appraiser considers the expansion of the research on properties considered comparable.

13. Property and Equipment

The composition and movements of this account are presented below:

		2016						
	Note	Leasehold Improvements	Buildings	Machinery, Equipment and Tools	Transportation Equipment	Office Furniture, and Equipment	Construction in Progress	Total
Cost								
Balance at beginning of year		₱20,793,449	₱27,454,412	₱410,504,491	₱863,905,468	₱53,937,751	₱13,687,984	₱1,390,283,555
Additions		12,434,744	28,768,095	31,686,316	443,386,668	16,639,693	75,411,338	608,326,854
Disposal		–	–	(147,041,503)	–	–	–	(147,041,503)
Revaluation increase		–	–	–	104,566,881	–	–	104,566,881
Reclassifications		–	73,258,161	–	–	–	(73,258,161)	–
Balance at end of year		33,228,193	129,480,668	295,149,304	1,411,859,017	70,577,444	15,841,161	1,956,135,787
Accumulated Depreciation and Amortization								
Balance at beginning of year		12,304,036	6,337,061	334,604,734	93,162,093	39,455,612	–	485,863,536
Depreciation and amortization	20	2,748,768	5,883,308	26,376,137	71,502,236	15,225,926	–	121,736,375
Disposal		–	–	(144,299,011)	–	–	–	(144,299,011)
Balance at end of year		15,052,804	12,220,369	216,681,860	164,664,329	54,681,538	–	463,300,900
Net Carrying Amount		₱18,175,389	₱117,260,299	₱78,467,444	₱1,247,194,688	₱15,895,906	₱15,841,161	₱1,492,834,887

		2015						
	Note	Leasehold Improvements	Buildings	Machinery, Equipment and Tools	Transportation Equipment	Office Furniture, and Equipment	Construction in Progress	Total
Cost								
Balance at beginning of year		₱20,793,449	₱17,199,782	₱405,984,471	₱391,923,826	₱39,184,029	₱–	₱875,085,557
Additions		–	10,254,630	4,520,020	471,981,642	14,753,722	13,687,984	515,197,998
Balance at end of year		20,793,449	27,454,412	410,504,491	863,905,468	53,937,751	13,687,984	1,390,283,555
Accumulated Depreciation and Amortization								
Balance at beginning of year		6,662,582	5,878,915	263,328,921	63,264,085	25,282,407	–	364,416,910
Depreciation and amortization	20	5,641,454	458,146	71,275,813	29,898,008	14,173,205	–	121,446,626
Balance at end of year		12,304,036	6,337,061	334,604,734	93,162,093	39,455,612	–	485,863,536
Net Carrying Amount		₱8,489,413	₱21,117,351	₱75,899,757	₱770,743,375	₱14,482,139	₱13,687,984	₱904,420,019

Fair Value Measurement

In 2016, the Group adopted the revaluation model for the subsequent measurement of its aircraft under transportation equipment. The fair value of the Group's aircraft as determined by an independent appraiser on December 21, 2016 using Market Data Approach amounted to ₱542.5 million. The difference between the fair value and the carrying amount of the land amounting to ₱104.7 was recognized as revaluation increase. Further information about the assumptions made in measuring fair values is included in Note 25.

The revaluation surplus recognized in the equity section of the statements of financial position amounted to ₱72.7 million, net of the related deferred tax liability amounting to ₱31.1 million (see Note 22).

The carrying amount of aircraft had it been recognized at cost amounted to ₱1,181.1 million and ₱792.0 million as at December 31, 2016 and 2015, respectively.

Dassault Falcon 900EX

Leasehold right was obtained by the Group on December 29, 2014 over a certain aircraft for use in the Group's operations. In 2015, this leasehold right was cancelled and replaced by the acquisition of a new aircraft (Falcon 900EX, RP-C9018) in June 2015. The cancellation of leasehold right resulted to a loss of ₱33.7 million (see Note 20).

The new aircraft was acquired through AAI, a wholly-owned subsidiary, for corporate use and use of VIP clients. RVO, the majority shareholder and Chairman of ALPHA, advanced the amount of 10.0 million U.S. Dollars to enable the Group to acquire the aircraft. This advance by RVO was offset against other receivables that the Group has from RVO.

In 2015, the Group capitalized a portion of the depreciation expense amounting to ₱17.1 million, which is related to machinery and equipment being used for the construction (see Note 12).

Depreciation and amortization recognized in consolidated statements of comprehensive income follow:

	Note	**2016**	2015	2014
Depreciation		**₱121,736,375**	₱104,336,485	₱63,381,494
Software	14	**122,506**	129,451	841,446
		₱121,858,881	₱104,465,936	₱64,222,940

Depreciation expense amounting ₱38.8 million and ₱10.8 million in 2016 and 2015, respectively, was recorded as part of "Cost of services" account in the consolidated statements of comprehensive income (see Note 20).

14. Other Noncurrent Assets

This account consists of:

	Note	2016	2015
Noncurrent portion of trade receivables from sale of:			
Real estate	7	**₱28,701,418**	₱47,043,147
Club shares	11	**18,341,729**	56,226,359
Advances to contractors and suppliers - net of current portion	9	**138,351,791**	138,412,567
Input VAT	9	**60,827,283**	68,304,705
Refundable deposits		**35,453,129**	25,274,270
Software - net		**160,894**	129,828
Others		**25,150,045**	24,081,619
		₱306,986,289	₱359,472,495

Refundable deposits include billing and meter deposits to Manila Electric Company (Meralco). These are refundable upon termination of service of Meralco.

The movement in the software is as follows:

	Note	2016	2015
Cost:			
Balance at beginning of year		**₱7,885,884**	₱7,756,420
Additions		**153,572**	129,464
Balance at end of year		**8,039,456**	7,885,884
Accumulated amortization:			
Balance at beginning of year		**7,756,056**	7,626,605
Amortization	13	**122,506**	129,451
Balance at end of year		**7,878,562**	7,756,056
		₱160,894	₱129,828

15. Trade and Other Payables

This account consists of:

	Note	2016	2015
Trade		**₱879,542,843**	₱488,504,055
Retention payable	26	**400,285,653**	401,659,061
Accrued expenses:			
Construction costs		**740,164,453**	10,055,007
Interest		**47,092,232**	43,343,814
Others		**63,473,150**	76,408,527
Deposits from sale of:			
Preferred shares	11	**128,213,408**	98,963,248
Real estate	8	**115,954,088**	33,386,201
Unearned rent income	19	**65,225,959**	50,470,491

(Forward)

	Note	2016	2015
Liability on acquisition of properties		**₱–**	₱168,701,365
Others		**79,584,966**	63,618,795
		₱2,519,536,752	₱1,435,110,564

Trade payables are noninterest-bearing and are due for payment within 30 to 120 days.

Accrued expenses mainly pertain to accruals for development costs and general and administrative expenses. Other payables consist of government payables and nontrade payables. Accrued expenses and other payables are generally settled within one year.

16. Long-term Debt

Presented below are the details of this account:

	2016			2015		
Borrower	**Current**	**Noncurrent**	**Total**	Current	Noncurrent	Total
ASTI	**₱234,929,683**	**₱2,295,061,065**	**₱2,529,990,748**	₱295,474,286	₱1,791,449,912	₱2,086,924,198
AMPI	**349,775,042**	**–**	**349,775,042**	675,050,943	349,476,076	1,024,527,019
ABIRC	**748,529,446**	**468,532,295**	**1,217,061,741**	622,000,000	1,339,500,000	1,961,500,000
AC	**60,000,000**	**420,000,000**	**480,000,000**	–	–	–
AAI	**47,971,903**	**183,284,989**	**231,256,892**	–	–	–
ABMLHI	**39,272,926**	**675,000,000**	**714,272,926**	–	–	–
	₱1,480,479,000	**₱4,041,878,349**	**₱5,522,357,349**	₱1,592,525,229	₱3,480,425,988	₱5,072,951,217

ASTI

On August 3, 2015, ASTI entered into an OLSA with PBCom for a loan facility of ₱2,500.0 million for the purpose of refinancing the existing OLSA with BDO Unibank up to ₱1,800.0 billion by way of loan take-out and for financing general corporate business. On various dates in 2016 and 2015, ASTI made its drawdowns amounting to ₱691.0 million and ₱2,108.9 million, respectively.

