

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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## COMPANY NAME

C	E	N	T	U	R	Y		P	R	O	P	E	R	T	I	E	S		G	R	O	U	P		I	N	C	.
A	N	D		S	U	B	S	I	D	I	A	R	I	E	S													

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

2	1	s	t		F	l	o	o	r		P	a	c	i	f	i	c		S	t	a	r		B	u	i	l	d	i
n	g	,		S	e	n	.		G	i	l		P	u	y	a	t		c	o	r	n	e	r		M	a	k	a
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Form Type

A	A	F	S
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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

N	/	A
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## COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

(02)793-5526

Mobile Number

N/A

No. of Stockholders

486

Annual Meeting (Month / Day)

07/22

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

John Paul C. Flores

Email Address

jpcflores@century-  
properties.com

Telephone Number/s

(02) 793-8981

Mobile Number

0917-3244071

## CONTACT PERSON'S ADDRESS

21st Floor Pacific Star Building Sen. Gil Puyat corner Makati Avenue, Makati City

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

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



## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
Century Properties Group Inc.  
21st Floor Pacific Star Building  
Sen. Gil Puyat corner Makati Avenue  
Makati City

### Opinion

We have audited the consolidated financial statements of Century Properties Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, 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 in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

### Key Audit Matters

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



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

#### *Revenue Recognition on Real Estate Sales*

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the physical stage of the real estate project's completion. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The assessment of the physical stage of completion and the total estimated costs requires technical determination by the management's specialists (third party project managers). In addition, the Group requires a certain percentage of buyer's payments of total selling price, buyer's equity, to be collected as one of the criteria in order to initiate revenue recognition. Upon reaching this level of collection, the management will assess if it is probable for economic benefits to flow to the Group because of the buyers' continuing commitment with the sales agreement. The assessment of the stage of completion, total estimated costs and level of buyer's equity involves significant management judgment as disclosed in Note 3 of the consolidated financial statements.

#### *Audit Response*

We obtained an understanding of the Group's processes for determining the POC, and for determining and updating of the total estimated costs, and tested relevant controls. We obtained the certified POC reports prepared by the third party project managers and assessed their competence, capabilities and objectivity by referencing to their qualifications, experience and reporting responsibilities. For all ongoing projects, we conducted ocular inspections, made relevant inquiries and obtained the supporting details of POC reports showing the completion of the project construction's major activities. For projects with revisions in cost estimates in 2017, we obtained the approved total estimated costs and its supporting details. We evaluated the management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as the buyer's collection report and official receipts.

#### *Valuation of Investment Properties at Fair Value*

The Group has investment properties which are accounted for using the fair value model and represent 18% of consolidated total assets as of December 31, 2017. Fair value gains relating to those properties amounted to ₱286.0 million in 2017. As disclosed in Note 12 of the consolidated financial statements, determining the fair value of investment properties involves significant management judgment and estimations. It is also based on appraisal reports prepared by an external appraiser. The valuation by the external appraiser depends on certain assumptions such as market rent levels, expected vacancy, discount rates and expected maintenance as well as sales and listings of comparable properties and adjustments to sales price based on internal and external factors. Thus, we considered this as a key audit matter.





### *Audit Response*

We evaluated the competence, capabilities and objectivity of the external appraiser. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by referencing common valuation models, and evaluated key inputs used in the valuation, specifically market rent levels, expected vacancy, interest rates and expected maintenance. We also reviewed the relevant information supporting the sales and listings of comparable properties and inquired from the external appraiser the basis of adjustments made to the sales price. We also reviewed the disclosures relating to investment properties.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the 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.

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

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

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

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





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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit 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 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 audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is John T. Villa.

SYCIP GORRES VELAYO & CO.

*John T. Villa*

John T. Villa

Partner

CPA Certificate No. 94065

SEC Accreditation No. 0783-AR-2 (Group A),

May 1, 2015, valid until April 30, 2018

Tax Identification No. 901-617-005

BIR Accreditation No. 08-001998-76-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 6621342, January 9, 2018, Makati City

March 23, 2018





**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱1,400,358,850	₱3,343,072,343
Receivables (Note 5)	7,541,265,718	6,641,554,965
Real estate inventories (Note 6)	15,187,415,092	13,302,813,859
Due from related parties (Note 28)	491,245,948	533,078,320
Advances to suppliers and contractors (Notes 8 and 28)	1,963,978,130	1,991,829,212
Prepayments and other current assets (Note 9)	1,008,973,064	1,303,197,224
<b>Total Current Assets</b>	<b>27,593,236,802</b>	<b>27,115,545,923</b>
<b>Noncurrent Assets</b>		
Installment contract receivables - net of current portion (Note 5)	2,442,243,070	4,666,084,194
Land held for future development (Note 7)	658,453,116	640,075,060
Deposits for purchased land (Note 10)	1,369,569,806	1,170,123,796
Investments in and advances to joint ventures and associate (Note 11)	235,153,705	393,942,700
Investment properties (Note 12)	7,759,560,458	5,936,463,047
Property and equipment (Note 13)	1,068,560,030	485,537,731
Deferred tax assets - net (Note 27)	103,988,756	160,362,044
Other noncurrent assets (Note 14)	1,324,884,878	740,389,759
<b>Total Noncurrent Assets</b>	<b>14,962,413,819</b>	<b>14,192,978,331</b>
<b>TOTAL ASSETS</b>	<b>₱42,555,650,621</b>	<b>₱41,308,524,254</b>

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>		
Accounts and other payables (Note 15)	₱3,832,132,843	₱4,010,690,209
Customers' deposits (Note 16)	2,758,601,607	2,360,359,555
Short-term debt (Note 17)	661,894,637	505,953,699
Current portions of:		
Long-term debt (Note 17)	3,853,349,179	2,009,682,622
Liability from purchased land (Note 19)	67,200,000	67,200,000
Due to related parties (Note 28)	48,171,031	326,005,488
Income tax payable	3,230,756	8,143,724
<b>Total Current Liabilities</b>	<b>11,224,580,053</b>	<b>9,288,035,297</b>

(Forward)



	December 31	
	2017	2016
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Note 17)	₱10,083,496,246	₱10,481,526,699
Bonds payable (Note 18)	1,500,966,910	2,678,787,473
Liability from purchased land - net of current portion (Note 19)	381,041,742	453,844,063
Pension liabilities (Note 29)	235,467,111	237,044,895
Deferred tax liabilities - net (Note 27)	2,451,358,064	2,553,341,529
Other noncurrent liabilities (Note 33)	423,119,032	269,524,012
<b>Total Noncurrent Liabilities</b>	<b>15,075,449,105</b>	<b>16,674,068,671</b>
<b>Total Liabilities</b>	<b>26,300,029,158</b>	<b>25,962,103,968</b>
<b>Equity (Note 20)</b>		
Capital stock - ₱0.53 par value		
Authorized - 18,000,000,000 shares		
Issued - 11,699,723,690 shares	6,200,853,553	6,200,853,553
Additional paid-in capital	2,639,742,141	2,639,742,141
Treasury shares - 100,123,000 shares	(109,674,749)	(109,674,749)
Other components of equity (Notes 14 and 20)	99,153,681	58,869,696
Retained earnings	6,922,976,884	6,497,730,643
Remeasurement loss on pension liabilities (Note 29)	(34,579,987)	(60,886,808)
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>	<b>15,718,471,523</b>	<b>15,226,634,476</b>
<b>Non-controlling Interest (Note 20)</b>	<b>537,149,940</b>	<b>119,785,810</b>
	<b>16,255,621,463</b>	<b>15,346,420,286</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱42,555,650,621</b>	<b>₱41,308,524,254</b>

See accompanying Notes to Consolidated Financial Statements.

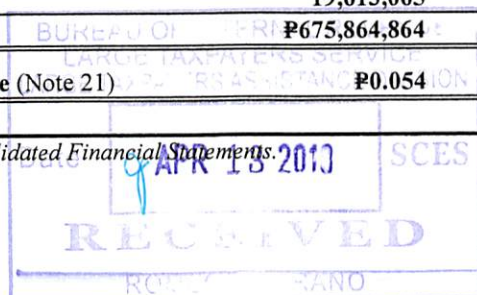




**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2017	2016	2015
<b>REVENUES</b>			
Real estate sales	₱5,345,938,210	₱4,968,448,221	₱7,751,321,206
Leasing revenue (Note 12)	341,658,779	337,853,830	311,668,777
Property management fee and other services (Note 22)	352,971,958	302,096,900	297,445,480
	<b>6,040,568,947</b>	<b>5,608,398,951</b>	<b>8,360,435,463</b>
<b>COSTS</b>			
Cost of real estate sales (Note 6)	2,806,481,000	2,901,250,587	4,808,587,411
Cost of leasing (Note 12)	237,813,561	266,766,649	153,494,504
Cost of services (Note 24)	270,726,596	237,706,828	216,513,767
	<b>3,315,021,157</b>	<b>3,405,724,064</b>	<b>5,178,595,682</b>
<b>GROSS PROFIT</b>	<b>2,725,547,790</b>	<b>2,202,674,887</b>	<b>3,181,839,781</b>
<b>GENERAL, ADMINISTRATIVE AND SELLING EXPENSES</b> (Note 25)	<b>(2,964,062,656)</b>	<b>(2,619,824,830)</b>	<b>(2,731,809,872)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Interest and other income (Note 23)	1,466,280,464	1,423,559,827	1,146,764,821
Gain from change in fair value of investment properties (Note 12)	286,028,260	348,260,010	755,601,280
Unrealized foreign exchange loss	(53,850,000)	(77,218,787)	(114,841,683)
Gain (loss) from change in fair value of derivatives (Note 9)	(35,614,007)	(108,370,111)	118,462,120
Interest and other financing charges (Note 26)	(403,480,265)	(190,094,777)	(225,747,902)
	<b>1,259,364,452</b>	<b>1,396,136,162</b>	<b>1,680,238,636</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,020,849,586</b>	<b>978,986,219</b>	<b>2,130,268,545</b>
<b>PROVISION FOR INCOME TAX</b> (Note 27)	<b>370,924,446</b>	<b>252,054,222</b>	<b>611,262,369</b>
<b>NET INCOME</b>	<b>649,925,140</b>	<b>726,931,997</b>	<b>1,519,006,176</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain on defined benefit plan - net of tax effect (Note 29)	26,306,821	190,132	12,713,139
Net change in fair value of AFS investments	(367,097)	(64,808)	(1,131,373)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱675,864,864</b>	<b>₱727,057,321</b>	<b>₱1,530,587,942</b>
<b>Net income attributable to:</b>			
Equity holders of the Parent Company	₱630,312,075	₱726,931,997	₱1,519,006,176
Non-controlling interest	19,613,065	—	—
	<b>₱649,925,140</b>	<b>₱726,931,997</b>	<b>₱1,519,006,176</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Parent Company	₱656,251,799	₱727,057,321	₱1,530,587,942
Non-controlling interest	19,613,065	—	—
	<b>₱675,864,864</b>	<b>₱727,057,321</b>	<b>₱1,530,587,942</b>
<b>Basic/diluted earnings per share</b> (Note 21)	<b>₱0.054</b>	<b>₱0.062</b>	<b>₱0.130</b>

See accompanying Notes to Consolidated Financial Statements.



**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**

	Total Equity Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Treasury Shares (Note 20)	Other Components of Equity (Notes 14 and 20)	Retained Earnings (Note 20)	Remeasurement Loss on Pension Liabilities (Note 29)	Total	Non-controlling Interest (Note 20)	Total
At January 1, 2017	P6,200,853,553	P2,639,742,141	(P109,674,749)	P58,869,696	P6,497,730,643	(P60,886,808)	P15,226,634,476	P119,785,810	P15,346,420,286
Net income	—	—	—	—	630,312,075	—	630,312,075	19,613,065	649,925,140
Cash dividends declared (Note 20)	—	—	—	—	(205,065,834)	—	(205,065,834)	—	(205,065,834)
Investment from non-controlling interest	—	—	—	40,651,082	—	—	40,651,082	397,751,065	438,402,147
Others	—	—	—	(367,097)	—	26,306,821	25,939,724	—	25,939,724
<b>At December 31, 2017</b>	<b>P6,200,853,553</b>	<b>P2,639,742,141</b>	<b>(P109,674,749)</b>	<b>P99,153,681</b>	<b>P6,922,976,884</b>	<b>(P34,579,987)</b>	<b>P15,718,471,523</b>	<b>P537,149,940</b>	<b>P16,255,621,463</b>
At January 1, 2016	P6,200,853,553	P2,639,742,141	(P109,674,749)	(P11,795,550)	P5,975,821,590	(P61,076,940)	P14,633,870,045	P—	P14,633,870,045
Net income	—	—	—	—	726,931,997	—	726,931,997	—	726,931,997
Cash dividends declared (Note 20)	—	—	—	—	(205,022,944)	—	(205,022,944)	—	(205,022,944)
Investment from non-controlling interest	—	—	—	70,730,054	—	—	70,730,054	119,785,810	190,515,864
Others	—	—	—	(64,808)	—	190,132	125,324	—	125,324
<b>At December 31, 2016</b>	<b>P6,200,853,553</b>	<b>P2,639,742,141</b>	<b>(P109,674,749)</b>	<b>P58,869,696</b>	<b>P6,497,730,643</b>	<b>(P60,886,808)</b>	<b>P15,226,634,476</b>	<b>P119,785,810</b>	<b>P15,346,420,286</b>
At January 1, 2015	P6,200,853,553	P2,639,742,141	(P109,674,749)	(P10,664,177)	P4,657,974,323	(P73,790,079)	P13,304,441,012	P—	P13,304,441,012
Net income	—	—	—	—	1,519,006,176	—	1,519,006,176	—	1,519,006,176
Cash dividends declared (Note 20)	—	—	—	—	(201,158,909)	—	(201,158,909)	—	(201,158,909)
Others	—	—	—	(1,131,373)	—	12,713,139	11,581,766	—	11,581,766
<b>At December 31, 2015</b>	<b>P6,200,853,553</b>	<b>P2,639,742,141</b>	<b>(P109,674,749)</b>	<b>(P11,795,550)</b>	<b>P5,975,821,590</b>	<b>(P61,076,940)</b>	<b>P14,633,870,045</b>	<b>P—</b>	<b>P14,633,870,045</b>

See accompanying Notes to Consolidated Financial Statements.





**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱1,020,849,586	₱978,986,219	₱2,130,268,545
Adjustments for:			
Interest expense (Note 26)	287,329,113	102,490,010	71,992,593
Loss (gain) from change in fair value of derivatives (Note 9)	35,614,007	108,370,111	(118,462,120)
Retirement expense (Note 29)	37,751,907	38,110,644	34,523,333
Depreciation and amortization (Note 25)	33,242,675	28,632,248	27,844,830
Provision for impairment losses on receivables (Note 5)	9,864	—	83,287
Interest income (Note 23)	(712,443,530)	(698,788,633)	(815,059,617)
Gain from change in fair value of investment properties (Note 12)	(286,028,260)	(348,260,010)	(755,601,280)
Unrealized foreign exchange loss	53,850,000	77,218,787	114,841,683
Operating income before working capital changes	470,175,362	286,759,376	690,431,254
Decrease (increase) in:			
Receivables	1,839,323,458	2,207,945,192	(600,114,249)
Real estate inventories	(1,074,982,095)	(1,573,944,250)	(1,401,577,409)
Advances to suppliers and contractors	27,851,082	(777,469,210)	(199,463,497)
Prepayments and other current assets	258,610,153	309,714,848	(422,710,232)
Other noncurrent assets	(339,228,199)	32,755,660	949,050,202
Increase (decrease) in:			
Accounts and other payables	(221,552,495)	822,398,899	412,515,291
Customers' deposits	398,242,052	306,460,671	64,077,265
Net cash provided by (used in) operations	1,358,439,318	1,614,621,186	(507,791,375)
Interest received (Note 23)	47,240,579	42,635,726	13,309,323
Interest and deferred financing costs paid (Notes 6 and 26)	(1,082,005,958)	(956,980,604)	(414,520,053)
Income tax paid	(432,721,940)	(522,212,008)	(176,438,734)
Retirement benefits paid (Note 29)	(1,748,518)	(1,630,875)	(958,063)
Net cash provided by (used in) operating activities	(110,796,519)	176,433,425	(1,086,398,902)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in due from related parties	41,832,372	(475,523)	(3,807,935)
Proceeds from property and equipment (Note 13)	163,303	1,980,221	—
Additions to:			
Property and equipment (Note 13)	(614,258,721)	(170,215,881)	(21,978,935)
Deposits for purchased land (Note 10)	(423,539,188)	(288,684,213)	(170,588,436)
Investment properties (Note 12)	(1,236,009,408)	(252,172,683)	(771,527,820)
Investments in and advances to joint ventures and associate	(1,044,000)	(6,955,900)	—
Land held for future development (Note 7)	—	(208,741,116)	—
Net cash used in investing activities	(2,232,855,242)	(925,265,095)	(967,903,126)

(Forward)



	Years Ended December 31		
	2017	2016	2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of short-term and long-term debts (Note 17)	₱6,692,140,393	₱10,083,480,368	₱7,703,195,598
Payments of short-term and long-term debts (Note 17)	(5,183,131,809)	(8,303,192,199)	(4,892,843,318)
Payment of bonds payable (Note 18)	(1,187,360,000)	—	—
Investment from non-controlling interest (Note 20)	438,402,146	190,515,864	—
Proceeds from deposits for preferred shares (Note 33)	196,590,150	158,012,121	26,323,263
Payment of cash dividends (Note 20)	(205,065,834)	(205,022,944)	(201,158,909)
Payment of liability from purchased land	(72,802,321)	(119,367,773)	—
Increase (decrease) in due to related parties	(277,834,457)	279,153,454	(2,134,590)
Net cash provided by financing activities	400,938,268	2,083,578,891	2,633,382,044
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,942,713,493)	1,334,747,221	579,080,016
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	3,343,072,343	2,008,325,122	1,429,245,106
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	₱1,400,358,850	₱3,343,072,343	₱2,008,325,122

See accompanying Notes to Consolidated Financial Statements.





# CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

Century Properties Group Inc. (the Parent Company or CPGI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 6, 1975. The Parent Company is a 58.79%-owned subsidiary of Century Properties Inc. (CPI) and the rest by the public. The Group is primarily engaged in the development and construction of residential and commercial real estate projects.

The registered office address of the Parent Company is 21st Floor Pacific Star Building, Sen. Gil Puyat corner Makati Avenue, Makati City.

The Parent Company and its subsidiaries are collectively referred to herein as the “Group”.

The accompanying consolidated financial statements as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 were approved and authorized for issue by the Board of Directors (BOD) on March 23, 2018.

### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and derivative assets that are measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company’s functional currency. Philippine peso is also the functional currency of all subsidiaries. All values are rounded to the nearest peso except when otherwise indicated.

#### Statement of Compliance

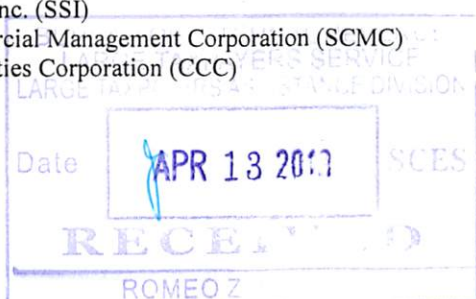
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage of Ownership		
	2017	2016	2015
Century Limitless Corporation (CLC)	100	100	100
Century Acqua Lifestyle Corporation (CALC)	100	100	100
Tanza Properties I, Inc. (TPI I)	60	100	—
Tanza Properties II, Inc. (TPI II)	60	100	—
Tanza Properties III, Inc. (TPI III)	60	100	—
Century Properties Management, Inc. (CPMI)	100	100	100
Siglo Suites, Inc. (SSI)	100	100	100
Siglo Commercial Management Corporation (SCMC)	100	100	—
Century Communities Corporation (CCC)	100	100	100

(Forward)



	Percentage of Ownership		
	2017	2016	2015
Century City Development Corporation (CCDC)	100	100	100
Century City Development Corporation II (CCDC II)	60	60	100
Centuria Medical Development Corporation (CMDC)	100	100	100
Knightsbridge Residences Development Corporation*	100	100	100
Milano Development Corporation (MDC)	100	100	100
Century City Development Corporation VII*	100	100	100
Century City Development Corporation VIII*	100	100	100
Century City Development Corporation X*	100	100	100
Century City Development Corporation XI*	100	100	100
Century City Development Corporation XII*	100	100	100
Century City Development Corporation XIV*	100	100	100
Century City Development Corporation XV*	100	100	100
Century City Development Corporation XVI*	100	100	100
Century City Development Corporation XVII*	100	100	100
Century City Development Corporation XVIII*	100	100	100
Century Properties Hotel and Leisure Inc. (CPHLI)	100	100	100
<i>*non-operating CCDC subsidiaries</i>			

On October 14, 2016, TPI I, TPI II and TPI III were incorporated as wholly owned subsidiaries of CPGI. On December 30, 2016, CPGI assigned all its interest to the aforementioned companies to CLC (see Note 20).

On September 19, 2016, SCMC, was incorporated as a wholly owned subsidiary of CPML. SCMC was organized primarily to provide professional leasing and management services to real estate properties such as building, office space, commercial lots and other related structures whether for commercial or industrial purpose except financial leasing.

On July 22, 2015, SSI, a wholly owned subsidiary of CPML, was incorporated. SSI was organized primarily to provide professional leasing and management services to condominium unit owners.

On September 23, 2014, the BOD approved the cessation of operations of the non-operating CCDC subsidiaries. On the same date, the BOD approved the dissolution of these subsidiaries. Accordingly, these subsidiaries changed their basis of accounting from a going concern basis to a liquidation basis. Final dissolution will take place after the approval of the subsidiaries' application with the Bureau of Internal Revenue (BIR). As of December 31, 2017, the subsidiaries have not yet filed their application for dissolution with the BIR.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangement with the other vote holders of the investee



- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests (NCI) and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### Changes in Accounting Policies and Disclosures

##### **Amended Standards and Improved PFRS Adopted in Calendar Year 2017**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2017. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

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

Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

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

The Group has provided the required additional disclosure in Note 17 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2017.





- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

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

Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

#### **New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2017**

The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

*Effective beginning on or after January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*  
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 will not have a significant impact on the Group's financial statements.

The Group is currently assessing the impact of adopting PFRS 9.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*  
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.



The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing whether to apply the full retrospective or modified retrospective method.

Based on its initial assessment, the requirements of PFRS 15 on the following may have an impact on the Group's financial position, performance and disclosures:

- Significant financing component in relation to advance payments received from customers
- Variable considerations such as discounts and penalties
- Measurement of progress for real estate

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

The Group is currently assessing the impact of adopting PFRS 15.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*  
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.





- **Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration***

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

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

*Effective beginning on or after January 1, 2019*

- **Amendments to PFRS 9, *Prepayment Features with Negative Compensation***

- **PFRS 16, *Leases***

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

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

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

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

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



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

The Group is currently assessing the impact of adopting this amendment.

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

The interpretation specifically addresses the following:

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

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

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

#### Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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





The Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

#### Cash and Cash Equivalents

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

#### Financial Instruments

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### *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 or loss (FVPL), includes transaction cost.

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

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

As of December 31, 2017 and 2016, the Group's financial instruments are of the nature of loans and receivables, AFS investments and other financial liabilities.

##### *"Day 1" difference*

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



#### *Loans and receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or assets as at FVPL. This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Receivables (except for "Receivable from employees and agents") and "Due from related parties".

After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method (EIR), less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in profit or loss.

The losses arising from impairment of loans and receivables are recognized in profit or loss under "Miscellaneous" in the "General, administrative and selling expenses" account.

#### *AFS investments*

AFS investments are non-derivative financial assets that are designated in this category or are 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. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported under "Net change in fair value of AFS investments" account in other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is recognized in statement of comprehensive income.

#### *Other financial liabilities*

Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

This accounting policy applies primarily to the Group's "Accounts and other payables", "Due to related parties", "Short-term debt", "Long-term debt", "Liability from purchased land", "Bonds payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension 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 objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the 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*

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to profit or loss. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of counterparty, credit history, past due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on historical loss experience is based and to remove the effects of conditions in the historical period that do not which the exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

### Derecognition of Financial Assets and Liabilities

#### *Financial asset*

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

- a. the Group's right to receive cash flows from the asset has expired;
- b. 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
- c. the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset; or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

#### *Financial liability*

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





### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount 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 asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

### Fair Value Measurement

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

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

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

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

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

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

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

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

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

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



#### Advances to Suppliers and Contractors

The Group recognizes advances to suppliers at the time payment has been made to specific suppliers and contractors. These are subsequently recouped upon every progress billings.

#### Real Estate Inventories

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

Cost includes:

- Land cost
- Land improvement cost
- Borrowing cost
- Amounts paid to contractors for construction and development
- 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 business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

#### Land Held for Future Development

Land held for future development consists of properties for future development that are carried at the lower of cost and NRV. Cost includes those costs incurred for development and improvement of the properties while NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Upon commencement of development, the subject land is transferred to "Real estate inventories".

#### Deposits for Purchased Land

This represents deposits made to land owners for the purchase of certain parcels of land that are intended for future development. The Group normally makes deposits before a Contract to Sell (CTS) or Deed of Absolute Sale (DOAS) is executed between the Group and the land owner. These are recognized at cost.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.



#### Investments in and Advances to Joint Ventures and Associate

Investments in and advances to joint ventures and associate (investee companies) are accounted for under the equity method of accounting. 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 the unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

An investment is accounted for using the equity method from the day it becomes a joint venture or associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the investee companies, if there's any. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

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

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

#### Investment Properties

Initially, investment properties are measured at cost including certain transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. The fair value of investment properties is determined by independent real estate valuation experts based on the "market approach" for its land properties which are based on recent real estate transactions with similar characteristics and location to those of the Group's investment





properties and the “income approach” for its income generating buildings which are based on the buildings discounted future cash flows. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

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

For a transfer from investment property to inventories, the change in use is evidenced by commencement of development with a view to sale. When the Group decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. For a transfer from investment property carried at fair value to inventories, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation and amortization, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are put into operational use and is computed on a straight-line basis over the estimated useful lives (EUL) of the property and equipment as follows:

	Years
Office equipment	3 - 5
Computer equipment	3 - 5
Furniture and fixtures	3 - 5
Transportation equipment	5
Leasehold improvements	5 or lease term, whichever is shorter
Construction equipment	5

The useful lives and depreciation and amortization method are reviewed at financial year end to ensure that the period and method of depreciation and amortization are consistent with the expected



pattern of economic benefits from items of property and equipment. When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

#### Creditable Withholding Tax (CWT)

CWTs, which are included under “Prepayments and other current assets” account in the consolidated statement of financial position, are amounts withheld from income subject to expanded withholding taxes (EWT). 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.

#### Impairment of Nonfinancial Assets

The Group assesses as at reporting date whether there is an indication that its nonfinancial assets (e.g., property and equipment and investments in joint ventures and associate) 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 calculated as the higher of the 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 assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the expense categories of profit or loss consistent with the function of the impaired 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 accumulated 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 revaluation increase. After such a reversal, the depreciation 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.

#### Deposits for Preferred Shares Subscription

Deposits for preferred share subscription represent cash received by CALC that are convertible to a fixed number of CALC’s stocks in the future. CALC’s preferred shares are considered as compound financial instruments which contain both liability and equity components. Since the preferred shares are non-redeemable and entitles the holder to a pro-rata share of assets upon liquidation, including 28 free nights to stay at the hotel, this financial instrument is classified as an equity instrument. However, the preferred shares establish a contractual right to a dividend [i.e. the net room rental revenue (NRRR)], thus, it contains a financial liability with respect to the share in the NRRR.



Prior to full payment and availability of the rooms, the subsidiary accounts for the amounts received from the buyers of preferred shares as "Deposits for preferred shares subscription" classified as a liability under the "Other noncurrent liabilities" account, given that based on the terms of the contract, the preferred shares shall be entitled to any of the rights and benefits as stated above upon full payment of their shares and subject to the availability of the rooms.

Upon full payment and availability of the rooms and when the rights indicated above vest, the amounts received from the preferred shareholders is allocated between the equity and liability components.

#### Equity

##### *Capital stock and additional paid-in capital*

The Group records common stock at par value and additional paid-in capital in excess of the total contributions received over the aggregate par value of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

##### *Retained earnings*

Retained earnings represent accumulated earnings of the Group less dividends declared, if any.

##### *Treasury shares*

Treasury shares are own equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

##### *Real estate sales*

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably.





Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Customers' deposits" account in the "Liabilities" section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" account in the "Liabilities" section of the consolidated statement of financial position.

#### *Leasing revenue*

The Group leases its commercial real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

#### *Property management fee and other services*

Revenue from property management and other services is recognized when the related services are rendered. Property management fee and other services consist of revenue arising from management contracts, auction services and technical services.

#### *Interest income*

Interest income is recognized as it accrues, taking into account the effective yield on the asset.

#### *Income from forfeited collections*

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

#### *Other income*

Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

### Cost and Expense Recognition

#### *Cost of real estate sales*

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of residential house and lots and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's third party engineers.

#### *Cost of leasing*

Cost of leasing pertains to direct costs of leasing the Group's commercial properties. These costs are expensed as incurred.

#### *Cost of services*

Cost of services pertains to direct costs of property management fee and other services. These costs are expensed as incurred.



*Commission and other selling expenses*

Selling expenses such as commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. These are recorded as "Deferred selling expenses" under "Prepayments and other current assets" and "Other noncurrent assets" accounts. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized.

*General and administrative expenses*

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

Pension Cost

Pension cost is computed using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with an option to accelerate when significant changes to underlying assumptions occur.

Pension cost includes a) current service cost, interest cost, past service cost and b) gains and losses, and curtailment and non - routine settlement.

The liability recognized by the Group in respect of the funded defined benefit pension plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to other comprehensive income (OCI) in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Operating Leases

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

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

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).



Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis over the lease while the variable rent is recognized as an expense based on the terms of the lease contract.

### 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 rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

#### *Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefit of unused tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise 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 income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associate.

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

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

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

#### *Value-added Tax (VAT)*

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable and is included as part of the "Accounts and other payables" account in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset and is included as part of the "Prepayments and other current assets" account in the consolidated statement of financial position to the extent of the recoverable amount.





#### Foreign Currency Transactions

Transactions denominated in foreign currencies are initially recorded using the exchange rates prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are retranslated using the closing exchange rates at reporting date. Exchange gains or losses arising from foreign currency transactions are credited to or charged against current operations.

#### Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 32 to the consolidated financial statements.

#### Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period. Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share.

As of December 31, 2017 and 2016, the Group has no dilutive potential common shares.

#### Contingencies

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

#### Events After the Reporting Date

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

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### **3. Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



### Judgments

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.

#### *Operating lease commitments - Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. Based on an evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.

#### *Distinction between investment properties and land held for future development*

The Group determines a property as investment property if such is not intended for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Land held for future development comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

#### *Receivable financing*

The Group has entered into various receivable financing transactions with local banks to assign its installment contract receivables (ICR). The Group has determined that it has retained substantially all the risks and rewards of ownership of these receivables.

Thus, the Group still retains the assigned receivables in the receivables account and records the proceeds from these sales as long-term debt (see Note 17). The gross amount of ICR used as collateral amounted to ₱5,879.47 million and ₱7,119.76 million as of December 31, 2017 and 2016, respectively.

#### *Contingencies*

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

#### *Classification of deposit for preferred shares subscription*

The Group determined that CALC's preferred shares under the "Other noncurrent liabilities" account are compound financial instruments, which contain both liability and equity components.

However, prior to full payment and availability of the rooms, the Group has determined that amounts received from the buyers of preferred shares are classified as "Deposits for preferred shares subscription" under the "Other noncurrent liabilities" account since the shareholders' rights to the 28 free nights to stay at the hotel and contractual right to dividends will enure to the shareholder only upon full payment and availability of the rooms.



### Management's Use of Estimates and Assumptions

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

#### *Revenue and cost recognition*

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate recognized based on the percentage of completion is measured principally on the basis of the estimated completion of a physical proportion of the contract work. The rate of completion is validated by the responsible department to determine whether it approximates the actual completion rate. Changes in estimate may affect the reported amounts of revenue and cost of real estate sales and receivables. Revenue and cost of real estate sales amounted to ₱5,345.94 million and ₱2,806.48 million, respectively in 2017, ₱4,968.45 million and ₱2,901.25 million, respectively, in 2016, ₱7,751.32 million and ₱4,808.59 million, respectively, in 2015.