The loan has a term of seven years from initial drawdown date, payable in 20 consecutive quarterly installments commencing at the end of the first quarter from initial drawdown date. For the second drawdown, it is payable in 24 consecutive quarterly installments commencing at the end of the fourth quarter from the drawdown date. Interest, which is based on floating rate equivalent to applicable three-month PDEx rate plus 1.75% spread per annum, is payable quarterly.

Alphaland Southgate Tower was used as collateral for the loan (see Note 12). The property has a fair value of ₱9,640.3 million and ₱6,564.3 million as at December 31, 2016 and 2015, respectively (see Note 12).

On December 16, 2016, the parties executed a Supplement to OLSA for an additional term loan facility amounting to ₱300.0 million for the purpose of financing general corporate business. On December 16, 2016, ASTI made its drawdown amounting to ₱300.0 million. Additional loan facility is payable in 24 consecutive quarterly installments commencing on February 3, 2017. Interest, which is based on the higher of the three-month PDST-R2 rate plus spread of 3.5% per annum and BSP Overnight Borrowing Rate plus spread of 1.25% per annum, is payable quarterly.

Existing securities contained in the OLSA shall likewise secure the payment of the additional loan facility.

Interest rates of the long-term debt range from 4.3% to 6.0% and 4.0% to 6.0% in 2016 and 2015, respectively. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱117.2 million, ₱90.0 million and ₱30.1 million in 2016, 2015 and 2014, respectively. Other finance charges recognized in the consolidated statements of comprehensive income amounted to ₱3.3 million, ₱24.0 million and nil in 2016, 2015 and 2014, respectively.

The scheduled maturities of ASTI's outstanding long-term debt as of December 31, 2016 are as follows:

2017	₱451,861,028
2018	424,777,694
2019 and onwards	1,672,027,444
Total	2,548,666,166
Less deferred financing costs	18,675,418
	₱2,529,990,748

AMPI

On April 22, 2010, AMPI entered into an OLSA with DBP, LBP, BOC and Maybank Philippines, Inc. (Maybank) for a loan facility of ₱1,750.0 million exclusively for the purpose of partially financing the development, construction and operation of the Phase I of Alphaland Makati Place consisting of a bsix-storey podium mall, City Club and basement parking.

On June 10, 2010, AMPI made the first drawdown amounting to ₱250.0 million. On March 16, 2011 and July 6, 2011, AMPI made its second and third drawdown of ₱270.0 million and ₱330.0 million, respectively. In 2012, AMPI made its fourth and final drawdown amounting to ₱350.0 million and ₱550.0 million, respectively.

The scheduled maturities of AMPI's outstanding loan as of December 31, 2016 are as follows:

	DBP	LBP	BOC	Maybank	Total
2017	₱150,000,000	₱100,000,000	₱80,000,000	₱20,000,000	₱350,000,000
Less deferred financing costs	216,504	4,520	3,381	553	224,958
	₱149,783,496	₱99,995,480	₱79,996,619	₱19,999,447	₱349,775,042

AMPI shall fully pay and liquidate the principal amount of the loan within seven years from and after the date of the initial borrowing. Payments are to be made in 16 quarterly installments beginning at the end of the 39th month from the date of initial borrowing. Interest, which is based on a floating rate equivalent to applicable three-month PDEx rate plus 3.50% spread per annum, is payable quarterly. Interest rates of the long-term debt range from 5.0% to 6.0% in 2016, 2015 and 2014. The loan is secured by Alphaland Makati Place, which includes the land and buildings, structures and improvements to be constructed thereon (see Notes 8 and 12).

Capitalized interest and other financing costs on the loan are as follow:

	Note	**2016**	2015	2014
Land and development costs	8	**₱24,536,666**	₱48,833,908	₱21,996,521
Investment properties	12	**–**	36,094,628	52,957,247
		₱24,536,666	₱84,928,536	₱74,953,768

The rate used to determine the amount of borrowing cost eligible for capitalization was 5.7%, 5.6% and 4.6% in 2016, 2015 and 2014, respectively, which is the effective interest rate of the specific borrowing. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱29.3 million in 2016.

ABIRC

On May 21, 2013, ABIRC entered into an OLSA with BOC for a loan facility of ₱3,000.0 million, exclusively for the purpose of partially refinancing the loan facility, and partially funding the capital expenditures and other general corporate expenses of ABIRC. The interest rate is the higher of five-year PDST - F at interest payment date plus 2% margin or floor rate of 5.5%. The principal and interest of the loan is payable within five years from and after the date of the initial borrowing. Principal repayments are to be made in 19 quarterly installments beginning at the end of the 2nd quarter from the date of initial borrowing. The OLSA is secured by the following: a) real estate mortgage over the lots in Balesin Island (see Note 12); b) Continuing Suretyship Agreement with the Parent Company; and c) Deed of Pledge covering 1,000 ABICI preferred shares held by ABIRC. As at December 31, 2016 and 2015, the total value of the collateral amounted to ₱17,421.9 million and ₱12,408.8 million, respectively.

On May 24, 2013, ABIRC made its drawdown amounting to ₱2,500.0 million. On September 30, 2016, the Company amended its OLSA and the credit facility was reduced to from ₱3,000.0 million to ₱2,500.0 million.

Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱106.1 million and ₱134.4 million in 2016 and 2015, respectively.

The scheduled maturities of ABIRC's outstanding loan as at December 31, 2016 are as follows:

2017	₱750,000,000
2018	468,750,000
	1,218,750,000
Less deferred financing cost	1,688,259
	₱1,217,061,741

ALPHA

On February 11, 2016, ALPHA entered into an OLSA with PBCom for a loan facility of ₱480.0 million for the purpose of financing the general corporate purpose of ALPHA. On February 11, 2016 and May 11, 2016, ALPHA made the first and second drawdown amounting to ₱400.0 million and ₱80.0 million, respectively.

The loan has a term of seven years from initial drawdown date, inclusive of a grace period of one year reckoned from the initial drawdown date, payable in 24 quarterly principal amortizations after the lapse of the grace period. Interest, which is based on floating rate of the higher of the three-month Benchmark Rate plus spread of 3% per annum and BSP Overnight Borrowing Rate plus spread of 1.25% per annum, is payable quarterly.

Interest rates of the long-term debt range from 4.7% and 5.5% in 2016. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱23.4 million in 2016.

The scheduled maturities of ALPHA's outstanding loans as at December 31, 2016 are as follows:

2017	₱60,000,000
2018	80,000,000
2019 and onwards	340,000,000
	₱480,000,000

AAI

On March 4, 2016, AAI entered into an Amortized Commercial Loan (ACL) agreement with BDO Leasing and Finance, Inc. for a loan facility of ₱266.8 million for the purpose of financing the acquisition of ATR72 Turboprop Aircraft. On March 4, 2016, AAI made its drawdown amounting to ₱266.8 million.

Loan interest rate is the prevailing market rate on actual booking date. The principal and interest of the loan is payable within five years from the date of initial borrowing. Monthly amortization amounts to ₱5.3 million.

Interest rate of the long-term debt is fixed at 7.5% in 2016. Interest expense recognized in the consolidated financial statements amounted to ₱15.4 million in 2016.

The ACL in secured by the following: (a) continuing surety of ASTI and ABIRC; and (b) deed of chattel mortgage over one unit of ATR 72-212A aircraft (see Note 13).

The scheduled maturities of AAI's outstanding loans as at December 31, 2016 are as follows:

2017	₱48,493,563
2018	52,128,558
2019 and onwards	132,024,212
	232,646,333
Less deferred financing cost	1,389,441
	₱231,256,892

ABMLHI

In August 5, 2016, ABMLHI entered into an OLSA with Philippine National Bank for a loan facility of ₱720.0 million for the purpose of partially financing the construction and development of Alphaland Baguio Mountain Lodges Project.

In August 2016, ABMLHI made its first drawdown amounting to ₱220.0 million and remaining balance was fully-drawn in 2016. The loan has a term of five years, inclusive of one year grace period from the date of initial availment of the first drawdown, payable in equal or nearly equal quarterly amortizations.

The interest rate shall be determined by reference to the five (5)-year PDST Rate-1, plus minimum spread of 2% per annum, as displayed in the PDEX page of Bloomberg, subject to a minimum rate of 5.75% per annum; provided that if such rate on scree is not available, the applicable rate shall be determined by reference to the 5-year PDSTR-1 as displayed on PDEX page of Bloomberg on the

Banking Day immediately preceding the Interest Rate Setting Date; provided further that if there's no PDSTR-1 on such date, then on the second Banking Day immediately preceding the Interest Rate Setting Date. Interest rate of the long-term debt range from 5.0% to 6.0% in 2016.

Capitalized borrowing cost recognized in the consolidated financial statements amounts to ₱11.9 million in 2016 (see Note 8).

The scheduled maturities of ABMLHI's outstanding loans as at December 31, 2016 are as follows:

2017	₱45,000,000
2018	180,000,000
2019 and onwards	495,000,000
	720,000,000
Less deferred financing cost	5,727,074
	₱714,272,926

The loan agreements of the Group contain provisions regarding establishment of debt service reserve account, maintenance of debt service coverage ratio, collateral coverage ratio and debt to equity ratio, change in business, liquidation or sale of assets, material change in ownership, declaration and payment of dividends, additional indebtedness and guarantees, negative pledge, purchase, redemption or retirement of capital stock and extension of loans, advances or subsidies to investees, directors, officers and stockholders.

The agreements also contain cross default provisions triggered by failure of the Group to comply with any term, obligation or covenant contained in any loan agreement.

As at December 31, 2016 and 2015, the Group is in compliance with all the requirements of the loan agreements.

Interest expense and other finance charges recognized in the consolidated statements of comprehensive income are as follows:

	Note	**2016**	2015	2014
Long-term debt		**₱291,488,136**	₱221,424,948	₱274,833,809
Accretion of customers' deposits	19	**3,261,331**	3,261,331	3,261,331
Mortgage and other financing charges		–	26,589,775	–
Obligation under finance lease		–	26,818	219,652
		₱294,749,467	₱251,302,872	₱278,314,792

17. Equity

Capital Stock

a. The composition of ALPHA's capital stock consisting of all common shares as at December 31, 2016 and 2015 is as follows:

	2016		2015	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - ₱1 Par Value	**5,000,000,000**	**₱5,000,000,000**	5,000,000,000	₱5,000,000,000
Issued and subscribed at beginning of year, net of subscriptions receivable of ₱147,375,700	**2,654,707,417**	**2,655,707,417**	2,802,083,117	2,655,707,417
Delinquent subscribed shares	**–**	**–**	(147,375,700)	–
Issued and subscribed at end of year	**2,654,707,417**	**2,655,707,417**	2,654,707,417	2,655,707,417
Treasury	**(1,523,900)**	**(12,213,526)**	(423,900)	(1,213,526)
	2,653,183,517	**2,643,493,891**	2,654,283,517	2,654,493,891
Parent's shares held by a subsidiary	**(1,379,210,978)**	**(16,817,972,390)**	(1,379,210,978)	(16,817,972,390)
Issued and Outstanding	**1,273,972,539**	**(₱14,174,478,499)**	1,275,072,539	(₱14,163,478,499)

On January 2, 2014, the BOD approved the conversion of advances from RVO Capital Ventures (RVO Capital) amounting to ₱1,500.0 million into equity. On January 20, 2014, the Company and RVO Capital entered into a Deed of Subscription for the subscription of 600,000,000 shares at ₱2.50 per share or for an aggregate subscription price of ₱1,500.0 million from the Company's unissued capital stock.

On February 7, 2014, the Company completed its minority offerings of 108,336,866 common shares which yielded gross proceeds of ₱270.8 million.

On February 19, 2014, the Company issued a total of 109,000,000 new common shares to three separate foreign investors, as follows:

- Citadel Investments Limited (subscribed for 10 million shares for ₱25 million);
- Mr. Derek Arculli (subscribed for 10 million shares for ₱25 million); and
- Fine Land Limited (subscribed for 89 million shares for US$5 million).

Additional paid-in capital from issuances of additional shares amounted to ₱1,226.0 million.

Below is a summary of the capital stock movement of the Company:

Corporate Name	Date of Approval	Increase in Authorized Capital Stock	New Subscriptions/ Issuances	Issue/ Offer Price
Agro Plastics, Inc.*	November 19, 1990	10,000,000	2,500,000	₱1.00
Macondray Plastics, Inc.	June 1, 2000	90,000,000	30,000,000	1.00
Macondray Plastics, Inc.	November 23, 2000	–	16,740,000	5.38
Macondray Plastics, Inc.	September 1, 2001	300,000,000	76,322,000**	1.00
Macondray Plastics, Inc.	May 27, 2009	–	25,026,900**	1.00
Alphaland Corporation	April 7, 2010	4,500,000,000	1,269,734,041***	10.00
Alphaland Corporation	November 11, 2010	–	8,897,346	10.00

(Forward)

Corporate Name	Date of Approval	Increase in Authorized Capital Stock	New Subscriptions/ Issuances	Issue/ Offer Price
Alphaland Corporation	March 3, 2011	–	147,375,700****	₱10.00
Alphaland Corporation	June 27, 2011	–	408,150,264	10.00
Alphaland Corporation	January 2, 2014	–	600,000,000	2.50
Alphaland Corporation	February 7, 2014	–	108,336,866	2.50
Alphaland Corporation	February 19, 2014	–	109,000,000	2.50

* *ALPHA was incorporated on November 19, 1990 as "Agro Plastics, Inc.". On March 15, 1995, it changed its corporate name to "Macondray Plastics, Inc.". On November 23, 2000, it had its initial public offering. On April 7, 2010, it changed its corporate name to "Alphaland Corporation."*

***This represents 155% and 20% stock dividend, respectively.*

****Share-for-share swap with shareholders of ASTI.*

*****Partially paid, with subscription receivable of ₱1,472.8 million in 2014. In June 24, 2015, ALPHA declared the subscribed shares as delinquent and subsequently cancelled and returned the same as unissued shares of ALPHA.*

As at December 31, 2016 and 2015, the total number of shareholders, which includes PCD Nominee Corporation, is 57 and 59, respectively.

b. Delisting procedures initiated by the PSE

ALPHA committed delays in complying with its disclosure requirements with the PSE as a result of the dispute between the two major groups of stockholders. The delay in the disclosure was brought about by a good faith effort to arrive at an amicable settlement with the AH Group. On June 17, 2014, in a hearing conducted by the PSE, ALPHA formally informed the PSE of the settlement between both parties and supported voluntarily the delisting procedures initiated by the PSE. On September 8, 2014, the PSE issued a resolution delisting ALPHA for violation of the disclosure rules and mandated ALPHA to hold a tender offer to buy all the shares of its retail/non-strategic shareholders. On October 17, 2014, ALPHA completed its tender offer to 2,672,789 ALPHA shares, re-acquired thru ASTI, equivalent to ₱24.2 million. The PSE also prohibited ALPHA from applying for relisting within a period of five years from the effective date of delisting.

c. DMWAI Stock Subscription

On March 3, 2011, the Executive Committee of the BOD of ALPHA authorized the issuance to DMWAI of 147,375,700 common shares from the unissued portion of its authorized capital stock at an issue price of ₱10 per share. This resulted in an increase in the issued and subscribed shares of ALPHA, net of 423,900 treasury shares, from 1,428,796,387 shares to 1,576,172,087. The shares issued to DMWAI represent approximately 9.35% of the then resulting outstanding capital stock of ALPHA.