#### *Collectibility of the sales price*

In determining whether the sales price is collectible, the Group considers that the initial and continuing investments by the buyer of 5% would demonstrate the buyer's commitment to pay. The gross amount of ICR arising from these sales contracts amounted to ₱12,194.64 million and ₱14,404.33 million as of December 31, 2017 and 2016, respectively (see Note 5).

#### *Fair value of investment properties*

The Group carries its investment properties at fair value, with changes in fair value being recognized in profit or loss except for investment properties under construction. The Group determined that its investment properties under construction is to be measured at cost. During its construction phase, fair value of the investment properties is not reliably measurable. Once the construction is complete, the Group will be able to measure the property at fair value. The Group engages annually independent valuation specialists to determine the fair value. For the investment property, the appraisers used a valuation technique based on comparable market data and future cash flows available for such properties. Gain on changes in fair value of investment properties amounted to ₱286.03 million, ₱348.26 million and ₱755.60 million in 2017, 2016 and 2015, respectively. Carrying value of the investment properties amounted to ₱7,759.56 million and ₱5,936.46 million as of December 31, 2017 and 2016, respectively (see Note 12).

#### *Impairment losses on receivables and due from related parties*

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original EIR. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past-due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate.

Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.



As of December 31, 2017 and 2016, the allowance for impairment losses on receivables of the Group amounted to ₱10.99 million and ₱10.98 million, respectively (see Note 5).

The carrying values of these assets are as follows:

	2017	2016
Receivables (see Note 5)	₱9,983,508,788	₱11,307,639,159
Due from related parties (see Note 28)	491,245,948	533,078,320

*Estimating NRV of real estate inventories and land held for future development*

The Group reviews the NRV of real estate inventories and land held for future development and compares it with the cost since assets should not be carried in excess of amounts expected to be realized from sale. Real estate inventories and land held for future development are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories and land held for future development is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of these assets are as follows:

	2017	2016
Real estate inventories (see Note 6)	₱15,187,415,092	₱13,302,813,859
Land held for future development (see Note 7)	658,453,116	640,075,060

*Impairment of nonfinancial assets*

The Group assesses impairment on its nonfinancial assets (e.g. property and equipment and investment in joint ventures and associate) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Group's overall business; and
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell or value in use whichever is higher. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.



The carrying values of the nonfinancial assets follow:

	2017	2016
Advances to suppliers and contractors (see Note 8)	<b>₱1,963,978,130</b>	₱1,991,829,212
Prepayments and other current assets (see Note 9)*	<b>372,815,280</b>	613,925,153
Deposits for purchased land (see Note 10)	<b>1,369,569,806</b>	1,170,123,796
Investments in and advances to joint ventures and associate (see Note 11)	<b>235,153,705</b>	393,942,700
Property and equipment (see Note 13)	<b>1,068,560,030</b>	485,537,731
Other noncurrent assets (see Note 14)**	<b>1,161,058,356</b>	656,085,079
<i>*Excluding taxes, derivative assets and deposits</i>		
<i>**Excluding rental deposits</i>		

No impairment was recognized for the Group's nonfinancial assets as of December 31, 2017 and 2016.

#### *Recognition of deferred tax assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and level of future taxable income together with future planning strategies. The Group assessed its projected performance in determining the sufficiency of the future taxable income. The carrying values of these assets amounted to ₱242.70 million and ₱381.43 million as of December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Group has unrecognized deferred tax assets amounting to ₱32.85 million and ₱0.92 million, respectively (see Note 27).

#### *Estimating pension liabilities*

The determination of the Group's pension liabilities and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 29 to the consolidated financial statements and include among others, discount rates and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension liabilities. The Group's net pension liabilities amounted to ₱235.47 million and ₱237.04 million as of December 31, 2017 and 2016, respectively (see Note 29).

#### **4. Cash and Cash Equivalents**

This account consists of:

	2017	2016
Cash on hand and in banks	<b>₱1,298,625,891</b>	₱1,788,747,864
Cash equivalents	<b>101,732,959</b>	1,554,324,479
	<b>₱1,400,358,850</b>	₱3,343,072,343

Cash in banks earns interest at the prevailing bank deposit rates.

Cash equivalents are short-term, highly liquid investments that 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 rates ranging from 0.5% to 2.5% and 0.8% to 1.70% in 2017 and 2016, respectively.

Interest income on cash and cash equivalents amounted to ₱47.24 million, ₱42.64 million and ₱13.31 million in 2017, 2016 and 2015, respectively (see Note 23).





## 5. Receivables

This account consists of:

	2017	2016
Trade receivables		
ICR	₱8,783,698,741	₱10,817,045,873
Leasing receivables	91,446,413	55,341,384
Management fees	96,472,671	73,732,898
Receivable from employees and agents (see Note 28)	312,287,656	296,500,194
Advances to customers	41,382,274	31,902,045
Others	669,210,320	44,096,188
	9,994,498,075	11,318,618,582
Allowance for impairment losses	(10,989,287)	(10,979,423)
	9,983,508,788	11,307,639,159
Noncurrent portion of ICR	(2,442,243,070)	(4,666,084,194)
	₱7,541,265,718	₱6,641,554,965

ICR pertain to receivables from the sale of real estate properties. These are collectible in monthly installments over a period of one (1) to five (5) years, bear no interest and with lump sum collection upon project turnover. Titles to real estate properties are not transferred to the buyer until full payment has been made.

### *Unamortized discount*

As of December 31, 2017 and 2016, ICRs with a nominal amount of ₱12,194.64 million and ₱14,404.33 million were recorded at amortized cost of ₱8,783.70 million and ₱10,817.05 million, respectively. These receivables are noninterest-bearing and are due to be collected within one to five-year time. The fair value upon initial recognition is derived using the discounted cash flow model using discount rates ranging from 2.67% to 5.84% and 3.32% to 6.76%, in 2017 and 2016, respectively.

Movements in the unamortized discount on ICRs follow:

	2017	2016
At January 1	₱3,587,283,280	₱2,421,798,528
Additions	488,859,860	1,821,637,659
Accretion for the year (see Note 23)	(665,202,951)	(656,152,907)
At December 31	₱3,410,940,189	₱3,587,283,280

Leasing receivables pertain to receivables arising from leasing revenue. These receivables are billed to tenants and are expected to be collected within one (1) year.

Management fees are revenues arising from property management contracts. These are collectible on a 15- to 30-day basis depending on the terms of the management service agreement.

Receivable from employees and agents pertain to cash advances for retitling costs, taxes and other operational and corporate-related expenses. This also includes salary and other loans granted to the employees and are recoverable through salary deductions. These are noninterest-bearing and are due and demandable.

Advances to customers pertain to expenses paid by the Group in behalf of the customers for the taxes and other costs incurred in securing the title in the name of the customers. These receivables are billed separately to the respective buyers and are expected to be collected within one (1) year.



Other receivables include advances made to condominium corporations amounting to ₱526.22 million and ₱29.42 million in December 31, 2017 and 2016, respectively, which are due and demandable and bear no interest. This also pertains to the amount collectible from customers related to advance payments made by the Group for VAT on real estate sales which will be collected along with the monthly installments from customers over a period of one to five years.

Details of allowance for impairment losses in 2017 and 2016 follow:

	Management fee	Receivable from employees and agents	Total
At January 1, 2016 and December 31, 2016	₱3,091,974	₱7,887,449	₱10,979,423
Provision (Written-off)	9,864	—	9,864
<b>At December 31, 2017</b>	<b>₱3,101,838</b>	<b>₱7,887,449</b>	<b>₱10,989,287</b>

#### *Receivable financing*

In 2017 and 2016, the Group entered into various agreements with a local bank whereby the Group assigned its ICR at average interest rates of 5.50% to 7.50% and 5.75% to 8.50%, respectively. The agreements provide that the Group will substitute defaulted contracts to sell with other contracts to sell of equivalent value.

The Group still retains the assigned receivables in the receivables account and records the proceeds from these sales as long-term debt (see Note 17). The gross amount of ICRs used as collateral amounted to ₱5,879.47 million and ₱7,119.76 million as of December 31, 2017 and 2016, respectively.

## **6. Real Estate Inventories**

This account represents the real estate projects for which the Group has been granted license to sell by the Housing and Land Use Regulatory Board of the Philippines. Details of this account follow:

	2017	2016
Condominium units	₱14,524,417,277	₱12,801,900,361
Residential house and lots	662,997,815	500,913,498
	<b>₱15,187,415,092</b>	<b>₱13,302,813,859</b>

The rollforward of this account follows:

	2017	2016
At January 1	₱13,302,662,074	₱10,953,285,530
Construction costs incurred	3,987,330,002	4,475,194,837
Borrowing costs capitalized (see Notes 17 and 18)	842,934,738	834,114,176
Depreciation of construction equipment (see Note 13)	2,196,026	21,177,671
Transfers to investment properties (see Note 12)	(141,226,748)	(79,707,768)
Cost of real estate sales	(2,806,481,000)	(2,901,250,587)
<b>At December 31</b>	<b>₱15,187,415,092</b>	<b>₱13,302,813,859</b>

General and specific borrowings were used to finance the Group's ongoing real estate projects. The related borrowing costs were capitalized as part of real estate inventories. The capitalization rate used in 2017 and 2016 are 17% and nil, respectively, for general borrowing costs.

Real estate inventories recognized as "Cost of real estate sales" amounted to ₱2,806.48 million, ₱2,901.25 million and ₱4,808.59 million in 2017, 2016 and 2015, respectively.



Real estate inventories transferred to investment properties amounting to ₱141.23 million in 2017 and ₱79.71 million in 2016, pertain to the change in use from sale of spaces to leasing for the Knightsbridge, Gramercy and Centuria properties.

The carrying values of inventories mortgaged for trust receipts payables under CTS financing and bank loans amounted to ₱4,842.65 million and ₱5,316.92 million as of December 31, 2017 and 2016, respectively (see Note 17).

## 7. Land Held for Future Development

Land held for future development consists of parcels of land acquired by the Group for future real estate development.

This account consists of:

	2017	2016
Land held by CCC:		
Balance at beginning and end of year	₱388,333,944	₱388,333,944
Land held by CLC:		
Balance at beginning of year	251,741,116	43,000,000
Additions	–	208,741,116
Balance at end of year	251,741,116	251,741,116
Land held by TPI II and TPI III:		
Additions and balance at end of year	18,378,056	–
	₱658,453,116	₱640,075,060

### Land Held by CCC

This pertains to a property with an area of 200,000 sqm located in Novaliches, Quezon City which was acquired by the Group intended for development into a mixed development housing project.

### Land Held by CLC

On April 5, 2011, CLC acquired an industrial lot located in Mandaluyong City with an area of 14,271 sqm under the registered name of Noah's Ark Sugar Refinery for ₱43.00 million.

In 2016, CLC acquired a parcel of land situated in Batangas with an area of 359,677 sqm under the registered name of Citystate Nasugbu Development Corporation for ₱208.74 million.

### Land Held by TPI II and TPI III

In 2016, TPI II and TPI III purchased land amounting ₱9.07 million and ₱9.31 million, respectively, located along Governors Drive, Barangay Tanauan, Tanza, Cavite where the project will be situated. These were shown as part of "Deposit for purchased land" account in the 2016 consolidated statements of financial position due to the ongoing processing of the deed of absolute sale (DOAS) and other related documents. In 2017, these were reclassified to land held for future development after execution of the DOAS between the Group and the land owners.



## 8. Advances to Suppliers and Contractors

Advances to suppliers and contractors amounting to ₱1,963.98 million and ₱1,991.83 million as of December 31, 2017 and 2016, respectively, are recouped upon every progress billings. These advances are intended for the construction of the Group's projects (see Note 28).

## 9. Prepayments and Other Current Assets

	2017	2016
Deferred selling expenses	₱326,033,219	₱578,995,193
Creditable withholding taxes	336,448,206	398,374,657
Input taxes	284,693,547	226,945,710
Marginal deposits	15,016,031	28,337,697
Prepaid expenses	11,268,608	15,502,598
Derivative assets	—	35,614,007
Others	35,513,453	19,427,362
	<b>₱1,008,973,064</b>	<b>₱1,303,197,224</b>

Deferred selling expenses pertain to costs incurred in selling real estate projects. These capitalized costs are charged to expense as "Commission" in the "General, administrative and selling expenses" account in the period in which the construction begins and the related revenue is recognized. See Note 14 for noncurrent portion.

Creditable withholding taxes are attributable to taxes withheld by third parties arising from real estate sale, property management fees and leasing revenues.

Input taxes are fully realizable and will be applied against output VAT.

Marginal deposits represent cash hold-out for short-term loans which will be applied as payments of the related loans.

Prepaid expenses mostly pertain to prepayments of insurance premiums which will be applied throughout the remaining term of the related contracts.

Derivative assets pertain to cross currency and interest rate swaps with a notional amount of nil and \$24.10 million as of December 31, 2017 and 2016, respectively. The loss (gain) from changes in fair value of derivatives amounted to ₱35.61 million, ₱108.37 million and (₱118.46 million) in 2017, 2016 and 2015, respectively.

## 10. Deposits for Purchased Land

This account pertains to payments made to property owners for the acquisition of parcels of land in Quezon City, Metro Manila, Novaliches, Metro Manila and Mandaluyong, Metro Manila that are intended for future development. The Group normally makes deposits before a contract to sell (CTS) or DOAS is executed between the Group and the land owner. These are recognized at cost.

Deposits for purchased land amounted to ₱1,369.57 million and ₱1,170.12 million as of December 31, 2017 and 2016, respectively.



# 11. Investments in and Advances to Joint Ventures and Associate

The Group's investments in joint ventures and associate are shown below:

	2017	2016
<b>Joint ventures:</b>		
A2Global, Inc. (A2 Global)	₱3,055,000	₱3,055,000
One Pacstar Realty Corporation (One Pacstar)	184,399,960	184,399,960
Two Pacstar Realty Corporation (Two Pacstar)	39,698,845	39,698,845
<b>Associate:</b>		
Asian Breast Center (ABC)	7,999,900	6,955,900
<b>Advances:</b>		
A2 Global	—	159,832,995
	<b>₱235,153,705</b>	<b>₱393,942,700</b>

## *Investment in A2Global Inc.*

As of December 31, 2017, A2Global is still in its preoperating stage.

In 2013, the Parent Company entered into an agreement with Asian Carmakers Corp. and other individuals which aim to create an entity with the primary purpose to develop, own and manage properties of all kinds and nature and to develop them into economic and tourism zones, golf course, theme parks and all other forms of leisure estates.

On February 26, 2013, the Parent Company acquired 122,200 shares in A2Global with acquisition price of ₱3.06 million, for a 48.88% ownership. A2Global has six (6) directors, three (3) from the Parent Company and three from Asian Carmakers Corp.

In 2017, A2 Global settled all of its advances amounting to ₱159.83 million from the Group for the construction of the investment property (see Note 12).

A2 Global's principal place of business is 5th Floor, Pacific Star Building, Gil Puyat Avenue corner Makati Avenue, Makati City.

According to its by-laws, most of the major business decisions of A2Global shall require the majority decision of its BOD. Because the BOD is equally represented, the arrangement is considered a joint venture and is measured using the equity method. Total investments in and advances made by the Parent Company to A2Global for working capital and other expenses amounted to ₱3.06 million and ₱162.89 million as of December 31, 2017 and 2016, respectively.

## *Investments in One Pacstar Realty Corporation and Two Pacstar Realty Corporation*

On October 22, 2014, CLC entered into an agreement with La Costa Development Corporation, Inc. (La Costa) to take out the loan of La Costa with Union Bank of the Philippines in its name and for its sole account. For and in consideration of the loan take out, La Costa transferred, ceded, and conveyed 196,250 shares of One Pacstar and 42,250 shares of Two Pacstar.

Provisions in the agreement grant CLC to vote using the owned shares in the meetings of the stockholders of One Pacstar and Two Pacstar. The Group currently owns 50% of the total voting shares with the remaining 50% owned by La Costa for both One Pacstar and Two Pacstar. This is tantamount to the two companies having joint control over One Pacstar and Two Pacstar. The primary purpose of One Pacstar and Two Pacstar is to acquire, own, lease, and manage lands and all other kinds of real estate properties.





One Pacstar and Two Pacstar's principal place of business is 5th Floor, Pacific Star Building, High Rise Tower, Gil Puyat cor. Makati Avenue, Makati City.