Out of the total subscription made by DMWAI, ₱1.0 million was paid in cash with the balance of ₱1,472.8 million to be paid by conveyance to ALPHA of shares of stock of ABCC. The conveyance of shares of stock to ALPHA will be effected immediately after DMWAI has conveyed the additional four hectares of land to ABCC to bring the total development area of the Bay City Project to at least 32 hectares.

As at December 31, 2014, there was no conveyance yet of ABCC's shares of stock from DMWAI to ALPHA nor has DMWAI conveyed the additional four hectares of land to ABCC. The related subscription receivable of ₱1,472.8 million was recognized as deduction from the subscribed capital stock in the equity section of the consolidated statements of financial position.

For nonpayment of the full purchase price despite demand, the BOD of ALPHA, by resolution adopted on June 24, 2015, declared as delinquent DMWAI's subscription to 147,375,700 common shares of ALPHA at an issue price of 10 per share and set the delinquency sale on July 27, 2015. The notice of delinquency sale was published twice, on July 13, 2015 and July 20, 2015, in a newspaper of general circulation in the Philippines. Subsequently, due to the absence of bidders and of adequate unrestricted retained earnings to support the acquisition by the Corporation of the delinquent shares, the subscription of DMWAI was cancelled and the 147,375,700 common shares were returned as part of the unissued shares of ALPHA.

The resulting shareholder structure of ALPHA, after the transactions mentioned above, net of treasury shares and shares held by a subsidiary, is as follows:

Shareholders	Number of Shares
RVO Capital	842,656,745
Boerstar Corporation	167,788,430
Red Epoch Group Ltd.	96,113,413
Fine Land Limited	89,000,000
Azurestar Corporation	28,062,636
Citadel Investments Limited	10,000,000
Derek Arculli	10,000,000
Other minority	31,451,315
	1,275,072,539

Retained Earnings

Accumulated equity in net income of associates, subsidiaries and joint venture not available for dividend declaration amounted to ₱32,629.4 million and ₱25,409.0 million as at December 31, 2016 and 2015, respectively. Significant components of the retained earnings pertain to cumulative gain on fair value changes of investment properties. Further, the Group's existing loans with various banks prohibit the declaration and payment of dividends.

Parent Company's Shares Held by a Subsidiary

Pursuant to the tender offer mandated by the PSE as well as the implementation of the MOA discussed in Note 1, ASTI acquired shares of stock of ALPHA owned by AH, MC and Credit Suisse amounting to ₱16,818.0 million.

Treasury Shares

Total cost of 1,523,900 treasury shares and 423,900 treasury shares amounted to ₱12.2 million and ₱1.2 million as at December 31, 2016 and 2015, respectively.

18. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	2016		2015	
	Purchases	**Rental**	Purchases	Rental
Associates:				
ASAI	**₱25,983,358**	**₱195,197**	₱36,505,507	₱507,052
AHEC	**–**	**–**	–	11,693
	₱25,983,358	**₱195,197**	₱36,505,507	₱518,745
Related parties under common key management	**₱–**	**₱954,869**	₱180,000	₱47,634,156

	2016		2015	
	Amount of Transactions	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Trade and other receivables				
Associates:				
ASAI	**₱36,671**	**₱36,671**	₱45,336	₱45,336
Related parties under common key management	**39,346,169**	**24,894,884**	7,139,988	7,139,988
		₱24,931,555		₱7,185,324
Trade and other payables:				
Associates:				
ASAI	**₱25,983,358**	**₱1,119,843**	₱29,455,391	₱3,508,262
Related parties under common key management	**23,488,582**	**11,169,343**	26,488,582	23,415,365
		₱12,289,186		₱26,923,627

		2016		2015	
	Nature of Transactions	**Amount of Transactions**	**Outstanding Balances**	Amount of Transactions	Outstanding Balances
Advances to:					
Associates					
ASAI	Reimbursement of expenses	**₱870,826**	**₱1,689,700**	₱855,569	₱1,376,991
AHEC	Reimbursement of expenses	**685,106**	**1,022,323**	3,353,696	639,288
			₱2,712,023		₱2,016,279
Related parties under common key management	Reimbursement of expenses	**₱833,180,573**	**₱2,412,742,581**	₱1,440,076,416	₱1,994,185,348
Advances from:					
Related parties under common key management	Purchase of assets and reimbursement of expenses	**₱21,714,053**	**₱8,692,951**	₱154,696,998	₱2,855,970

Advances to associates amounting to ₱2.7 million and ₱2.0 million as at December 31, 2016 and 2015, respectively, are included under "Investments in and advances to associates" account in the consolidated statements of financial position (see Note 10).

Other transactions of the Group with its related parties are as follows:

- As discussed in Note 12, RVO is the beneficial owner of the investment properties (e.i. Baguio Property and PAGCOR City Property) acquired by the Group during 2015.

- In 2016, the Group entered into lease agreements with TCCAMPI and ABICI for the rental space of AWCI for an indefinite period until such agreement is terminated. Rent expense amounted to ₱23.2 million in 2016 (see Note 19).

- In April 2013, ABICI and the ABIRC executed a Letter Agreement wherein the parties agreed that the difference between the budget under the Supplementary DA and the actual construction costs incurred will be treated as advances to ABICI. Advances to ABICI related to this agreement amounting to ₱1,575.5 million as at December 31, 2014 is due and demandable (see Note 11).

- On August 5, 2012, ALPHA, ASTI and ABICI executed a Letter Agreement whereby ASTI, as the development arm of the Alphaland Group and on behalf of ALPHA, undertakes to perform ALPHA's obligations under the DA (as supplemented) entered into by ALPHA with ABIRC and ABICI over the Island Club, specifically to provide a subsidy to the Island Club's operations during ABICI's construction period.

- Advances to officers and employees amounted to ₱18.7 million and ₱8.6 million as at December 31, 2016 and 2015, respectively (see Note 7).

<u>**Terms and Conditions of Transactions with Related Parties**</u>

Outstanding balances as of year-end are unsecured, interest-free and settlement occurs in cash or equity. The Group has not made any provision for impairment losses relating to the amounts owed by related parties.

<u>**Compensation of Key Management Personnel**</u>

The details of compensation of key management personnel, which include its senior vice presidents, follow:

	2016	2015	2014
Short-term employee benefits	**₱36,326,268**	₱54,535,659	₱59,319,538
Post-employment benefits	**9,687,005**	16,908,907	14,783,349
	₱46,013,273	₱71,444,566	₱74,102,887

<u>**Stock Option Plan**</u>

On December 19, 2016, the Stock Option Plan Committee awarded stock options to key officers and employees of the Group, subject to the approval of the SEC. The Stock Option Plan was approved by the BOD of ALPHA on June 5, 2013, and by stockholders representing more than 2/3 of the outstanding capital stock of ALPHA during the annual meeting held on December 3, 2014.

19. Operating Lease Commitments

ASTI entered into various operating lease agreements as a lessor covering mall and office spaces at Alphaland Southgate Tower for a period of one to ten years, which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay certain amounts of deposits. Tenants likewise pay either a fixed monthly rent, which is calculated with reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

In 2012, AMPI entered into various operating lease agreements as a lessor covering mall spaces at Alphaland Makati Place for varying periods ranging from two to five years, which may be renewed or extended under such new or additional terms or conditions agreed by the parties. Upon inception of the lease agreements, tenants are required to pay security deposits equivalent to three months of rent. Tenants likewise pay a fixed monthly rent subject to a 5% escalation rate beginning on the third year of the lease term, in which the monthly rent is calculated with reference to a fixed sum per square meter of leased area, and/or pay rent on a percentage rental basis, which comprises a percentage of gross sales. Commencement of the lease term started upon completion of construction of the mall spaces in November 2013.