Following are the significant financial information of the joint ventures as of December 31, 2017 and 2016 (in millions):

	2017	2016
Total assets	<b>₱156</b>	<b>₱162</b>
Total current financial liabilities	<b>174</b>	<b>177</b>
Total revenue	<b>₱13</b>	<b>₱13</b>
Total expenses	<b>15</b>	<b>12</b>

The difference between the carrying values of the investments in the joint ventures and the share in the net assets mainly pertains to fair value adjustments on certain assets of these joint ventures amounting to ₱140.31 million as of December 31, 2017 and 2016.

#### *Investment in Asian Breast Center*

On January 7, 2016, the Group acquired 79,999 shares in Asian Breast Center, Inc. (ABC) with an acquisition price of ₱8.00 million, for a 20.78% ownership. ABC has five (5) directors, one from the Group and four from ABC. Because the Group only has significant influence, this arrangement is considered as an investment in associate and is measured using the equity method.

The primary purpose of ABC is to provide comprehensive ambulatory care for women afflicted with any form of breast disease, including prevention, early detection, early diagnosis, and treatment.

ABC's principal place of business is 8th Floor, Centuria Medical Makati, Kalayaan Avenue, Makati City.

Total investments in ABC amounted to ₱8.00 million and ₱6.96 million as of December 31, 2017 and 2016, respectively.

The Group has not incurred any contingent liabilities as at December 31, 2017 and 2016 in relation to its interest in the joint ventures and associate, nor do the joint ventures and associate themselves have any contingent liabilities for which the Group is contingently liable.

The Group has not entered into any capital commitments in relation to its interest in the joint ventures and associate and did not receive any dividends from the joint ventures and associate.

## 12. Investment Properties

The Group's investment properties are classified as follows:

	2017	2016
Land	<b>₱3,004,305,237</b>	<b>₱2,720,738,165</b>
Buildings	<b>2,759,187,790</b>	<b>2,740,067,382</b>
Construction-in-progress	<b>1,996,067,431</b>	<b>475,657,500</b>
	<b>₱7,759,560,458</b>	<b>₱5,936,463,047</b>

Construction-in-progress pertains to properties being constructed that are intended to be leased out.



Movements in this account follow:

	2017	2016
Cost:		
Balance at beginning of year	₱3,408,080,574	₱3,079,996,776
Additions/construction costs incurred	1,395,842,403	248,376,030
Transfers from real estate inventories (see Note 6)	141,226,748	79,707,768
Balance at end of year	4,945,149,725	3,408,080,574
Change in fair value:		
Balance at beginning of year	2,528,382,473	2,180,122,463
Gain from change in fair value of investment properties	286,028,260	348,260,010
Balance at end of year	2,814,410,733	2,528,382,473
	₱7,759,560,458	₱5,936,463,047

Land with an original cost of ₱170.83 million represents the portions of the International School of Manila, Inc. (ISMI) property that is intended to be developed for commercial and retail purposes and to be subsequently leased out to third parties.

In 2017, A2 Global settled all of its advances amounting to ₱159.83 million from the Group for the construction of the investment property (see Note 11).

Investment properties are stated at fair value, which has been determined based on valuations performed by Cuervo Appraisers, Inc., an accredited independent valuer, as of December 31, 2017 and 2016. Cuervo Appraisers, Inc. is an industry specialist in valuing these types of investment properties.

The fair value of the investment properties was estimated by using the Sales Comparison Approach (SCA) and the Income Capitalization Approach (ICA). SCA is an approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. ICA is a method in which the appraiser derives an indicated of value for income producing property by converting anticipated future benefits into current property value. For the Company's leasing properties, the Company adopted the Discounted Cash Flow Analysis which considers the future cash flows from lease contracts.

The fair value of the investment properties classified as buildings and land in the consolidated financial statements is categorized within level 3 of the fair value hierarchy.



The key assumptions used to determine the fair value of the investment properties and sensitivity analyses are as follows:

Property	Valuation technique	Significant unobservable inputs	Range	
			2017	2016
Buildings	DCF	Discount rates for similar lease contracts, market rent levels, expected vacancy and expected maintenance.	Discount rates - 8% to 10 % Market rent levels - ₱400 to ₱1,500/sqm per month Expected vacancy - 5% to 15%; Expected maintenance - 12% to 64%% of gross revenue	Discount rates - 8% Market rent levels - ₱644/sqm per month Expected vacancy - 5%; Expected maintenance - 50% of gross revenue
Land	SCA	Selling price for the land adjusted for external factors and internal factors  External factors pertain to negative externalities outside the property limits that influence the value namely: social, economic, environmental and governmental.  Internal factors include adjustments due to location, use, size and time elements	External factors: -10% to -15%  Internal factors: -3% to -12%	External factors: -10% to -10%  Internal factors: -1% to 14%

For DCF, the higher the market rent levels, the higher the fair value. Also, the lower the expected vacancy, maintenance and discount rate the higher the fair value.

For SCA, the higher the price per sqm, the higher the fair value. Also, the higher the external and internal factors adjustments, the higher the fair value.

In 2017, 2016 and 2015, the Group recognized leasing revenue from the use of the said real properties amounting to ₱341.66 million, ₱337.85 million and ₱311.67 million, respectively, and incurred direct cost of leasing amounting to ₱237.81 million, ₱266.77 million and ₱153.49 million, respectively, in relation to these investment properties.



### 13. Property and Equipment

The composition and movements of this account are as follows:

2017								
	Office Equipment	Computer Equipment	Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Construction Equipment	Construction - in -Progress	Total
<b>Cost</b>								
At January 1	₱15,062,809	₱28,573,370	₱28,445,862	₱70,045,011	₱51,938,737	₱251,492,426	₱428,273,394	₱873,831,609
Additions	16,130,015	7,683,756	3,670,273	12,896,944	8,099,994	–	565,777,739	614,258,721
Disposals	(3,121)	–	–	(2,164,448)	–	–	–	(2,167,569)
At December 31	31,189,703	36,257,126	32,116,135	80,777,507	60,038,731	251,492,426	994,051,133	1,485,922,761
<b>Accumulated Depreciation and Amortization</b>								
At January 1	10,208,157	14,960,744	21,599,119	51,983,892	40,252,912	249,289,054	–	388,293,878
Depreciation and amortization	7,556,704	2,694,681	3,798,189	8,128,363	6,698,756	2,196,026	–	31,072,719
Disposals	(1,197)	–	–	(2,002,669)	–	–	–	(2,003,866)
At December 31	17,763,664	17,655,425	25,397,308	58,109,586	46,951,668	251,485,080	–	417,362,731
<b>Net Book Values at December 31</b>	<b>₱13,426,039</b>	<b>₱18,601,701</b>	<b>₱6,718,827</b>	<b>₱22,667,921</b>	<b>₱13,087,063</b>	<b>₱7,346</b>	<b>₱994,051,133</b>	<b>₱1,068,560,030</b>

2016								
	Office Equipment	Computer Equipment	Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Construction Equipment	Construction - in -Progress	Total
<b>Cost</b>								
At January 1	₱12,263,523	₱25,768,158	₱22,726,239	₱68,948,378	₱46,711,934	₱251,492,426	₱279,373,799	₱707,284,457
Additions	2,801,208	3,031,529	6,443,113	3,813,633	5,226,803	–	148,899,595	170,215,881
Disposals	(1,922)	(226,317)	(723,490)	(2,717,000)	–	–	–	(3,668,729)
At December 31	15,062,809	28,573,370	28,445,862	70,045,011	51,938,737	251,492,426	428,273,394	873,831,609
<b>Accumulated Depreciation and Amortization</b>								
At January 1	9,118,022	12,971,585	14,882,796	45,529,748	33,651,595	228,111,383	–	344,265,129
Depreciation and amortization	1,092,057	2,181,160	7,121,356	7,543,696	6,601,317	21,177,671	–	45,717,257
Disposals	(1,922)	(192,001)	(405,033)	(1,089,552)	–	–	–	(1,688,508)
At December 31	10,208,157	14,960,744	21,599,119	51,983,892	40,252,912	249,289,054	–	388,293,878
<b>Net Book Values at December 31</b>	<b>₱4,854,652</b>	<b>₱13,612,626</b>	<b>₱6,846,743</b>	<b>₱18,061,119</b>	<b>₱11,685,825</b>	<b>₱2,203,372</b>	<b>₱428,273,394</b>	<b>₱485,537,731</b>



Construction-in-progress pertains to the construction costs incurred by the Group for the construction of the Novotel Suites Manila at Acqua 6 Tower of the Acqua Private Residences.

Borrowing cost capitalized in 2017 and 2016 related to the construction in progress amounted to ₱82.64 million and nil, respectively (see Note 17).

The depreciation and amortization from property and equipment are recognized as:

	2017	2016
Real estate inventories (see Note 6)	₱2,196,026	₱21,177,671
General, administrative and selling expenses (see Note 25)	28,876,693	24,539,586
	<b>₱31,072,719</b>	<b>₱45,717,257</b>

The Group still uses fully depreciated property and equipment with a cost of ₱310.68 million and ₱159.78 million as of December 31, 2017 and 2016, respectively.

#### 14. Other Noncurrent Assets

This account consists of:

	2017	2016
Deferred selling expenses (see Note 9)	₱563,795,933	₱401,618,738
Advances to land owners	350,000,000	100,000,000
Rental deposits (see Note 30)	163,826,522	84,304,680
Deferred financing costs	140,385,019	53,655,642
Land	45,559,836	45,559,836
Intangible assets	40,516,404	41,002,132
Others	20,801,164	14,248,731
	<b>₱1,324,884,878</b>	<b>₱740,389,759</b>

Advances to Land Owners represents deposits made to land owners for the purchase of certain parcels of land that are intended for future development for which CTS or DOAS are still currently in process.

Rental deposits mostly pertain to security deposits held and applied in relation to the Group's lease contracts for its administrative and sales offices. The deposits are noninterest-bearing and are recoverable through application of rentals at the end of the lease term (see Note 30).

Deferred financing costs pertain to transaction costs incurred in obtaining certain loan facility. These deferred financing costs will be amortized upon avilment of or drawdown from the loan facility (see Note 17).

Land pertains to a 2,000 square-meter lot that is intended to be donated in favor of the City Government of Makati. As of December 31, 2017, the fair value of the land is higher than its carrying value.





Intangible assets include software costs and trademarks. Software cost includes application software and intellectual property licenses owned by the Group. Trademarks are licenses acquired separately by the Group. These licenses arising from the Group's marketing activities have been granted for a minimum of 10 years by the relevant government agency with the option to renew at the end of the period at little or no cost to the Group. Previous licenses acquired have been renewed and enabled the Group to determine that these assets have an indefinite useful life. As of December 31, 2017 and 2016, no impairment has been recognized on these assets. The related amortization is charged to expense as "Depreciation and amortization" in the "General, administrative and selling expenses" account amounting to ₱4.37 million, ₱4.09 million, ₱3.51 million in 2017, 2016 and 2015, respectively (see Note 25).

Others include miscellaneous deposits which pertain primarily to utility deposits related to the construction activities of the Group and AFS investments in quoted shares of stock. As of December 31, 2017 and 2016, AFS investments amounted to ₱7.41 million and ₱7.78 million and unrealized loss on AFS recognized in other components of equity amounted to ₱5.26 million and ₱4.89 million, respectively.

## 15. Accounts and Other Payables

This account consists of:

	2017	2016
Accounts payable	₱2,284,425,291	₱2,205,082,570
Customers' advances	735,361,772	1,303,576,798
Retentions payable	288,296,862	197,735,409
Accrued expenses	265,835,328	189,793,479
Taxes payable	223,379,478	51,067,721
Others	34,834,112	63,434,232
	<b>₱3,832,132,843</b>	<b>₱4,010,690,209</b>

Accounts payable are attributable to the construction costs incurred by the Group. These are noninterest-bearing and with terms of 15 to 90 days.

In 2016, long-outstanding trade payables amounting to ₱220.18 million were reversed since management assessed that it is unlikely that such amounts will still be payable in the future (see Note 23).

Customer's advances pertain to funding from buyers of real estate for future application against transfer and registration fees and other taxes to be incurred upon transfer of properties to the buyer.

Retentions payable are noninterest-bearing and are normally settled on a 30-day term upon completion of the relevant contracts.

Accrued expenses consist mainly of utilities, marketing costs, professional fees, communication, transportation and travel, security, insurance, and representation.

Taxes payable represent output VAT and withholding taxes payable to the government as of December 31, 2017 and 2016.



## 16. Customers' Deposits

Customers' deposits represent collections from buyers which have not reached the minimum required percentage of collections and receipt from buyers in excess of real estate sales based on the POC method.

As of December 31, 2017 and 2016, customers' deposits amounted to ₱2,758.60 million and ₱2,360.36 million, respectively.

## 17. Short-term and Long-term Debt

### Short-term Debt

Short-term debt consists of:

	2017	2016
Trust receipts	₱656,894,637	₱500,953,699
Bank loans	5,000,000	5,000,000
	<b>₱661,894,637</b>	<b>₱505,953,699</b>

The roll-forward of the Group's short-term debt is as follows:

	2017	2016
Balance at January 1	₱505,953,699	₱961,608,054
Availments	945,508,293	1,150,631,203
Principal repayments	(789,567,355)	(1,606,285,558)
	<b>₱661,894,637</b>	<b>₱505,953,699</b>

Trust receipts (TRs) are facilities obtained from various banks to finance purchases of construction materials for CCDC, CLC and MDC's projects. Under these facilities, the banks pay the Group's suppliers then require the Group to execute trust receipts over the goods purchased. The TRs have a weighted average interest rate 6.30% per annum in 2017, higher compared to 6.02% per annum in 2016. These are paid monthly or quarterly in arrears with full payment of principal balance at maturity of one year and with an option to prepay.

Bank loans pertain to a short-term promissory note (PN) which was obtained from a local bank for CPMI's additional working capital requirements. This was renewed by CPMI in 2017 with the same terms and interest rate. The PN has a term of one (1) year with a fixed interest rate of 6.50% per annum and principal repayment is due at maturity date.

### Long-term Debt

Long-term debt consists of:

	2017	2016
CTS financing	₱7,541,936,091	₱5,970,952,681
Bank loans	6,365,689,269	6,487,463,671
Car loan financing	29,220,065	32,792,969
	<b>13,936,845,425</b>	<b>12,491,209,321</b>
Less current portion	3,853,349,179	2,009,682,622
	<b>₱10,083,496,246</b>	<b>₱10,481,526,699</b>



The roll-forward of the Group's long-term debt is as follows:

	2017			
	CTS Financing	Bank Loans	Car Loan Financing	Total
<b>Principal:</b>				
Balances at beginning of year	₱5,970,952,681	₱6,603,612,077	₱32,792,969	₱12,607,357,727
Addition	3,943,559,324	1,784,671,710	18,401,066	5,746,632,100
Payments	(2,372,575,914)	(1,999,014,570)	(21,973,970)	(4,393,564,454)
Unrealized foreign exchange loss	-	53,850,000	-	53,850,000
Balances at end of year	7,541,936,091	6,443,119,217	29,220,065	14,014,275,373
<b>Deferred financing costs:</b>				
Balances at beginning of year	-	116,148,406	-	116,148,406
Addition	-	10,012,313	-	10,012,313
Amortization	-	(48,730,771)	-	(48,730,771)
Balances at end of year	-	77,429,948	-	77,429,948
<b>Carrying values</b>	<b>₱7,541,936,091</b>	<b>₱6,365,689,269</b>	<b>₱29,220,065</b>	<b>₱13,936,845,425</b>

	2016			
	CTS Financing	Bank Loans	Car Loan Financing	Total
<b>Principal:</b>				
Balances at beginning of year	₱5,375,041,996	₱4,947,001,768	₱49,371,439	₱10,371,415,203
Addition	4,312,695,199	4,616,598,476	3,555,490	8,932,849,165
Payments	(3,716,784,514)	(2,959,988,167)	(20,133,960)	(6,696,906,641)
Balances at end of year	5,970,952,681	6,603,612,077	32,792,969	12,607,357,727
<b>Deferred financing costs:</b>				
Balances at beginning of year	-	84,480,581	-	84,480,581
Addition	-	83,836,124	-	83,836,124
Amortization	-	(52,168,299)	-	(52,168,299)
Balances at end of year	-	116,148,406	-	116,148,406
<b>Carrying values</b>	<b>₱5,970,952,681</b>	<b>₱6,487,463,671</b>	<b>₱32,792,969</b>	<b>₱12,491,209,321</b>

#### CTS financing

Contract-To-Sell (CTS) financing pertains to loan facilities which were used in the construction of the Group's real estate development projects. The related PNs have terms ranging from twelve (12) to forty-eight (48) months and are secured by the buyer's post-dated checks, the corresponding CTS, and parcels of land held by the Parent Company. The Group retained the assigned receivables in the "Trade receivables" account and recorded the proceeds from these assignments as "Long-term debt". The gross amount of ICR used as collateral amounted to ₱5,879.47 million and ₱7,119.76 million as of December 31, 2017 and 2016, respectively (see Note 5).