The Group's customers' deposits on lease contracts are as follows:

	2016	2015
Current	**₱22,932,572**	₱56,556,944
Noncurrent	**127,033,880**	67,418,749
	₱149,966,452	₱123,975,693

Customers' deposits on lease contracts are generally equivalent to six months rental and refundable at the end of the lease term. Current portion pertains to one year operating lease agreements while noncurrent portion pertains to two to five years operating lease agreements.

The terms of the lease agreements also provide for an increase in the rent generally at the rate of 5% to 10% starting on the second year and annually thereafter, as applicable.

Rent income and common utilities, services and maintenance charges from Alphaland Southgate Tower amounted to ₱624.6 million, ₱586.0 million and ₱571.1 million in 2016, 2015 and 2014, respectively (see Note 12). Direct costs related to rent income amounted to ₱111.3 million, ₱121.2 million and ₱138.5 million in 2016, 2015 and 2014, respectively (see Note 12), which mainly comprised of utilities and commissary costs.

Rent income earned from Alphaland Makati Place amounted to ₱71.4 million, ₱76.8 million and ₱26.2 million in 2016, 2015 and 2014, respectively (see Note 12).

The Group recognizes the customers' deposits at fair value. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan. The excess of the principal amount of the deposit over its fair value is accounted for as deferred lease income and amortized on a straight-line basis. The deferred lease income amounted to ₱3.7 million and ₱5.4 million as at December 31, 2016 and 2015, respectively, and is included under "Other noncurrent liabilities" account in the consolidated statements of financial position.

Aside from customers' deposits paid by tenants, advance rentals generally equivalent to two months rental are also paid and included in the initial billing to tenants, which shall be applied to the monthly rental at the end of the lease term. Advance rental amounted to ₱127.0 million and ₱67.4 million as at December 31, 2016 and 2015, respectively, and is included under "Other noncurrent liabilities" account in the consolidated statements of financial position.

Estimated minimum future rental receivable under the lease agreements are as follows as at December 31, 2016:

Within one year	₱445,990,275
After one year but not more than five years	886,067,259
	₱1,332,057,534

AWCI has entered into a commercial lease for the rental space of wellness centers for an indefinite period until such agreement is terminated. The Company has determined, based on an evaluation of the terms and conditions of the arrangement, that the lessor retains all the significant risks and rewards of ownership of the properties and thus, accounts for the contract as an operating lease.

AWCI recognized rent expense amounting to ₱23.2 million in 2016 (see Note 18).

Security deposits primarily pertain to deposit equivalent to three (3) months' rent and stand as security for the proper and due performance of all the Company's obligations under the lease agreement. These are refundable upon termination of the lease term (see Note 14).

20. Cost and Expenses

Cost and expenses are classified in the consolidated statements of comprehensive income as follows:

	Note	2016	2015	2014
Cost of real estate sold:				
Land and development cost	8	₱1,073,691,366	₱1,180,017,778	₱208,204,637
Parking lots for sale	8	21,166,120	27,368,444	36,041,055
		₱1,094,857,486	₱1,207,386,222	₱244,245,692
Cost of services:				
Transportation		₱157,043,811	₱69,477,748	₱4,341,426
Utilities		121,632,891	132,138,321	132,556,471
Others		7,206,891	1,268,112	10,289,782
		₱285,883,593	₱202,884,181	₱147,187,679
General and administrative:				
Utilities and rent		₱87,353,317	₱59,540,181	₱76,901,689
Service and professional fees		85,455,095	71,330,874	87,057,640
Depreciation and amortization	13	83,075,652	104,465,936	64,222,940
Salaries and employees' benefits		67,328,252	58,169,716	29,105,539
Taxes and licenses		50,001,211	54,016,621	66,439,775
Sales and marketing		34,416,320	39,393,549	13,498,520
Provision for impairment	7	34,053,585	–	–

(Forward)

	Note	2016	2015	2014
Repairs and maintenance		**₱29,922,041**	₱20,441,835	₱16,412,061
Travel and transportation		**27,914,651**	32,860,290	4,744,993
Representation		**10,433,949**	7,940,573	2,268,045
Write-off:				
Trade and other receivables	7	**6,849,975**	19,388,157	–
Leasehold right	13	**–**	33,728,237	–
Insurance		**6,642,761**	9,414,332	6,775,827
Supplies		**6,605,874**	4,120,767	2,260,689
Communication		**4,241,789**	3,322,576	1,578,950
Listing and filing fees		**–**	4,717,386	57,319,970
Transaction costs on sale of assets	4	**–**	–	660,990,700
Others		**27,815,694**	36,873,211	43,027,634
		₱562,110,166	₱559,724,241	₱1,132,604,972

21. **Retirement Liability**

The Group has an unfunded defined benefit plan covering all its regular employees. Benefits are computed using an amount equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The retirement liability is determined using the projected unit credit method.

The following tables summarize the components of retirement expense recognized in the consolidated statements of comprehensive income and retirement liability recognized in the consolidated statement of financial position.

	2016	2015	2014
Retirement benefit cost:			
Current service cost	**₱6,299,367**	₱8,271,365	₱9,419,420
Interest cost	**1,194,696**	1,117,970	1,103,593
	₱7,494,063	₱9,389,335	₱10,523,013

	2016	2015
Present value of defined benefit obligation:		
Balance at beginning of year	**₱22,575,988**	₱26,939,582
Current service cost	**6,299,367**	8,271,365
Actuarial gain on obligation	**1,345,864**	(9,044,282)
Interest cost	**1,194,696**	1,117,970
Transfer to ABICI and TCCAMPI	**–**	(4,708,647)
Balance at end of year	**₱31,415,915**	₱22,575,988

Principal actuarial assumptions used to determine retirement benefit obligations are as follows:

	2016	2015
Discount rate	**5.38%**	5.29% to 5.32%
Salary increase rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2016
	Increase (Decrease)
Discount rate:	
Increase by 7.1% to 15.7%	**₱2,452,110**
Decrease by 5.8% to 12.6%	**(1,997,625)**
Salary increase rate:	
Increase by 6.6% to 14.5%	**2,267,063**
Decrease by 5.5% to 11.9%	**(1,892,023)**

	2015
	Increase (Decrease)
Discount rate:	
Increase by 8.5% to 15.6%	₱2,015,222
Decrease by 6.9% to 12.8%	(1,646,423)
Salary increase rate:	
Increase by 7.9% to 14.4%	1,867,683
Decrease by 6.6% to 12.1%	(1,564,950)

Shown below is the maturity analysis of the undiscounted benefit payments:

	December 31, 2016	December 31, 2015
2016	**₱–**	₱1,718,596
2017	**15,789,000**	12,371,724
2018	**–**	–
2019	**–**	–
2020	**1,507,135**	576,778
2021 to 2025	**23,737,881**	18,106,472

The average duration of the defined benefit obligation at the end of the period is 10.1 years to 17.3 years and 11.2 years to 17.0 years in 2016 and 2015, respectively.

22. Income Taxes

In 2016 and 2015, the provision for current income tax represents MCIT for ABIRC and regular corporate income tax (RCIT) for other companies within the Group.

For income tax purposes, full recognition is applied when more than 25% of the selling price of condominium units has been collected in the year of sale. Otherwise, the installment method is applied.

The following are the components of the Group's net deferred tax liabilities:

	2016	2015
Deferred tax liabilities:		
Gain on fair value change of investment properties	**₱7,254,362,768**	₱4,252,247,022
Unrealized valuation gains on AFS investments	**2,619,399,945**	2,557,735,442
Accumulated depreciation for tax purposes	**127,107,745**	106,043,519
Excess rent income under operating lease computed on a straight-line basis	**60,478,725**	26,665,096
Capitalized borrowing costs	**42,205,315**	42,205,315
Revaluation surplus	**31,148,367**	–
	10,134,702,865	6,984,896,394
Deferred tax asset -		
Allowance for impairment losses	**10,216,076**	–
	₱10,124,486,789	₱6,984,896,394

The following deferred tax assets were not recognized as it is not probable that sufficient taxable profit will be available to allow the benefit of the net deferred tax assets to be utilized in the future:

	2016	2015
NOLCO	**₱68,694,242**	₱50,843,675
Retirement liability	**8,664,660**	7,766,969
Allowance for impairment loss on receivables	**1,755,626**	1,755,626
Unrealized foreign exchange losses	**658,188**	–
Unearned income	**–**	1,148,960
MCIT	**–**	3,052,760
	₱79,772,716	₱64,567,990

The details of NOLCO and MCIT, which can be claimed as deduction from future taxable income and from RCIT due, respectively, within three years from the year the NOLCO and MCIT was incurred, is shown below.