These CTS loans approved in 2015 bear fixed interest rates ranging from 5.50% to 7.50% and 5.75% to 8.50% in 2017 and 2016, respectively.

#### Bank loans

Bank loans pertain to long-term debt from various banks used to finance the construction and development of the Group's projects. The Group's subsidiary obtained a ₱4,000.00 million Term Loan Facility with BDO in August 2016. This was mainly used to finance working capital requirements and to settle the existing loans with BDO. The four-year term facility bears interest of 6.125% and 6.25% in 2017 and 2016, respectively.



In December 2016, another subsidiary of the Group signed an Omnibus Agreement with China Bank Savings, Inc. for a three-year Notes Facility amounting to ₱2,000 million. Of the total facility amount, ₱1,500 million was drawn in December 2016. The proceeds of this Notes Facility which carries an interest of 5.75% was used to prepay other loans with interest rates as high as 8.00%

#### *Car loan financing*

Car loan financing pertains to the leasing facility of the Group for the purpose of renting vehicles to be used in the conduct of business. Under this facility, the lease guarantees the Group (the lessee or renter) the use of vehicles and in return, the bank (the property owner) is guaranteed regular payments for a specific period.

The car lease approved in 2016 had interest of 7.00% to 7.50% while those approved in 2017 were at 7.00% to 9.12%.

#### Security and Debt Covenants

Certain bilateral, trust receipts, payables under CTS financing and bank loans have mortgaged real estate inventories and assigned ICRs wherein such assets can no longer be allowed to be separately used as collateral for another credit facility, grant loans to directors, officers and partners, and act as guarantor or surety in favor of banks. As of December 31, 2017 and 2016, the carrying values of these assets mortgaged for trust receipts, payables under CTS financing and bank loans amounted to ₱10,722.12 million and ₱12,436.68 million, respectively (see Notes 5 and 6).

Certain bilateral loans have the covenants including maintenance of a debt-to-equity ratio of not more than 2.33x and 3.00x, and a debt service coverage ratio of at least 1.5x. The bank loans have a covenant, specific to the projects it is financing, of having loan to security value of no more than 50.00% and loan to gross development value of no more than 20.00%. Security value includes, among other things, valuation appraisal by independent appraisers and takes into account the sold and unsold sales and market value of the properties. The loan agreements require submission of the valuation of each mortgage properties on an annual basis or upon request of the facility agent.

The bank loans contain negative covenant that the Group's payment of dividend is subject to certain financial ratios.

As of December 31, 2017, the Group has complied with the provisions of the loan covenants.

#### Amendments to PAS 7, Statement of Cash Flow, Disclosure Initiative

The Group has provided the required additional disclosure as required by the amendment to PAS 7 (see Note 2). As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2017.

#### Borrowing Costs

Borrowing cost capitalized in 2017 and 2016 amounted to ₱766.78 million and ₱660.98 million, respectively (see Notes 6 and 13).

#### Interest Expense and Other Financing Charges

Interest and other financing charges for the short-term and long-term debts amounted to ₱393.94 million and ₱178.80 million in 2017 and 2016, respectively (see Note 26).



## 18. Bonds Payable

Bonds payable consist of the following:

	2017	2016
Three-year bond	₱-	₱1,187,360,000
Five-and-half year bond	1,393,530,000	1,393,530,000
Seven-year bond	119,110,000	119,110,000
	<b>1,512,640,000</b>	<b>2,700,000,000</b>
Less unamortized deferred financing costs	11,673,090	21,212,527
	<b>₱1,500,966,910</b>	<b>₱2,678,787,473</b>

The bonds are listed at the Philippine Dealing & Exchange Corp. (PDEX) on September 2, 2014, have interest rates of 6% p.a. for the three-year bonds, 6.6878% p.a. for the five-and-a-half year bonds, and 6.9758 % p.a. for the seven-year bonds. The CPGI bonds have been rated “AA+” with a Stable outlook by the Credit Rating and Investor Services Philippines Inc. (CRISP).

### Borrowing Costs

Borrowing cost capitalized amounted to ₱158.79 million and ₱173.13 million in 2017 and 2016, respectively (see Note 6).

### Interest Expense

Interest and other financing charges from bonds payable in 2017, 2016 and 2015 amounted to ₱9.54 million, ₱11.29 million and ₱10.17 million, respectively (see Note 26).

## 19. Liability from Purchased Land

This account pertains to the outstanding payable of the Group for the cost of land purchases recognized under “Real estate inventories” and “Land held for future development” as follows:

	2017	2016
Current	₱67,200,000	₱67,200,000
Noncurrent	381,041,742	453,844,063

## 20. Equity

### *Capital stock*

The details of the Parent Company’s common shares follow:

	2017	2016
Par value per share	₱0.53	₱0.53
Authorized shares	18,000,000,000	18,000,000,000
Issued shares	11,699,723,690	11,699,723,690
Issued and outstanding	11,599,600,690	11,599,600,690

### *Placement and Subscription Agreement between the Parent Company and CPI*

On March 5, 2013, the Parent Company entered into a Subscription and Placement Agreement with CPI, Standard Chartered Securities (Singapore) Pte. Limited (Standard Chartered) and Macquarie Capital (Singapore) Pte. Limited (Macquarie) wherein CPI has appointed Standard Chartered and Macquarie to offer 800,000,000 existing common shares (the Offer Shares) of the Parent Company at





₱2.05 per share (the Offer Price) outside the United States in reliance on Regulation S under the U.S. Securities Act. On the same day, the Parent Company and CPI entered into a Subscription Agreement wherein CPI has agreed to subscribe for the new common shares to be issued by the Parent Company in an amount equal to the number of the Offer Shares sold by CPI at a price equal to the Offer Price.

#### *Treasury shares*

On January 7, 2013, the BOD of the Parent Company approved a share buyback program for those shareholders who opt to divest of their shareholdings in the Parent Company. A total of ₱800.00 million worth of shares were up for buyback for a time period of up to 24 months. In 2014, a total of 85.68 million shares were reacquired at a total cost of ₱87.15 million.

As of December 31, 2017 and 2016, treasury shares amounted to ₱109.67 million consisting of 100,123,000 shares.

#### *Retained earnings*

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries amounting to ₱6,601.45 million and ₱4,430.73 million as of December 31, 2017 and 2016, respectively. These amounts are not available for dividend declaration until these are declared by the subsidiaries.

#### *Cash dividend declaration*

On May 22, 2017, the BOD of the Parent Company approved the declaration of ₱0.02 per share cash dividends amounting to ₱205.07 million for distribution to the stockholders of the Parent Company of record as of June 2, 2017 which was paid on June 19, 2017.

On June 22, 2016, the BOD of the Parent Company approved the declaration of ₱0.02 per share cash dividends amounting to ₱205.02 million for distribution to the stockholders of the Parent Company of record as of July 12, 2016 which was paid on July 20, 2016.

On June 15, 2015, the BOD of the Parent Company approved the declaration of ₱0.02 per share cash dividends amounting to ₱201.16 million for distribution to the stockholders of the Parent Company of record as of July 3, 2015 and was paid on July 16, 2015.

#### *Application to list additional 730.32 million common shares*

On November 11, 2014, the Philippine Stock Exchange, Inc. approved the application of the Parent Company to list additional 730.32 million common shares, with a par value of ₱0.53 per share, to cover the Group's 20.62% stock dividend declaration to stockholders of record as of October 27, 2014 which was paid on November 14, 2014.

#### *Other components of equity*

Other components of equity mainly pertains to equity reserve recognized between the consideration paid by MC and the carrying value of the net assets of TPI I, TPI II, TPI III and CCDC II given up amounting to ₱111.38 million and ₱70.73 million in 2017 and 2016, respectively.

#### *Non-controlling interest and equity reserve*

On September 22, 2017, the SEC approved the application of TPI I to increase its authorized capital stock from ₱40.00 million, divided into 0.40 million common shares with a par value of ₱100, to ₱363.90 million, divided into 1.09 million common shares with a par value of ₱100 and 2.55 million redeemable preferred shares with a par value of 100. Subsequently, MC subscribed to 0.41 million common shares and 0.18 million redeemable preferred shares of TPI I, 0.14 million common shares of TPI II and 0.12 million common shares of TPI III at a total subscription price of ₱162.32 million for a 40% proportionate interest in TPI I, TPI II and TPI III.



The redeemable preference shares shall have the following rights, privileges and limitations:

- a. shall have the right to receive payment in full of their par value and in preference to payment of any amount to the common shares if the Company is under liquidation;
- b. may be redeemed at the option of the Company; and
- c. shall have no voting rights except on matters upon which non-voting shares are entitled to vote.

As of December 31, 2017, the subscription price has been fully paid. This resulted in the dilution of the Group's ownership and the recognition of non-controlling interest amounting to ₱121.67 million. The difference between the consideration paid by MC and the net assets of TPI I, TPI II and TPI III given up amounting to ₱40.65 million was accounted for as equity reserve included under "Other components of equity" in the consolidated statements of changes in equity.

On June 17, 2016, the SEC approved the application of CCDC II to increase its authorized capital stock from 2.00 million shares to 1,279.88 million shares. Subsequently on August 12, 2016, MC subscribed to 511.56 million shares of CCDC II at a subscription price of ₱905.46 million for a 40% proportionate interest in CCDC II of which ₱190.52 million has been paid. This resulted in the dilution of the Group's ownership in CCDC II and the recognition of non-controlling interest amounting to ₱119.79 million. The difference between the consideration paid by MC and the net assets of CCDC II given up amounting to ₱70.73 million is accounted for as equity reserve included under "Other components of equity" in the consolidated statements of changes in equity. In 2017, MC paid an additional ₱276.08 million which resulted in an increase in the non-controlling interest.

The Group's non-controlling interest recognized is the proportionate interest of MC to CCDC II, TPI I, TPI II and TPI III, net of any unpaid subscription at the subscription date.

#### *Capital management*

The primary objective of the Group's capital management is to ensure that it maintains a strong and healthy consolidated statement of financial position to support its current business operations and drive its expansion and growth in the future.

The Group undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis.

As of December 31, 2017 and 2016, the Group had the following ratios:

	2017	2016
Debt to equity	93.23%	84.68%
Net debt to equity	84.24%	62.85%



Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and AFS financial assets. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Parent Company excluding other components of equity, and remeasurement loss on defined benefit plan, amounting to a total of ₱16,659.20 million and ₱15,228.65 million as of December 31, 2017 and 2016, respectively.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2017 and 2016. The Group has complied with the above covenants as of December 31, 2017 and 2016.

## 21. Earnings Per Share

Basic/diluted earnings per share amounts attributable to equity holders of the Parent Company for 2017, 2016 and 2015 follow:

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	₱630,312,075	₱726,931,997	₱1,519,006,176
Weighted average number of shares	11,599,600,690	11,599,600,690	11,599,600,690
Basic/diluted earnings per share	₱0.054	₱0.063	₱0.131

Earnings per share are calculated using the consolidated net income attributable to the equity holders of Parent Company divided by the weighted average number of shares.

## 22. Property Management Fee and Other Services

This account consists of:

	2017	2016	2015
Property management fee	₱352,689,447	₱301,967,380	₱297,307,587
Technical services	282,511	129,520	137,893
	₱352,971,958	₱302,096,900	₱297,445,480

Property management fee pertains mostly to facilities management and consultancy fees of condominium corporations, corporate facilities and prior projects of the Group, which have been turned over to the respective buyers.

Technical services pertain to various services such as plan evaluation, consultation and project management.



## 23. Interest and Other Income

This account consists of:

	2017	2016	2015
Interest income:			
Accretion of unamortized discount (see Note 5)	<b>P665,202,951</b>	P656,152,907	P801,750,294
Cash and cash equivalents (see Note 4)	<b>47,240,579</b>	42,635,726	13,309,323
Income from forfeited collections	<b>519,409,631</b>	312,488,209	176,463,096
Foreign exchange gains	<b>16,545,181</b>	114,431,918	84,645,916
Other income	<b>217,882,122</b>	297,851,067	70,596,192
	<b>P1,466,280,464</b>	P1,423,559,827	P1,146,764,821

Income from forfeited collections pertains to forfeited collections from reservation fees whose allowable period of completion has prescribed and terminated sales contracts.

Other income mainly consists of the penalties and other surcharges billed against defaulted installments from sales contracts. Real estate buyers are normally charged a penalty of 3.00% of the monthly installment for every month in arrears from the time the specific installment becomes due and payable. In 2016, other income includes the long-outstanding trade payables amounting to ₱220.18 million which were reversed since management assessed that it is unlikely that such amounts will still be payable in the future (see Note 15).

## 24. Personnel Cost

This account consists of salaries, wages and employee benefits as follows:

	2017	2016	2015
General, administrative and selling expenses (see Note 25)	<b>P583,582,166</b>	P494,272,709	P570,196,139
Cost of services	<b>270,726,596</b>	237,706,828	216,513,767
	<b>P854,308,762</b>	P731,979,537	P786,709,906

The breakdown of salaries, wages and employee benefits as follows:

	2017	2016	2015
Salaries and wages	<b>P602,914,358</b>	P518,474,791	P569,893,472
Retirement expense (see Note 29)	<b>37,751,907</b>	38,110,644	34,523,333
Other employee benefits	<b>213,642,497</b>	175,394,102	182,293,101
	<b>P854,308,762</b>	P731,979,537	P786,709,906



## 25. General, Administrative and Selling Expenses

This account consists of:

	2017	2016	2015
Marketing and promotions	₱1,418,266,804	₱1,164,620,661	₱938,813,253
Salaries, wages and employee benefits (see Notes 24, 28 and 29)	583,582,166	494,272,709	570,196,139
Commission (see Notes 9 and 14)	300,250,118	407,911,993	504,007,220
Professional fees	169,035,347	113,198,430	110,607,722
Taxes and licenses	104,602,623	160,919,906	196,122,280
Entertainment, amusement and recreation	69,158,880	66,296,287	50,043,392
Depreciation and amortization (see Notes 13 and 14)	33,242,675	28,632,248	27,844,830
Rent (see Note 30)	32,026,544	31,716,378	56,031,453
Outside services	27,244,096	26,420,771	18,627,753
Utilities	22,156,056	7,111,422	38,773,162
Communication	17,792,877	19,830,889	20,692,204
Transportation and travel	13,906,269	13,854,393	20,046,342
Supplies	6,877,223	9,242,059	14,479,123
Miscellaneous	165,920,978	75,796,684	165,524,999
	₱2,964,062,656	₱2,619,824,830	₱2,731,809,872

Miscellaneous expenses pertain mostly to repairs and maintenance and insurance.

## 26. Interest and Other Financing Charges

Details of this account follow:

	2017	2016	2015
Interest expense (see Notes 17 and 18)	₱287,329,113	₱102,490,010	₱71,992,593
Other financing charges (see Notes 17 and 18)	116,151,152	87,604,767	153,755,309
	₱403,480,265	₱190,094,777	₱225,747,902

Other financing charges mostly include charges from interbank transfers other banking service fees and amortization of deferred transaction costs.

## 27. Income Tax

The provision for income tax consists of:

	2017	2016	2015
Current			
RCIT/MCIT	₱425,597,804	₱381,317,728	₱292,265,835
Final	2,211,171	8,527,145	2,661,865
	427,808,975	389,844,873	294,927,700
Deferred	(56,884,529)	(137,790,651)	316,334,669
	₱370,924,446	₱252,054,222	₱611,262,369



*Current tax*

Provision for current tax pertains to final tax and RCIT/MCIT.

Income tax includes RCIT paid at the rate of 30%, MCIT paid at the rate of 2% and final taxes paid at the rate of 20% and 10%, which is a final withholding tax on gross interest income from debt instruments and other deposit substitutes.

Interest allowed as a deductible expense is reduced by an amount equivalent to 33% of interest income subjected to final tax starting January 1, 2009.

The components of the Group's deferred tax assets and deferred tax liabilities are as follows:

	2017	2016
Recognized in the consolidated statements of comprehensive income:		
Deferred tax assets on:		
NOLCO	P130,522,380	P218,133,668
Accrued retirement costs	55,820,139	45,019,122
MCIT	22,087,986	65,668,376
Unrealized foreign exchange loss	16,155,000	23,219,534
Provisions for impairment losses	3,296,786	3,293,827
	<u>227,882,291</u>	<u>355,334,527</u>
Deferred tax liabilities on:		
Effect of difference in accounting and tax base on real estate sales	(1,369,444,800)	(1,642,194,311)
Fair value gains on investment properties	(844,323,220)	(758,514,742)
Deferred selling expense	(266,948,746)	(294,184,179)
Unamortized deferred financing costs	(50,768,819)	(41,208,280)
Effect of difference in accounting and tax base on investment properties	(53,974,064)	(26,490,737)
Valuation gain on derivative assets	-	(10,684,202)
Others	(4,611,944)	(1,131,907)
	<u>(2,590,071,593)</u>	<u>(2,774,408,358)</u>
	<u>(2,362,189,302)</u>	<u>(2,419,073,831)</u>
Recognized directly in equity:		
Deferred tax asset on re-measurement loss on retirement obligation	14,819,994	26,094,346
	<u>(P2,347,369,308)</u>	<u>(P2,392,979,485)</u>

The above deferred tax assets and liabilities are presented in the consolidated statements of financial position as follows:

	2017	2016
Deferred tax assets - net	P103,988,756	P160,362,044
Deferred tax liabilities - net	2,451,358,064	2,553,341,529





As of December 31, 2017, carryover NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱120,172,597	(₱120,172,597)	₱—	2017
2015	609,502,255	(307,842,783)	301,659,472	2018
2016	502,993	—	502,993	2019
2017	242,405,978	—	242,405,978	2020
	<b>₱972,583,823</b>	<b>(₱428,015,380)</b>	<b>₱544,568,443</b>	

As of December 31, 2017, MCIT that can be used as deductions against income tax liabilities are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱25,810,875	(₱25,810,875)	₱—	2017
2015	27,856,068	(23,218,666)	4,637,402	2018
2016	12,001,433	—	12,001,433	2019
2017	5,449,151	—	5,449,151	2020
	<b>₱71,117,527</b>	<b>(₱49,029,541)</b>	<b>₱22,087,986</b>	

#### *Unrecognized deferred tax assets*

The Group has NOLCO that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized. Unrecognized NOLCO amounted to ₱109.49 million and ₱3.07 million as of December 31, 2017 and 2016, respectively.

#### *Statutory reconciliation*

The reconciliation of the provision for income tax computed at statutory income tax rate to the provision for income tax shown in profit or loss follows:

	2017	2016	2015
Provision for income tax computed at statutory rate	<b>₱306,254,876</b>	<b>₱293,695,866</b>	<b>₱639,080,563</b>
Adjustments for:			
Nondeductible interest and other expenses	<b>55,338,346</b>	<b>14,722,984</b>	<b>25,788,589</b>
Expired NOLCO	<b>36,051,779</b>	<b>—</b>	<b>—</b>
Expired MCIT	<b>25,810,875</b>	<b>8,889,734</b>	<b>—</b>
Final tax	<b>2,211,171</b>	<b>8,527,145</b>	<b>2,661,865</b>
Change in unrecognized deferred tax assets	<b>31,928,467</b>	<b>150,898</b>	<b>663,078</b>
Income under income tax holiday	<b>(5,412,440)</b>	<b>—</b>	<b>—</b>
Non-taxable interest and other income	<b>(81,258,628)</b>	<b>(73,932,405)</b>	<b>(56,931,726)</b>
	<b>₱370,924,446</b>	<b>₱252,054,222</b>	<b>₱611,262,369</b>



## 28. Related Party Transactions

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 which include affiliates.

### Terms and Conditions of Transactions with Related Parties

The Group in their regular conduct of business has entered into transactions with related parties principally consisting of advances and reimbursement of expenses, development, management, marketing, leasing and administrative service agreements.

The effects of the related party transactions are shown under the following accounts in the consolidated financial statements:

### Due from Related Parties

	2017	2016	Terms	Conditions
Ultimate Parent	₱235,324,180	₱279,405,429	Noninterest bearing, due and demandable	Unsecured, no impairment
Stockholders	153,076,337	153,706,725	Noninterest bearing, due and demandable	Unsecured, no impairment
Other affiliates	102,845,431	99,966,166	Noninterest bearing, due and demandable	Unsecured, no impairment
	<b>₱491,245,948</b>	<b>₱533,078,320</b>		

### Due to Related Parties

	2017	2016	Terms	Conditions
Ultimate Parent	₱-	₱142,089,838	Noninterest bearing, due and demandable	Unsecured
Stockholders	19,175,305	165,615,680	Noninterest bearing, due and demandable	Unsecured
Other affiliates	28,995,726	18,299,970	Noninterest bearing, due and demandable	Unsecured
	<b>₱48,171,031</b>	<b>₱326,005,488</b>		

Significant transactions of the Group with related parties are described below:

Due from related parties pertains to advances provided by the Group to the stockholders and other affiliates. These are generally unsecured, noninterest-bearing, and are due and demandable and are not impaired.

Due to related parties pertains to advances made by the Group for the capital expenditure of the affiliates. These are generally noninterest bearing and are due and demandable.

### *Receivable from employees and agents*

The Group has advances to its employees amounting to ₱312.29 million and ₱296.50 million as of December 31, 2017 and 2016, respectively, for selling and other operational related activities. These advances also include salary and other loans granted to the employees and are recoverable through salary deductions. These are noninterest-bearing and are due and demandable (see Note 5).



*Construction management contract*

The Group has contracted Century Properties Management Construction Corporation (CPMCC) as the project manager that will handle the construction activities of the Group. CPMCC is owned by one of the key management personnel of the Group. As of December 31, 2017 and 2016, advances made to CPMCC recognized under the "Advances to suppliers and contractors" account amounted to ₱638.23 million and ₱672.52 million, respectively.

In 2017, CLC has contracted with Revolution Precrafted Properties Philippines, Inc. (RPPPI) as contractor for the Mock-up units and amenities of its project in Batangas. RPPPI is owned by the key management personnel of the Group.

*Key management compensation*

The key management personnel of the Group include all directors, executive, and senior management. The details of compensation and benefits of key management personnel in 2017, 2016 and 2015 follow:

	2017	2016	2015
Short-term employee benefits	₱147,277,908	₱118,848,849	₱113,827,976
Post-employment benefits (see Note 29)	5,325,203	1,674,645	8,696,457
	<b>₱152,603,111</b>	<b>₱120,523,494</b>	<b>₱122,524,433</b>

*Terms and condition of transactions with related parties*

Outstanding balances at year-end are unsecured, interest free and expected to be settled within one year after the reporting date. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2017 and 2016, the Group has not made any provision for probable losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

## 29. Pension Cost

The Group has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. The benefits are based on the projected retirement benefit of 22.5 days pay per year of service in accordance with Republic Act 7641. The benefits are based on current salaries and years of service and compensation on the last year of employment. An independent actuary conducts an actuarial valuation of the retirement benefit obligation using the projected unit credit method.

The components of retirement expense included under "Salaries, wages and employee benefits" under general, administrative and selling expenses follow:

	2017	2016	2015
Current service cost	₱23,861,076	₱28,048,154	₱25,701,214
Net interest cost on benefit obligation	13,890,831	10,062,490	8,822,119
Retirement expense	<b>₱37,751,907</b>	<b>₱38,110,644</b>	<b>₱34,523,333</b>



Changes in the present value of the retirement obligation (PVRO) and the fair value of the plan assets (FVPA) are as follows:

	2017	2016
<b>PVRO:</b>		
Balance at January 1	₱242,901,604	₱206,687,957
Current service cost	23,861,076	28,048,154
Interest cost	14,234,034	10,346,859
Benefits paid	(1,748,518)	(1,630,875)
Actuarial gains	(37,755,608)	(550,491)
Balance at December 31	241,492,588	242,901,604
<b>FVPA:</b>		
Balance at January 1	5,856,709	5,851,214
Interest income	343,203	284,369
Remeasurement loss	(174,435)	(278,874)
Balance at December 31	6,025,477	5,856,709
Net liability arising from retirement obligation	₱235,467,111	₱237,044,895

The plan assets as of December 31, 2017 and 2016 pertain solely to bank deposits. The Group does not expect to contribute to its retirement fund in 2017.

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

December 31, 2017			
			Effect on DBO
Discount rate	9.1%	1.0% increase	(₱22,964,371)
Discount rate	10.9%	1.0% decrease	27,583,948
Rate of salary increase	10.0%	1.0% increase	25,114,041
Rate of salary increase	8.4%	1.0% decrease	(21,319,205)
December 31, 2016			
			Effect on DBO
Discount rate	7.8%	1.0 % decrease	(₱21,133,873)
Discount rate	9.4%	1.0 % increase	25,687,579
Rate of salary increase	8.9%	1.0 % increase	24,018,642
Rate of salary increase	7.5%	1.0 % decrease	(8,913,915)

The assumptions used to determine pension benefits for the Group for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Discount rate	5.77%	5.86%
Salary increase rate	4.00 to 6.00%	4.00% to 7.00%



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

Year ending:	
December 31, 2018	₱81,057,903
December 31, 2019	4,310,477
December 31, 2020	4,136,667
December 31, 2021	2,114,788
December 31, 2022	27,594,051
December 31, 2023 through December 31, 2027	73,011,262

### 30. Operating Lease Agreements

#### *Operating lease - Group as a Lessee*

The Group is a lessee under operating leases covering the sales and administrative offices including the model units for prospective buyers. The leases have terms ranging from two to three years, with renewal options. Monthly rent payment is computed using a fix rate per square meter. Rental expense charged to operations amounted to ₱32.03 million, ₱31.72 million and ₱56.03 million and in 2017, 2016 and 2015, respectively (see Note 25). Rental deposits recognized in "Other noncurrent assets" amounted to ₱163.83 million and ₱84.30 million as of December 31, 2017 and 2016, respectively (see Note 14).

Future minimum rentals payable under operating leases follow:

	2017	2016	2015
Within one year	₱28,339,472	₱38,266,225	₱64,951,325
After one year but not more than five years	129,092,953	104,015,270	88,144,150
	<b>₱157,432,425</b>	<b>₱142,281,495</b>	<b>₱153,095,475</b>

#### *Operating lease - group as a lessor*

The Group entered into lease agreements with third parties covering its investment properties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

	2017	2016
Within one year	₱76,138,331	₱113,141,758
After one year but not more than five years	258,015,402	155,701,126
More than five years	83,022,400	32,190,717
	<b>₱417,176,133</b>	<b>₱301,033,601</b>



### 31. Financial Instruments

#### Fair Value Information

The table below presents the carrying amounts and fair values of the Group's financial assets and financial liabilities as follows:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Loans and receivables</b>				
ICR	₱8,783,698,741	₱8,849,968,042	₱10,817,045,873	₱10,898,655,920
Rental deposits	163,826,522	159,279,653	84,304,680	83,446,493
Derivative assets	-	-	35,614,007	35,614,007
	<b>₱8,947,525,263</b>	<b>₱9,009,247,695</b>	<b>₱10,936,964,560</b>	<b>₱11,017,716,420</b>
<b>Other financial liabilities</b>				
Long-term debt	₱13,936,845,425	₱14,898,479,006	₱12,491,209,321	₱12,607,357,727
Bonds payable	1,500,966,910	1,604,971,247	2,678,787,473	2,702,090,190
Liability from purchased land	448,241,742	452,410,539	521,044,063	525,889,946
<b>Total financial liabilities</b>	<b>₱15,886,054,077</b>	<b>₱16,955,860,792</b>	<b>₱15,691,040,857</b>	<b>₱15,835,337,863</b>

#### Fair Value of Financial Instruments

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

##### *Financial assets*

Cash and cash equivalents, receivables (excluding ICR with more than one year tenor) and due from related parties - Carrying amounts approximate fair values due to the short-term maturities of these instruments.

Noncurrent ICR - Fair value is based on undiscounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity.

Rental deposits- The fair values of rental deposits are based on the discounted value of future cash flows using the applicable market interest rates. Discount rates ranging from 1.91% to 5.00% and 2.38% to 3.98% were used in calculating the fair value of the Group's rental deposits as of December 31, 2017 and 2016, respectively.

Derivative assets - The fair value of cross currency swap transaction is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values of cross currency swap transactions are determined based on changes in the term structure of interest rates of each currency and the spot rate.

##### *Other financial liabilities*

The fair values of accounts and other payables, due to related parties and short-term debt approximate the carrying amount due to the short-term maturities of these instruments.

The fair value of long-term debt, bonds payable and liability from purchased land are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used for long-term debt ranged from 2.54% to 4.11% and from 2.65% to 2.60% as of





December 31, 2017 and 2016, respectively. The discount rates used for the bonds payable ranged from 2.79% to 4.52% and from 3.35% to 5.43% as of December 31, 2017 and 2016, respectively. The discount rates used for the liability from purchased land ranged from 2.87% to 3.15% and from 2.75% to 2.60% as of December 31, 2017 and 2016, respectively.

#### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Group's ICR, long-term debt, bonds payable and liability for purchased land are measured under Level 3.

The Group held freestanding derivatives which are measured at fair value under Level 2.

The Group has no financial instruments measured under Level 3.

In 2017 and 2016, the Group did not have transfers between Level 1 and 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

#### Financial Risk Management Policies and Objectives

The Group has various financial assets and liabilities such as cash and cash equivalents, receivables, due from related parties, derivative assets, accounts and other payables and due to related parties, which arise directly from its operations. The Group has availed short-term, long-term debt and loans payable for financing purposes.

Exposure to credit, interest rate, liquidity and foreign currency risks arise in the normal course of the Group's business activities. In 2013, the Group also entered into derivative transactions, the purpose of which is to manage the currency and interest rate risk arising from its financial instruments.

The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Group's BOD reviews and approves the policies for managing each of these risks and they are summarized below:

#### *Credit risk*

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Real estate buyers are subject to standard credit check procedures which are calibrated based on the payment scheme offered. The Group's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.



Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts. In addition, the credit risk for ICR is mitigated as the Group has the right to cancel the sales contract without need for any court action and take possession of the subject house in case of refusal by the buyer to pay on time the installment due. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Group has no significant concentrations of credit risk.

The Group's maximum exposure to credit risk as of December 31, 2017 and 2016 is equal to the carrying values of its financial assets, except for ICR with carrying values of ₱8,783.70 million and ₱10,817.05 million, respectively and fair value of collateral amounting to ₱5,879.47 million and ₱10,898.66 million as of December 31, 2017 and 2016, respectively.

The table below shows the credit quality and aging analysis of the Group's financial assets:

**2017**

	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High grade	Standard grade			
Cash and cash equivalents*	₱1,399,885,102	₱-	₱-	₱-	₱1,399,885,102
Trade receivables:					
ICR	8,255,394,757	-	528,303,984	-	8,783,698,741
Leasing receivables	91,446,413	-	-	-	91,446,413
Management fees	93,390,561	-	-	3,082,110	96,472,671
Advances to customers	41,382,274	-	-	-	41,382,274
Other receivables	669,210,320	-	-	-	669,210,320
Due from related parties	-	491,245,948	-	-	491,245,948
	₱10,550,709,427	₱491,245,948	₱528,303,984	₱3,082,110	₱11,573,341,469

\*Excluding cash on hand amounting to ₱0.47 million as of December 31, 2017.

**2016**

	Neither past due nor impaired		Past due but not impaired	Impaired	Total
	High grade	Standard grade			
Cash and cash equivalents*	₱3,342,207,447	₱-	₱-	₱-	₱3,342,207,447
Trade receivables:					
ICR	10,705,963,363	-	111,082,510	-	10,817,045,873
Leasing receivables	55,341,384	-	-	-	55,341,384
Management fees	70,640,924	-	-	3,091,974	73,732,898
Advances to customers	31,902,045	-	-	-	31,902,045
Other receivables	44,096,188	-	-	-	44,096,188
Due from related parties	-	533,078,320	-	-	533,078,320
	14,250,151,351	533,078,320	111,082,510	3,091,974	14,897,404,155
Derivative assets	35,614,007	-	-	-	35,614,007
	₱14,285,765,358	₱533,078,320	₱111,082,510	₱3,091,974	₱14,933,018,162

\*Excluding cash on hand amounting to ₱0.86 million as of December 31, 2016.