NOLCO

Year Incurred	Beginning Balance	Incurred	Applied/Expired	Ending Balance	Valid Until
2016	₱–	₱114,603,456	₱–	₱114,603,456	2019
2015	52,840,306	–	–	52,840,306	2018
2014	61,537,045	–	–	61,537,045	2017
2013	55,101,565	–	(55,101,565)	–	2016
	₱169,478,916	₱114,603,456	(₱55,101,565)	₱228,980,807	

MCIT

Year	Beginning Balance	Incurred	Applied/Expired	Ending Balance	Valid Until
2016	₱–	₱–	₱–	₱–	2019
2015	1,547,832	–	(1,547,832)	–	2018
2014	1,125,495	–	(1,125,495)	–	2017
2013	379,433	–	(379,433)	–	2016
	₱3,052,760	₱–	(₱3,052,760)	₱–	

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

	2016	2015	2014
Income tax computed at statutory tax rate	**₱3,063,205,558**	₱2,645,140,699	₱1,205,500,322
Change in unrecognized deferred tax assets	**15,204,726**	46,356,110	54,904,818
Expired NOLCO	**16,530,470**	21,224,420	19,012,769
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses and others	**67,205,413**	68,585,827	272,857,764
Income subjected to capital gains tax	**(32,551,515)**	(81,702,735)	(1,255,246,350)
Nontaxable income	**4,847,004**	1,848,954	(66,200,702)
Interest income subjected to final tax	**(529,170)**	(2,095,004)	(1,997,738)
Equity in net income of a joint venture and associates	**–**	–	6,716,707
Others	**(50,875)**	–	–
Derecognition of deferred tax liabilities	**–**	–	(1,096,203,950)
Effect of deconsolidation	**–**	–	(62,900,433)
	₱3,133,861,611	₱2,699,358,271	(₱923,556,793)

23. Earnings Per Share and Book Value Per Share Computation

Basic/diluted earnings per share on net income attributable to equity holders of the Parent:

	2016	2015	2014
(a) Net income attributable to equity holders of the Parent Company	**₱7,076,406,256**	₱6,118,500,366	₱4,942,577,048
(b) Weighted average number of shares outstanding	**1,274,373,639**	1,361,041,697	2,419,017,452
Basic/diluted earnings per share (a/b)	**₱5.553**	₱4.495	₱2.043

The Group has no dilutive potential common shares outstanding, therefore basic earnings per share is the same as diluted earnings per share.

The above computation is in accordance with PAS 33 which provides that the basic/diluted earnings per share should be computed based on the weighted average number of shares outstanding for the year. However, assuming that the basic/diluted earnings per share is computed based on the outstanding shares as at the end of the year, the result is presented below and is intended for management's reporting purposes only.

	2016	2015	2014
(a) Net income attributable to equity holders of the Parent Company	**₱7,076,406,256**	₱6,118,500,366	₱4,942,577,048
(b) Total number of shares outstanding at end of year	**1,273,972,539**	1,275,072,539	1,422,448,239
Basic/diluted earnings per share (a/b) (based on assumption)	**₱5.555**	₱4.799	₱3.475

Book value per share is computed as follows:

	Note	2016	2015
(a) Total equity		**₱52,411,740,145**	₱44,719,048,751
(b) Total number of shares outstanding at end of year	19	**1,273,972,539**	1,275,072,539
Book value per share (a/b)		**₱41.140**	₱35.072

24. Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables, advances to related parties, loans payable and long-term debt. The main purpose of these financial instruments is to provide funds for the Group's operations. The Group has various financial instruments such as trade and other receivables, trade and other payables, customers' deposits and advances to and from related parties, which arise directly from its operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, interest rate risk and liquidity risk from the use of its financial instruments. The Group's exposure to foreign currency risk is minimal as it does not normally enter into transactions in currencies other than its functional currency. The BOD reviews and approves the policies for managing each of these risks.

Credit Risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the Parent Company, the Group does not offer credit terms without the specific approval of the Chief Finance Officer.

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades with recognized third parties and related parties, there is no requirement for collateral. There are no other concentrations of credit risk within the Group.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Group using internal credit ratings such as high grade and standard grade.

High Grade - pertains to deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers accounts of good paying customers, with good credit standing and are not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Grade - other financial assets not belonging to high quality financial assets are included in this credit rating.

The table below shows the credit quality of the Group neither past due nor impaired financial assets as of December 31, 2016 and 2015 as follows:

	2016					
		Neither Past Due nor Impaired			Past Due but	Past Due
	Total	High Grade	Standard Grade	Total	not Impaired	and Impaired
Loans and Receivables						
Cash and cash equivalents*	₱255,610,161	₱255,610,161	₱–	₱255,610,161	₱–	₱–
Trade and other receivables**:						
Trade	1,242,277,022	1,183,787,283	–	1,183,787,283	18,584,069	39,905,670
Others	33,444,192	33,444,192	–	33,444,192	–	–
Advances to associates and related parties	2,415,454,604	2,415,454,604	–	2,415,454,604	–	–
Restricted cash	720,525,566	720,525,566	–	720,525,566	–	–
Refundable deposits	35,453,129	35,453,129	–	35,453,129	–	–
	4,702,764,674	4,644,274,935	–	4,644,274,935	18,584,069	39,905,670
AFS Investments						
Unquoted Clubs' preferred shares	30,257,222,200	30,257,222,200	–	30,257,222,200	–	–
	₱34,959,986,874	₱34,901,497,135	₱–	₱34,901,497,135	₱18,584,069	₱39,905,670

**Excluding cash on hand amounting to ₱535,588.*
***Excluding advances to officers and employees amounting to ₱18,705,165.*

	2015					
		Neither Past Due nor Impaired			Past Due but	Past Due
	Total	High Grade	Standard Grade	Total	not Impaired	and Impaired
Loans and Receivables						
Cash and cash equivalents*	₱453,184,123	₱453,184,123	₱–	₱453,184,123	₱–	₱–
Trade and other receivables**:						
Trade	778,229,467	721,902,722	–	721,902,722	50,474,660	5,852,085
Others	12,445,704	11,474,809	–	11,474,809	970,895	–
Advances to associates and related parties	1,996,201,627	1,996,201,627	–	1,996,201,627	–	–
Restricted cash	551,098,205	551,098,205	–	551,098,205	–	–
Refundable deposits	25,274,270	25,274,270	–	25,274,270	–	–
	3,816,433,396	3,759,135,756	–	3,759,135,756	51,445,555	5,852,085
AFS Investments						
Unquoted Clubs' preferred shares	29,652,943,500	29,652,943,500	–	29,652,943,500	–	–
Ordinary shares - quoted	17,000,000	17,000,000	–	17,000,000	–	–
	29,669,943,500	29,669,943,500	–	29,669,943,500	–	–
	₱33,486,376,896	₱33,429,079,256	₱–	₱33,429,079,256	₱51,445,555	₱5,852,085

**Excluding cash on hand amounting to ₱539,353.*
***Excluding advances to officers and employees amounting to ₱8,571,968.*

The following are the aging analyses of financial assets as of December 31, 2016 and 2015:

	2016						
			Past Due But Not Impaired				
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Past Due And Impaired
Loans and Receivables							
Cash and cash equivalents*	₱255,610,161	₱255,610,161	₱–	₱–	₱–	₱–	₱–
Trade and other receivables**	1,275,721,214	1,205,656,782	6,609,826	1,238,550	1,223,063	21,087,323	39,905,670
Advances to associates and related parties	2,415,454,604	2,415,454,604	–	–	–	–	–
Restricted cash	720,525,566	720,525,566	–	–	–	–	–
Refundable deposits	35,453,129	35,453,129	–	–	–	–	–
	4,702,764,674	4,632,700,242	6,609,826	1,238,550	1,223,063	21,087,323	39,905,670
AFS Investments							
Unquoted Clubs' preferred shares	30,257,222,200	30,257,222,200	–	–	–	–	–
	₱34,959,986,874	₱34,889,922,442	₱6,609,826	₱1,238,550	₱1,223,063	₱21,087,323	₱39,905,670

**Excluding cash on hand amounting to ₱535,588.*
***Excluding advances to officers and employees amounting to ₱18,705,165.*

	2015						
			Past Due But Not Impaired				
	Total	Neither Past Due nor Impaired	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Past Due And Impaired
Loans and Receivables							
Cash and cash equivalents*	₱453,184,123	₱453,184,123	₱–	₱–	₱–	₱–	₱–
Trade and other receivables**	790,675,171	751,506,498	7,683,345	5,576,893	7,532,387	12,523,963	5,852,085
Advances to associates and related parties	1,996,201,627	1,996,201,627	–	–	–	–	–
Restricted cash	551,098,205	551,098,205	–	–	–	–	–
Refundable deposits	25,274,270	25,274,270	–	–	–	–	–
	3,816,433,396	3,777,264,723	7,683,345	5,576,893	7,532,387	12,523,963	5,852,085
AFS Investments							
Unquoted Clubs' preferred shares	29,652,943,500	29,032,419,500	–	–	–	–	–
Ordinary shares - quoted	17,000,000	17,000,000	–	–	–	–	–
	29,669,943,500	29,049,419,500	–	–	–	–	–
	₱33,486,376,896	₱32,826,684,223	₱7,683,345	₱5,576,893	₱7,532,387	₱12,523,963	₱5,852,085

**Excluding cash on hand amounting to ₱539,353.*
***Excluding advances to officers and employees amounting to ₱8,571,968.*

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's exposure to interest rate risk relates primarily to its financial instruments with floating interest and/or fixed interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Re-pricing of floating rate financial instruments is done every three to six months. Interest on fixed rate financial instruments is fixed until maturity of the instrument. The details of financial instruments that are exposed to interest rate risk are disclosed in Note 18.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt subject to floating interest rates as discussed in Note 18.

The other financial instruments of the Group are noninterest-bearing and, therefore, not subject to interest rate risk.

The following table demonstrates the sensitivity of the Group's profit before tax due to a reasonably possible change in interest rates in the next reporting period with all other variables held constant. There is no other impact on the Group's equity other than those already affecting profit and loss.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
2016	+1.0%	(₱26,397,534)
	−1.0%	26,397,534
2015	+1.0%	(43,789,731)
	−1.0%	43,789,731
2014	+1.0%	47,397,368
	−1.0%	(47,397,368)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The Group also maintains a balance between continuity of funding and flexibility. The policy of the Group is to first exhaust lines available from affiliated companies before local bank lines are availed of. The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Also, the Group only places funds in the money market which are exceeding the Group requirements. Placements are strictly made based on cash planning assumptions and covers only a short period of time.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity management and the maturity profile of financial liabilities as of December 31, 2016 and 2015 based on undiscounted cash flows:

	2016					
	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Assets						
Cash and cash equivalents*	₱255,610,161	₱–	₱–	₱–	₱–	₱255,610,161
Trade and other receivables**	1,068,505,243	69,961,744	19,492,590	25,650,634	92,111,003	1,275,721,214
Advances to associates and related parties	2,415,454,604	–	–	–	–	2,415,454,604
Restricted cash	720,525,566	–	–	–	–	720,525,566
Refundable deposits	35,453,129	–	–	–	–	35,453,129
AFS financial assets	985,810,900	–	–	–	29,271,411,300	30,257,222,200
	₱5,481,359,603	₱69,961,744	₱19,492,590	₱25,650,634	₱29,363,522,303	₱34,959,986,874
Financial Liabilities						
Trade and other payables:						
Trade	₱765,855,933	₱37,285,392	₱57,918,964	₱124,301	₱18,358,252	₱879,542,843
Accrued expenses	12,134,818	5,263,178	410,019	–	785,829,587	803,637,602
Retention payable	10,411,761	561,330	–	–	389,312,562	400,285,653
Accrued interest	4,197,176	18,918,865	13,875,135	10,101,056	–	47,092,232
Others	77,208,362	971,899	–	–	–	78,180,261
Long-term debt	–	86,842,014	294,280,255	184,914,260	4,956,320,820	5,522,357,349
Customers' deposits	149,966,452	–	–	–	–	149,966,452
Advances from related parties	5,897,985	–	2,794,966	–	–	8,692,951
	₱1,025,672,487	₱149,842,678	₱369,279,339	₱195,139,617	₱6,149,821,221	₱7,889,755,343

**Excluding cash on hand amounting to ₱535,588.*

***Excluding advances to officers and employees amounting to ₱18,705,165*

	2015					
	On Demand	1–30 Days	31–60 Days	61–90 Days	More than 90 Days	Total
Financial Assets						
Cash and cash equivalents*	₱453,184,123	₱–	₱–	₱–	₱–	₱453,184,123
Trade and other receivables**	515,747,836	44,576,413	16,314,608	87,780,853	126,255,461	790,675,171
Advances to associates and related parties	1,996,201,627	–	–	–	–	1,996,201,627
Restricted cash	551,098,205	–	–	–	–	551,098,205
Refundable deposits	25,274,270	–	–	–	–	25,274,270
AFS financial assets	1,750,256,695	–	–	–	27,919,686,805	29,669,943,500
	₱5,291,762,756	₱44,576,413	₱16,314,608	₱87,780,853	₱28,045,942,266	₱33,486,376,896
Financial Liabilities						
Trade and other payables:						
Trade	₱351,155,175	₱57,991,279	₱4,646,639	₱2,213,816	₱72,497,146	₱488,504,055
Accrued expenses	76,408,527	–	–	–	–	76,408,527
Retention payable	19,305,285	–	–	–	382,353,776	401,659,061
Accrued interest	–	23,028,477	17,169,748	3,145,589	–	43,343,814
Others	46,786,737	16,749,775	–	–	58,507	63,595,019
Long-term debt		103,276,111	186,549,555	721,463,037	4,727,941,400	
Customers' deposits	123,975,693	–	–	–	–	123,975,693
Advances from related parties	2,855,970	–	–	–	–	2,855,970
	₱620,487,387	₱201,045,642	₱208,365,942	₱726,822,442	₱5,182,850,829	₱1,200,342,139

**Excluding cash on hand amounting to ₱539,353.*

***Excluding advances to officers and employees amounting to ₱8,571,968.*

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain additional advances from stockholders, adjust the return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2016 and 2015. The Group monitors capital using the monthly cash position report and financial statements. The Parent Company is not subject to externally imposed capital requirements. Certain subsidiaries, however, are required to maintain a debt to equity ratio as provided in the loan agreements (see Note 16).