The credit quality of the financial assets was determined as follows:

Cash and cash equivalents and derivative assets - these are considered as high grade financial assets as these are entered into with reputable counterparties.

Receivables - high grade pertains to receivables with no default in payments, standard grade pertains to receivables with up to 3 defaults in payment.

Due from related parties - these are considered as standard grade as these are settled on time or are slightly delayed due to unresolved concerns.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Group's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt.

The following table shows the maturity profile of the Group's financial assets used for liquidity purposes and liabilities based on contractual undiscounted payments:

	2017		Total
	Within 1 Year	1 - 5 years	
<b>Loans and receivables</b>			
Cash and cash equivalents*	₱1,399,885,102	₱-	₱1,399,885,102
Receivables			
Trade receivables:			
ICR	8,368,404,040	3,826,234,890	12,194,638,930
Leasing receivables	91,446,413	-	91,446,413
Management fees	96,472,671	-	96,472,671
Advances to customers	41,382,274	-	41,382,274
Other receivables	669,210,320	-	669,210,320
Due from related parties	491,245,948	-	491,245,948
	<b>₱11,158,046,768</b>	<b>₱3,826,234,890</b>	<b>₱14,984,281,658</b>
<b>Other financial liabilities</b>			
Accounts and other payables			
Accounts payable	₱2,284,425,291	₱-	₱2,284,425,291
Accrued expenses	265,835,328	-	265,835,328
Retentions payable	288,296,862	-	288,296,862
Other payables	34,834,112	-	34,834,112
Due to related parties	48,171,031	-	48,171,031
Short-term debt	661,894,637	-	661,894,637
Liability from purchased land	67,200,000	381,041,742	448,241,742
Long-term debt:			
Principal	3,388,350,978	10,625,924,395	14,014,275,373
Interest	37,001,799	40,428,149	77,429,948
Bonds payable:			
Principal	-	1,512,640,000	1,512,640,000
Interest	-	11,873,090	11,873,090
	<b>₱7,076,010,038</b>	<b>₱12,571,907,376</b>	<b>₱19,647,917,414</b>

\*Excluding cash on hand amounting to ₱0.47 million as of December 31, 2017.



	2016		
	Within 1 Year	1 - 5 years	Total
<b>Loans and receivables</b>			
Cash and cash equivalents*	₱3,342,207,447	₱—	₱3,342,207,447
Receivables			
Trade receivables:			
ICR	8,190,820,088	6,213,509,065	14,404,329,153
Leasing receivables	55,341,384	—	55,341,384
Management fees	73,732,898	—	73,732,898
Advances to customers	31,902,045	—	31,902,045
Other receivables	44,096,188	—	44,096,188
Due from related parties	533,078,320	—	533,078,320
	₱12,271,178,370	₱6,213,509,065	₱18,484,687,435
<b>Other financial liabilities</b>			
Accounts and other payables			
Accounts payable	₱2,205,082,570	₱—	₱2,205,082,570
Accrued expenses	189,793,479	—	189,793,479
Retentions payable	197,735,409	—	197,735,409
Other payables	63,434,234	—	63,434,234
Due to related parties	326,005,488	—	326,005,488
Short-term debt	505,953,699	—	505,953,699
Liability from purchased land	67,200,000	453,844,063	521,044,063
Long-term debt:			
Principal	2,028,369,478	10,578,988,249	12,607,357,727
Interest	18,136,119	98,012,287	116,148,406
Bonds payable:			
Principal	—	2,700,000,000	2,700,000,000
Interest	3,641,522	17,571,005	21,212,527
	₱5,605,351,998	₱13,848,415,604	₱19,453,767,602

\*Excluding cash on hand amounting to ₱0.86 million as of December 31, 2016.

#### Foreign currency risk

Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liability and their peso equivalents as of December 31, 2017 and 2016:

	2017		2016	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents				
US Dollar	\$490,174	₱24,474,398	\$1,182,762	₱58,806,927
Euro	€18,519	1,103,982	€22,818	1,182,885
Loans payable				
US Dollar	\$15,000,000	(748,950,000)	\$35,617,527	(1,770,903,442)
Net foreign currency denominated instruments		(₱723,371,620)		(₱1,710,913,630)

The spot exchange rates used were ₱49.93 to US\$1 and ₱59.61 to €1 in 2017; ₱49.72 to US\$1 and ₱51.84 to €1 in 2016



The following table demonstrates the sensitivity to reasonably possible changes in foreign currency rates, with all variables held constant, of the Group's income before tax and equity.

	2017		2016	
	Increase (decrease) in foreign exchange rates	Effect on profit before tax	Increase (decrease) in foreign exchange rates	Effect on profit before tax
Dollar	5% (5%)	₱36,223,780 (36,223,780)	5% (5%)	₱85,604,826 (85,604,826)
Euro	5% (5%)	55,196 (₱55,196)	5% (5%)	59,144 (₱59,144)

#### Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will reduce the Group's current or future earnings and/or economic value. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The following table sets out the carrying amount, by maturity, of the Group's long term debt that are exposed to interest rate risk.

	Interest terms (p.a.)	Rate fixing period	<1 year	1 to 5 years
2017	6.5-8%	Monthly; Annually	₱3,351,349,179	₱10,585,496,246
2016	6.5-8%	Monthly; Annually	₱2,009,682,622	₱10,481,526,699

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Group's income before tax and equity (through the impact on floating rate borrowings).

	2017		2016	
	Increase (decrease) in interest rates	Effect on profit before tax	Increase (decrease) in interest rates	Effect on profit before tax
Basis points	0.33% (0.33%)	₱20,757,362 (20,757,362)	0.33% (0.33%)	(₱18,604,250) 18,604,250

There is no other impact on the Group's total comprehensive income other than those already affecting the net income.

## 32. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the segment information is reported based on the nature of service the Group is providing.

The segments where the Group operates follow:

- Real estate development - sale of high-end, upper middle-income and affordable residential lots and units and lease of residential developments under partnership agreements.
- Leasing - lease of the Group's retail mall and hospital.
- Property management - facilities management of the residential and corporate developments of the Group and other third party projects, including provision of technical and related consultancy services.



Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Details of the Group's operating segments as of December 31, 2017 and 2016 are as follows:

**2017**

	Real Estate Development	Property Management	Leasing	Adjustments and Elimination	Consolidated
Revenue	P5,574,254,174	P352,971,958	P341,658,779	(P228,315,964)	P6,040,568,947
Costs and expenses					
Cost of real estate sales and services	2,990,508,625	270,726,596	237,813,561	(184,027,625)	3,315,021,157
General, administrative and selling expenses	2,830,461,704	91,875,141	41,715,947	9,864	2,964,062,656
Operating income (loss)	(246,716,155)	(9,629,779)	62,129,271	(44,298,203)	(238,514,866)
Other income (expenses)					
Interest and other income	1,918,408,151	12,763,672	295,164,108	(474,027,207)	1,752,308,724
Interest and other financing charges	(665,732,425)	(286,799)	(952,255)	174,027,207	(492,944,272)
Income before income tax	1,005,959,571	2,847,094	356,341,124	(344,298,203)	1,020,849,586
Provision for income tax	360,037,343	884,085	10,003,018	-	370,924,446
Net income	P645,922,228	P1,963,009	P346,338,106	(P344,298,203)	P649,925,140
Other information					
Segment assets	P47,164,374,052	P257,234,257	P9,525,212,564	(P14,495,159,008)	P42,451,661,865
Deferred tax assets	84,043,134	19,945,622	-	-	103,988,756
Total Assets	P47,248,417,186	P277,179,879	P9,525,212,564	(P14,495,159,008)	P42,555,650,621
Segment liabilities	P30,252,757,900	P223,981,332	P1,532,851,878	(P8,160,920,016)	P23,848,671,094
Deferred tax liabilities	2,041,431,610	-	408,084,333	1,842,121	2,451,358,064
Total Liabilities	P32,294,189,510	P223,981,332	P1,940,936,211	(P8,159,077,895)	P26,300,029,158

**2016**

	Real Estate Development	Property Management	Leasing	Adjustments and Elimination	Consolidated
Revenue	P5,452,932,493	P302,096,900	P337,853,830	(P484,484,272)	P5,608,398,951
Costs and expenses					
Cost of real estate sales and services	2,967,621,074	237,706,828	266,766,649	(66,370,487)	3,405,724,064
General, administrative and selling expenses	2,810,657,342	60,878,035	118,474,669	(370,185,216)	2,619,824,830
Operating income	(325,345,923)	3,512,037	(47,387,488)	(47,928,569)	(417,149,943)
Other income (expenses)					
Interest and other income	2,170,894,997	10,651,526	100,135,521	(695,451,105)	1,586,230,939
Interest and other financing charges	(582,178,419)	(377,896)	(4,484,433)	396,945,971	(190,094,777)
Income before income tax	1,263,370,655	13,785,667	48,263,600	(346,433,703)	978,986,219
Provision for income tax	239,211,575	4,618,576	8,224,071	-	252,054,222
Net income	P1,024,159,080	P9,167,091	P40,039,529	(P346,433,703)	P726,931,997
Other information					
Segment assets	P54,610,547,595	P219,574,257	P8,214,659,625	(P21,896,619,267)	P41,148,162,210
Deferred tax assets	143,637,637	15,487,057	1,237,350	-	160,362,044
Total Assets	P54,754,185,232	P235,061,314	P8,215,896,975	(P21,896,619,267)	P41,308,524,254
Segment liabilities	P36,996,480,929	P190,785,887	P1,645,443,331	(P15,423,947,708)	P23,408,762,439
Deferred tax liabilities	2,231,065,674	-	322,275,855	-	2,553,341,529
Total Liabilities	P39,227,546,603	P190,785,887	P1,967,719,186	(P15,423,947,708)	P25,962,103,968

### 33. Significant Contracts

**CALC**

CALC's deposit for preferred shares subscription pertains to deposits received by CALC from buyers of its preferred shares. On June 17, 2015, CALC's preferred shares divided into Class A, Class B, Class C and Class D have been registered with SEC for public offering.

As of December 31, 2017, there had been subscriptions of 6,214 Preferred A shares at a total amount of P1,026.32 million, 468 Preferred B shares at a total amount of P110.12 million, 91 Preferred C shares at a total amount of P33.79 million and 39 Preferred D shares at a total amount of P16.09 million. Outstanding subscription receivable on preferred shares as of December 31, 2017 amounted to P763.46 million.





As of December 31, 2017 and 2016, fully paid subscriptions amounted to ₦130.63 million and nil, respectively. Amount presented under financial statement caption "Other noncurrent liabilities" represents initial subscription payments received. Prior to full payment and availability of the rooms, the Group has determined that amounts received from the buyers of preferred shares are classified as liability since the shareholders rights to the 28 free nights to stay at the hotel and contractual right to dividends will inure to the shareholder only upon full payment and availability of the rooms. The Group has an obligation to complete the facility expected to be completed in 2019.

The preferred shares have the following features, rights, privileges and obligations which can be availed by the preferred shareholders upon full payment:

- a. All classes of the preferred shares are non-voting.
- b. Preferred shareholders are entitled to use and occupy, for twenty-eight (28) nights per year (the "Annual Usage Entitlement"), the rooms to be owned by CALC in the planned Acqua 6 Tower of the Acqua Private Residences (upon its completion and only when such rooms are ready for occupancy), with the room class based on the class of preferred shares owned. Annual Usage Entitlements are non-cumulative.

The corresponding room class of each class of shares are as follows:

<b>Class of Preferred Shares</b>	<b>Corresponding Room Class</b>
Preferred A shares	Studio Room
Preferred B shares	One Bedroom Deluxe Room
Preferred C shares	One Bedroom Superior Room
Preferred D shares	One Bedroom Premier Room

- c. The preferred shareholders shall be entitled to a share in Net Room Rental Revenue at the rate of 40% for all of the 152 rooms to be owned by CALC. The share of a preferred shareholder in the Net Room Rental Revenue shall be payable annually. The share of a preferred shareholder in the Net Room Rental Revenue shall be calculated based on the attributable square meters ("SQM") corresponding to the class of preferred shares held by such preferred shareholder for every 13 preferred shares held.
- d. Net Room Rental Revenue means total revenue from rentals of all rooms less total room cost of sales. The corresponding attributable SQM of each class of shares are as follows:

<b>Class of Preferred Shares</b>	<b>Corresponding Attributable SQM</b>
Preferred A shares	8.00
Preferred B shares	11.75
Preferred C shares	19.00
Preferred D shares	21.75

- e. The preferred shareholders shall no longer participate in any dividend declaration of CALC.
- f. The preferred shareholders shall regularly and diligently pay the fees, contributions, charges and other dues, including but not limited to the Annual Management Fee, Annual Operating Budget, Furniture, Fittings and Equipment Reserve, pertaining to the maintenance and use of the rooms to be owned by CALC.



### **CCDC II**

On August 7, 2015, CCDC and MC entered into an agreement to operate CCDC II for the purpose of: (a) developing, or causing development of, the "Project" in accordance with such designs, plans, specifications, and timetable prepared, or caused to be prepared by the management of CCDC II; and (b) undertaking the lease, marketing, and sale of the properties comprising the "Project". The parties agreed that their shareholding ratio in CCDC II shall be 60% for CCDC and 40% for MC. The parties shall infuse capital to CCDC II in accordance with the shareholding ratio.

On November 12, 2015, CCDC II with its shareholders partners, CCDC and MC, signed a ₱2,200 million loan facility with BPI. Proceeds from the ten-year senior loan will be used to partly finance the ₱4,500 million Forbes Media Tower project. The balance of ₱2,300 million will be funded through equity contributions of 60% from CCDC and 40% from MC.

On June 17, 2016, the SEC approved the application of CCDC II to increase its authorized capital stock from 2.00 million shares to 1,279.88 million shares. Subsequently on August 12, 2016, MC subscribed to 511.56 million shares of CCDC II (see Note 20).

### **CPHLI**

On April 21, 2015, CPHLI announced that it had signed a memorandum of agreement to acquire 56 hectares of property to develop a beachfront lifestyle destination development in the municipality of San Vicente in Palawan. CPHLI will follow a phased development plan for the said project and has budgeted a capital expenditure of P1.5 billion over the next 3 to 5 years to complete its first phase. The pace and timing of subsequent phases will, in large part, be driven by the take up of the sale of hotel villas and residential investment properties, which will form a significant part of returns from the project.

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## **34. Contingencies**

The Group is contingently liable for lawsuits or claims filed by third parties (substantially civil cases that are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable). In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims or assessments. No provisions were made in 2017 and 2016 with respect of the foregoing matters.

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## **35. Notes to Consolidated Statements of Cash Flows**

Below are the noncash investing and financing transactions in 2017, 2016 and 2015:

- a. Accretion of unamortized discount for noninterest-bearing contracts receivable amounting to ₱665.20 million, ₱656.15 million and ₱801.75 million in 2017, 2016 and 2015, respectively (see Note 23).
- b. Transfer from inventories to investment properties amounting to ₱141.23 million and ₱79.71 million in 2017 and 2016, respectively while a transfer from investment properties to inventories amounted to ₱178.02 million in 2015 (see Notes 6 and 12).



- c. Borrowing costs capitalized in real estate inventories amounting to ₱842.93 million, ₱834.11 million and ₱401.87 million during 2017, 2016 and 2015, respectively (see Notes 6, 17 and 18).
- d. Depreciation of property and equipment capitalized in real estate inventories amounting to ₱2.20 million, ₱21.18 million and ₱32.38 million in 2017, 2016 and 2015, respectively (see Note 13).
- e. Transfer from deposit for purchased land to land held for future development amounting to ₱18.38 million and to real estate inventories amounting to ₱105.72 million.
- f. Amortization of deferred financing costs amounting to ₱48.73 million, ₱52.17 million and ₱49.20 million in 2017, 2016 and 2015, respectively (see Note 17).
- g. Transfer from advances to joint venture to Investment properties amounting to ₱159.83 million in 2017 (see Note 11).



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Century Properties Group Inc.  
21st Floor Pacific Star Building  
Sen. Gil Puyat corner Makati Avenue  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Century Properties Group Inc. and its subsidiaries (the Group) as at and for the years ended December 31, 2017 and 2016 and have issued our report thereon dated March 23, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

**SYCIP GORRES VELAYO & CO.**



John T. Villa  
Partner  
CPA Certificate No. 94065  
SEC Accreditation No. 0783-AR-2 (Group A),  
May 1, 2015, valid until April 30, 2018  
Tax Identification No. 901-617-005  
BIR Accreditation No. 08-001998-76-2018,  
February 26, 2018, valid until February 25, 2021  
PTR No. 6621342, January 9, 2018, Makati City

March 23, 2018



## **INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

<b>Schedule</b>	<b>Contents</b>
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsiidiaries
J	Schedule of All Effective Standards and Interpretations Under Philippine Financial Reporting Standards

**SCHEDULE A**

**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS**  
**DECEMBER 31, 2017**

	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received or accrued
Cash and cash equivalents	P—	<b>₱1,400,358,850</b>	<b>₱47,240,579</b>
Receivables		—	—
Trade receivables:		—	—
ICR	—	<b>8,783,698,741</b>	<b>665,202,951</b>
Leasing receivables	—	<b>91,446,413</b>	—
Management fee	—	<b>96,472,671</b>	—
Advances to customers	—	<b>41,382,274</b>	—
Other receivables	—	<b>669,210,320</b>	—
Due from related parties	—	<b>491,245,948</b>	—
	<b>P—</b>	<b>₱11,573,815,217</b>	<b>₱712,443,530</b>



**SCHEDULE B**

**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM**  
**DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND**  
**PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2017**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Officers, Directors and Employees	₱4,627,166	₱4,027,794	(₱3,701,733)	₱4,953,227	₱-	₱4,953,227

**SCHEDULE C**

**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM**  
**RELATED PARTIES WHICH ARE ELIMINATED DURING THE**  
**CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

	<b>Receivable Balance</b>	<b>Payable Balance</b>	<b>Current Portion</b>
CPGI	₱4,282,899,276	(₱125,822,852)	₱4,157,076,424
CCDC and 12 subs	1,498,401,762	(99,068,114)	1,399,333,648
CLC	185,585,391	(2,350,784,111)	(2,165,198,720)
CCC	—	(1,757,490,053)	(1,757,490,053)
MDC	25,700,530	(402,128,047)	(376,427,517)
CMDC	27,237,411	(996,097,046)	(968,859,635)
CPHLI	—	(247,049,512)	(247,049,512)
CPMI	—	(8,507,317)	(8,507,317)
SSI	—	(27,009,154)	(27,009,154)
Tanza	—	(5,868,164)	(5,868,164)
<b>Total Eliminated Receivables/Payables</b>	<b>₱6,019,824,370</b>	<b>(₱6,019,824,370)</b>	<b>₱—</b>

**SCHEDULE D**

**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS**  
**DECEMBER 31, 2017**

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Trademark	P2,066,245	P958,044	P-	P-	P-	P3,024,289
Software						
Cost	38,935,887	2,922,210	(4,365,982)	-	-	37,492,115
	<b>P41,002,132</b>	<b>P3,880,254</b>	<b>(P4,365,982)</b>	<b>P-</b>	<b>P-</b>	<b>P40,516,404</b>

**SCHEDULE E****CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**  
**DECEMBER 31, 2017**

<b>Long-term Debt</b>			
<b>Title of Issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "current portion of long-term" in related balance sheet</b>	<b>Amount shown under caption "long-term debt" in related balance sheet</b>
Payable under CTS financing	₱7,541,936,091	₱2,167,965,423	₱5,373,970,668
Term loan	6,365,689,269	1,679,067,515	4,686,621,754
Chattel Mortgage	29,220,065	6,316,241	22,903,824
Bonds payable	1,500,966,910	—	1,500,966,910
	<b>₱15,437,812,335</b>	<b>₱3,853,349,179</b>	<b>₱11,584,463,156</b>

**SCHEDULE F**

**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)**

**DECEMBER 31, 2017**

<b>Indebtedness to related parties (Long-term loans from Related Companies)</b>		
<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
N/A		

**SCHEDULE G****CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF  
OTHER ISSUERS****DECEMBER 31, 2017**

<b>Guarantees of Securities of Other Issuers</b>				
<b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount owned by person for which statement is file</b>	<b>Nature of guarantee</b>
N/A				

**SCHEDULE H**

**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK**  
**DECEMBER 31, 2017**

<b>Capital Stock</b>						
<b>Title of Issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related balance sheet caption</b>	<b>Number of shares reserved for options warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
<b>Capital Stock</b>	<b>18,000,000,000</b>	<b>11,599,600,690</b>	<b>—</b>	<b>—</b>	<b>9</b>	<b>—</b>

*\*All nine (9) directors have one (1) nominal common shares issued*

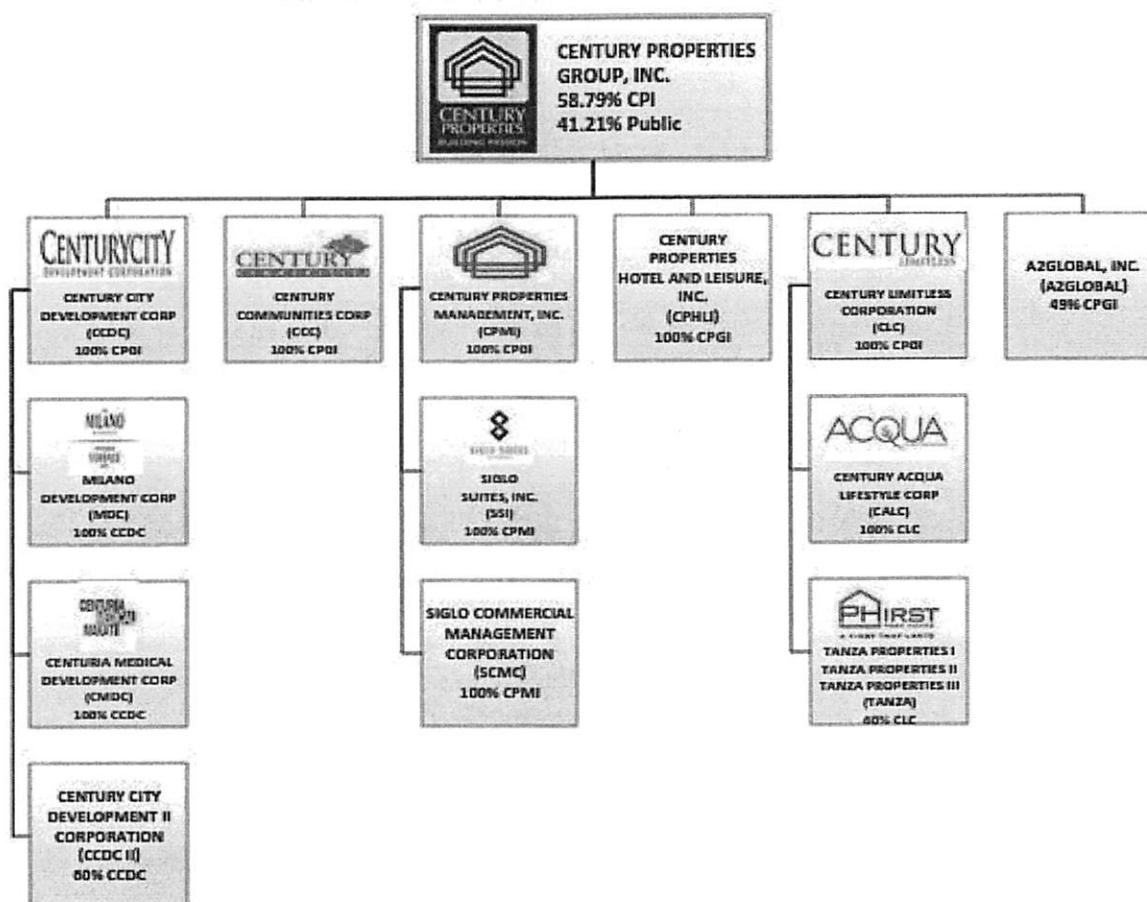


## CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES

## MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2017

## CENTURY PROPERTIES CORPORATE STRUCTURE



**Century Properties Group Inc. (CPGI)** – incorporated in March 23, 1975, CPGI is the listed Company of CPI with property development corporations as subsidiaries.

#### CPGI Subsidiaries

**Century Properties Management Inc. (CPMI)** – incorporated in 1989, is one of the largest property management companies in the Philippines, as measured by total gross floor area under management. 100% owned by CPGI after acquisition of the shares of Mr. Romig

**Century Communities Corporation** – incorporated in 1994, is focused on horizontal house and lot developments. From the conceptualization to the sellout of a project, CCC provides experienced specialists who develop and execute the right strategy to successfully market a project. CCC is currently developing Canyon Ranch, a 25-hectare house and lot development located in Carmona, Cavite. 100% owned by CPGI

**Century Limitless Corporation (CLC)** – incorporated in 2008, is Century's newest brand category that focuses on developing high-quality, affordable residential projects. Projects under CLC caters to first-time home buyers, start-up families and investors seeking safe, secure and convenient homes. It has one internal branch office in Singapore namely CLC Singapore. CLC is 100% owned by CPGI.

**Century Acqua Lifestyle Corporation** - incorporated on November 6, 2014, a wholly owned subsidiary of CLC, was organized primarily to acquire by purchase, own, hold, manage, administer, lease or operate condominium units of the planned Acqua 6 Tower of Acqua Private Residences for the benefit of its shareholders.

**Century City Development Corporation (CCDC)** – incorporated in 2006, is focused on developing mixed-use communities that contain residences, office and retail properties. CCDC is currently developing Century City, a 3.4 hectare mixed-use development along Kalayaan Avenue, Makati City. CCDC has fourteen local subsidiaries.

**Milano Development Corporation (MDC) & Centuria Medical Development Corporation (CMDC)** – is a wholly owned subsidiary of CCDC. Affiliated company under CCDC includes CCDC II.

**Century Properties Hotel and Leisure Inc. - CPHLI**, incorporated in March 27, 2014, is a newly formed wholly-owned subsidiary of CPGI. CPHLI shall operate, conduct and engage in hotel business and related business ventures.

**A2Global Inc. - A2Global Inc.**, incorporated in 2013, is a newly formed company wherein CPGI has a 49% shareholdings stake. A2Global shall act as a sub-lessee for the project initiatives of Asian Carmakers Corporation (ACC) and Century Properties Group Inc. in the development and construction commercial office in Fort Bonifacio.

**CENTURY PROPERTIES GROUP INC. AND SUBSIDIARIES****SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS****AS OF DECEMBER 31, 2017**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)			✓
	Classification and Measurement (2010 version)	✓		
	PFRS 9, Financial Instruments (2014 or final version)		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interest in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Balance Sheet Date	✓		
<b>PAS 11</b>	Construction Contracts	✓		
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Revised)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Amendments to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
	Separate Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Amendment to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36 (Amended)	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreement for Construction of Real Estate	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

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

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

Century Properties Group, Inc.  
Other Financial Data

Financial Ratios [Amount in millions]	As of or for the year ended December 31			FY 2016
	2013	2014	2015	
<b>1. Return on Assets</b>	8.2%	7.5%	4.4%	1.8%
Net income	1,844.7	2,158.9	1,519.0	726.9
Total Assets [Average]	22,361.3	28,908.1	34,564.0	39,393.2
<b>2. Return on Equity</b>	16.7%	17.5%	10.9%	4.8%
Net income	1,844.7	2,158.9	1,519.0	726.9
Total Equity [Average]	9,838.0	12,309.7	13,969.0	14,990.1
<b>3. EBIT</b>	2,746.4	3,187.8	2,202.3	1,081.5
Net Income	1,844.7	2,158.9	1,519.0	726.9
Interest	29.2	16.7	72.0	102.5
Provision for income tax	872.5	1,012.2	611.3	252.1
<b>4. EBITDA</b>	2,810.0	3,249.0	2,259.0	1,142.7
Net Income	1,844.7	2,158.9	1,519.0	726.9
Interest	29.2	16.7	72.0	102.5
Provision for income tax	872.5	1,012.2	611.3	252.1
Depreciation and amortization	63.6	61.2	56.7	61.2
<b>5. Total Debt</b>	6,039.1	10,931.4	13,916.1	15,676.0
Short-term debt	579.7	673.3	961.6	506.0
Current portion of long-term debt	1,178.2	1,924.3	2,635.3	2,009.7
Long-term debt - net of current portion	4,281.2	5,676.5	7,651.7	10,481.5
Bonds	0.0	2,657.3	2,667.5	2,678.8
<b>6. Net Debt</b>	4,600.2	9,502.2	11,907.8	12,332.9
Total Debt	6,039.1	10,931.4	13,916.1	15,676.0
Cash and cash equivalents	(1,438.9)	(1,429.2)	(2,008.3)	(3,343.1)
<b>7. Gross Margin</b>	42.1%	45.6%	43.8%	48.4%
Real estate sales	9,304.2	10,823.0	7,751.3	4,968.4
Interest accretion	654.8	825.6	801.8	656.2
Total	9,959.0	11,648.6	8,553.1	5,624.6
Cost of real estate sales	5,766.9	6,342.6	4,808.6	2,901.3
Gross profit with accretion	4,192.1	5,306.0	3,744.5	2,723.4
<b>8. Net Margin</b>	17.1%	16.9%	14.6%	9.8%
Net Income	1,844.7	2,158.9	1,519.0	726.9
Total revenue	10,809.1	12,760.8	10,381.3	7,380.2
<b>9. Net debt-to-equity ratio</b>	0.4x	0.7x	0.8x	0.8x
Net Debt	4,600.2	9,502.2	11,907.8	12,332.9
Total equity	11,435.0	13,304.4	14,633.9	15,346.4
<b>9. Total debt-to equity ratio</b>	52.8%	82.2%	1.0x	1.0x
Total Debt	6,039.1	10,931.4	13,916.1	15,676.0
Total equity	11,435.0	13,304.4	14,633.9	15,346.4
<b>9. Debt-to-total capitalization ratio</b>				
Total Debt	6,039.1	10,931.4	13,916.1	15,676.0
<b>10. Debt-to-EBITDA ratio</b>	2.1x	3.4x	6.2x	13.7x
Total Debt	6,039.1	10,931.4	13,916.1	15,676.0
EBITDA	2,810.0	3,249.0	2,259.0	1,142.7
<b>11. Net debt-to-EBITDA ratio</b>	1.6x	2.9x	5.3x	10.8x
Net Debt	4,600.2	9,502.2	11,907.8	12,332.9
EBITDA	2,810.0	3,249.0	2,259.0	1,142.7
<b>12. Total Liabilities-to-Equity ratio</b>	1.3x	1.4x	1.6x	1.7x
Total Liabilities	14,731.0	18,345.8	22,845.0	25,962.1
Equity	11,435.0	13,304.4	14,633.9	15,346.4



**CENTURY**  
PROPERTIES GROUP, INC.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE  
FINANCIAL STATEMENTS**

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

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

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

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

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

  
\_\_\_\_\_  
**Jose E.B. Antonio**  
Chairman of the Board, President and CEO

  
\_\_\_\_\_  
**Jose Carlo R. Antonio**  
Chief Financial Officer

  
\_\_\_\_\_  
**John Paul C. Flores**  
AVP Comptroller

Signed this 23<sup>rd</sup> day of March, 2018

MAR 23 2018

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_ affiants  
exhibiting to me his / their Tax Identification Numbers, as follows :

Jose E.B. Antonio TIN 110-083-819

Jose Carlo R. Antonio TIN 225-936-895

John Paul C. Flores TIN 234-787-038

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Series of 2018

**ATTY. VIRGILIO R. BATALLA**  
NOTARY PUBLIC FOR MAKATI CITY  
APPOINTMENT NO. M-88  
UNTIL DECEMBER 31, 2018  
ROLL OF ATTY. NO. 48348  
MCLE COMPLIANCE NO. IV-0016333/4-10-2013  
IDP O.R No. 706762-LIFETIME MEMBER JAN. 29, 2007  
PTR No. 6607619- JAN 03, 2018  
EXECUTIVE BLDG. CENTER  
MAKATI AVE., COR., JUPITER