The components of the Group's capital as at December 31, 2016 and 2015 are as follows:

	2016	2015
Layer I:		
Capital stock	**₱2,655,707,417**	₱2,655,707,417
Additional paid-in capital	**10,739,039,485**	10,739,039,485
	13,394,746,902	13,394,746,902
Layer II:		
Retained earnings - operating income	**4,051,059,341**	7,015,958,325
Treasury shares	**(12,213,526)**	(1,213,526)
Parent Company's shares held by a subsidiary	**(16,817,972,390)**	(16,817,972,390)
	(12,779,126,575)	(9,803,227,591)
Layer III:		
Unrealized valuation gain on AFS investments	**23,574,599,480**	23,019,668,962
Revaluation surplus	**72,679,524**	–
Accumulated remeasurement gain on retirement obligation	**22,845,569**	24,191,433
Retained earnings - gain on fair value change of investment properties	**27,359,498,862**	17,352,613,131
Retained earnings - gain on bargain purchase	**761,886,845**	761,886,845
	51,791,510,280	41,158,360,371
Total capital	**₱52,407,130,607**	₱44,749,879,682

- Layer I is composed of the Group's contributed capital;
- Layer II is composed of income from operations, excess of acquisition price over acquired interest and treasury shares; and
- Layer III is composed of income from fair value changes of investment properties, gain on bargain purchase and unrealized valuation gain on AFS investments.

25. Fair Value Measurements

The following table provides the fair value hierarchy of assets and liabilities measured at fair value:

		2016				
					Fair value measurement using	
	Note	Carrying Value	Fair Value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at Fair Value						
Financial Assets:						
AFS financial assets -	13					
AFS investments:						
Unquoted		₱30,257,222,200	₱30,257,222,200	₱–	₱30,257,222,200	₱–
Non-financial Asset-						
Investment properties	12	27,297,299,071	27,297,299,071	–	–	27,297,299,071
Fair Values are Disclosed						
Financial Asset:						
Loans and receivables -						
Noncurrent trade receivables		47,043,147	47,043,147	–	–	47,043,147
Financial Liability -						
Customers' deposits		149,966,452	149,966,452	–	–	149,966,452

		2015				
					Fair value measurement using	
	Note	Carrying Value	Fair Value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured at Fair Value						
Financial Assets:						
AFS financial assets -	13					
AFS investments:						
Unquoted		₱29,652,943,500	₱29,652,943,500	₱–	₱29,652,943,500	₱–
Quoted		17,000,000	17,000,000	17,000,000	–	–
Non-financial Asset-						
Investment properties	12	8,997,905,276	8,997,905,276	–	–	8,997,905,276
Fair Values are Disclosed						
Financial Asset:						
Loans and receivables -						
Noncurrent trade receivables		103,269,506	103,269,506	–	–	96,454,800
Financial Liability -						
Customers' deposits		125,053,864	125,053,864	–	–	125,053,864

26. Commitments and Contingencies

Commitments

a. Corporate Guaranty

As discussed in Note 4, pursuant to the Joint Venture Agreement, ALPHA issued a corporate guaranty in favor of BSP whereby, in the event AMPI is unable to complete the Project (for reasons attributable to the fault of AMPI),

ALPHA shall pay BSP the amount of ₱600.0 million in exchange for BSP's 15% share in the sharing scheme as defined in the Joint Venture Agreement.

b. Construction Contracts

The Group entered into various construction contracts for the development of its projects (see Note 13). Total advances to contractors amounted to ₱376.1 million and ₱515.8 million as at December 31, 2016 and 2015, respectively (see Notes 9 and 14). The significant construction contracts that gave rise to the advances are as follows:

Subsidiary	2016	2015	Nature
AMPI	**₱271,083,248**	₱491,004,383	Civil, structural, masonry works and supply and installation of materials for Alphaland Makati Place
AAI	**42,034,382**	9,740,959	Repairs of aircraft and construction works in hangar of AAPI
ABMLHI	**34,972,866**	–	Supply of labor, materials, equipment and all related construction works for Alphaland Baguio Mountain Lodges Project
ASTI	**26,374,741**	14,114,023	Supply of labor, materials and installation of pathways, exterior glass, escalator and LED spare part and others for Alphaland Southgate Tower

Retention Payable

Retention payable is based upon specifically identified construction contracts that stipulate the right of the Group to retain a portion of the progress billings of contractors. Depending on the terms of the contract, all retention payable shall be released to contractors upon 100% completion and acceptance of works normally within one year after completion. Total retention payable amounted to ₱400.3 million and ₱401.7 million as at December 31, 2016 and 2015, respectively (see Note 15).

Significant contract with retention clause arises from the civil, structural and masonry works for Towers 1 to 3 and the construction of the podium. Total retention payable recognized by AMPI as at December 31, 2016 and 2015 related to such contract amounted to ₱389.3 million and ₱371.0 million, respectively.

Contingencies

As a result of the dispute between the Group and with the WG (see Note 4), the following cases have been filed against each other; together with their status as at reporting date:

a. ASTI and AMC v. DMWAI, et al. [Civil Case No. 13-540 pending before the Regional Trial Court of Makati City, Branch 142 (the Court)] - a complaint for injunction filed on May 9, 2013 seeking to enjoin the defendants, WG, from obstructing and/or delaying or from taking any other action/s that may impede/obstruct and/or delay the construction/development of the Alphaland Marina Project. On May 15, 2013, the Court issued a Temporary Restraining Order against the defendants. On June 3, 2013, the Court issued an Order granting the plaintiffs' application for preliminary injunction. The WG has elevated the case to the Court of Appeals by filing three separate petitions for certiorari. ASTI and AMC's motion for consolidation of the three petitions, filed with the Court of Appeals on April 4, 2014, was granted and the three petitions were consolidated and assigned to the Six (6th) Division, where the cases are presently pending.

b. ABCC v. ASTI (DENR-NCR Case No. 2013-1226 - a complaint for cancellation of the Foreshore Lease Agreement executed between ASTI and the DENR filed on October 24, 2013. DENR denied the Protest on December 18, 2014. On 22 January 2015, ABCC filed A Motion for Reconsideration, which is presently pending resolution.

c. ABPEA v. ASTI (Civil Case No. 13-0323 pending before the Regional Trial Court of Paranaque City, Branch 274) - a complaint for collection of alleged unpaid association dues filed on November 4, 2013. On December 4, 2013, ASTI filed its answer with affirmative defenses seeking the dismissal of the case. RTC Branch 274 denied the affirmative defense of lack of jurisdiction in the Order dated 12 November 2014, to which defendant ASTI filed its Motion for Reconsideration. The Motion for Reconsideration is now pending resolution.

d. ASTI v. DMWAI (Civil Case No. 14 -056 pending before the Regional Trial Court of Makati City, Branch 137) - a complaint for specific performance filed by ASTI on January 21, 2014 seeking delivery of the additional lots that DMWAI is obliged to deliver pursuant to the FARIA. On March 4, 2014, DMWAI filed a Motion to Dismiss. On March 31, 2014, ASTI filed its Comment to defendant's Motion to Dismiss. DMWAI's Motion to Dismiss was granted on June 30, 2014. ASTI filed a Motion for Reconsideration of the Order granting the Motion to Dismiss, which is presently pending resolution.

While cases were filed between the Group and WG, the agreement signed by the major shareholders of the ALPHA as discussed in Note 1 includes the transfer of the Group's interest in ABCC and the settlement of the said disputes with the WG.

Deficiency VAT Assessment for ASTI and AMPI. The Bureau of Internal Revenue (BIR) issued a Final Decision on Disputed Assessment (FDDA) to the Group on June 30, 2016 covering the taxable years 2014 and 2013 amounting to ₱30.9 million. The Group filed its motion for reconsideration of the said FDDA and decision is still pending with the BIR.

Other Legal Cases. There are certain lawsuits and claims filed by third parties against the Group which are either pending decision by the proper judicial bodies or under negotiation, the outcome of which are presently undeterminable. In the opinion of the Group's management, the ultimate disposition of these cases, disputes and assessments will not have a material adverse effect on the financial position or results of operations of the Group.

Legal Counsel

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Independent Public Auditors

Reyes Tacandong & Co.

Banks

Banco De Oro Unibank, Inc.
Bank of Commerce
Development Bank of the Philippines
East West Banking Corporation
Landbank of the Philippines
Maybank Philippines, Inc.
Metropolitan Bank and Trust Company
Philippine Bank of Communications
Philippine National Bank
Sterling Bank of Asia
United Coconut Planters Bank

Stock Transfer Agent

AB Stock Transfers Corporation

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