starmall

April 5, 2017

PHILIPPINE STOCK EXCHANGE
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City
Attention: Mr. Jose Valeriano B. Zuño III
OIC – Head, Disclosure Department

Subject: Starmalls, Inc.: **SEC 17A – December 31, 2016**

Gentlemen:

Please see attached SEC 17A Report.

Thank you.

Brian N. Edang
Officer-in-Charge

COVER SHEET

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S.E.C. Registration Number

STARMALLS, INC. (FORMERLY: POLAR PROPERTY HOLDINGS CORPORATION)

(Company's Full Name)

LOWER GROUND FLOOR, BUILDING B, EVIA LIFESTYLE CENTER, VISTA CITY, DAANGHARI, ALMANZA II LAS PIÑAS CITY

(Business Address : No. Street/City/Province)

Brian N. Edang
Contact Person

571-5948 / 871-4001
Company Telephone Number

1 2 / **3 1**
Month *Day*
Calendar Year

17-A
FORM TYPE

Month *Day*
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2016**

2. SEC Identification Number **39587**

3. BIR Tax Identification No. **000-806-396-000**

4. Exact name of issuer as specified in its charter **STARMALLS, INC.**

5. **Philippines**
   Province, Country or other jurisdiction of incorporation

6. Industry Classification Code (SEC Use Only)

7. **Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City** — **1750**
   Address of principal office — Postal Code

8. **(02) 571-5948 / (02) 871-4001**
   Issuer's telephone number, including area code

9. **3rd Level Starmall Las Piñas, CV Starr Avenue, Philamlife Avenue, Pamplona, Las Piñas City**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock	**8,425,981,156 shares**
Preferred stock	**2,350,000,000 shares**

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [**x**]   No [ ]

    Name of Stock Exchange: **Philippine Stock Exchange**
    Class of securities listed: **Common Stocks**

12. Check whether the issuer:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes [**x**]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**x**]   No [ ]

13. Aggregate market value of voting stocks held by non-affiliates:

₱ 6.0 Billion as of December 31, 2016

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]   No [x] **NOT APPLICABLE**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

Consolidated Financial Statements as of and for the year ended December 31, 2016
(incorporated as reference for Items 7 and 12 of SEC Form 17-A)

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PART I – BUSINESS

Item 1. Business

Overview

Starmalls Inc. (the "Company") was incorporated in Metro Manila, Philippines, on October 16, 1969 originally to pursue mineral exploration. After obtaining SEC approval in 2004, the Company changed its primary business and is now presently engaged in investment, real estate and leasing business.

On May 14, 2012, the Company's BOD authorized the change in name of the Company from Polar Property Holdings Corp. to Starmalls, Inc. The SEC approved the Company's application for the change in corporate name on June 22, 2012.

On May 3, 2016, by a majority vote of the BOD and on June 27, 2016, as approved by the Stockholders, the Company shall exist for another period of fifty (50) years from October 25, 2019. On the same dates, the BOD and Stockholders approved that the place where the principal office of the Company is to be established at the Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daang Hari, Almanza II, Las Piñas City. The SEC approved the Company's application for the following amendments on September 30, 2016.

As of December 31, 2016 and 2015 the Company has equity interests in the following entities:

	Percentage of Ownership	
Subsidiaries / Associate	2016	2015
Subsidiaries:		
Masterpiece Asia Properties, Inc. (MAPI)	**100.0%**	100.0%
Manuela Corporation (MC)	**98.4%**	98.4%

The Company and its subsidiaries are hereinafter collectively referred to as the Group. All subsidiaries were incorporated in the Philippines.

Recent Developments

On November 10, 2015, Vista Land & Lifescapes, Inc. (VLL) signed an agreement with Fine Properties, Inc. ("Fine Properties"), Althorp Holdings, Inc., Manuela Corporation, Mr. Manuel B. Villar, Jr. and Mr. Manuel Paolo A. Villar (collectively, the "Fine Group") to acquire approximately 88.25% or 7,436.22 million shares of the Company for a total consideration of ₱33,537.36 million.

In December 2015, VLL acquired 6,692.93 million shares of Starmalls, Inc. from the Fine Group for a total consideration of ₱30,185.11 million (the "First Closing Date"). As at December 31, 2015, VLL completed its acquisition of Starmalls' shares representing 79.43% or 6.69 billion shares from the Fine Group. Further, VLL has a tender offer to acquire 989.73 million more shares from minority shareholders which started on January 4, 2016 and expired on February 15, 2016. After the tender offer, 6.97 million shares tendered or 0.08% of the total shares of Starmalls, Inc.

The second closing date which is after the tender offer period in February 10, 2016, VLL acquired the remaining 743.29 million shares of Starmalls, Inc. from the Fine Group in the amount of ₱3,352.25 million. As at February 24, 2016, VLL completed its acquisition of the shares of Starmalls, Inc. representing 88.34% or 7.44 billion shares.

Brittany Estates Corporation (BEC). is engaged in developing and selling real estate properties, particularly residential house and lot. In December 2014, in order to focus in the mall and office building development and operations, the Company disposed of its shareholdings in BEC.

Description of the Business of the Registrant and its Subsidiaries

The Company and its subsidiaries are incorporated in the Philippines. MAPI and MC are both in the commercial property development and operations.

Products

MAPI and MC are operator and developer of various mass market retail malls and BPO office commercial centers mostly located in the Mega Manila area. The malls house various retail establishments and the BPO commercial centers caters mostly to the office space needs of the BPO companies.

Distribution Methods of Products

Leasing of commercial and office space is done by the Company's leasing team. The internal team is augmented by major international property companies for the sourcing of prospective tenants for BPO office spaces.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

The Company has registered with the Intellectual Property Office ("IPO") the trademarks "starmalls.inc" and "starmall prima". The Company's subsidiary, MC, on the other hand, registered with the IPO the trademark "starmall", which was subsequently assigned to the Company. The Company has applied for the registration of the revised design of "starmall".

Trademark	Registrant	Registration Date	Term	Principal Conditions
starmalls.inc.	Starmalls, Inc.	14 February 2013	Ten (10) Years	(1) Renewable upon payment of the prescribed fee and filing of request; (2) Registrant must file a declaration of actual use within three (3) years from filing of the Application and pay the required fee; (3) Registrant must again file a declaration of actual use or non-use together with the evidence of use or reasons for non-use within one (1) year from the 5th Anniversary of the date of registration/renewal and pay the required fee.
starmall	Manuela Corporation	16 August 2012	Ten (10) Years	
starmall prima	Starmalls, Inc.	10 September 2015	Ten (10) Years	
starmall (revised design)	Starmalls, Inc.	28 May 2015	Ten (10) Years	

Development of the business of the registrant and its key operating subsidiaries or affiliates

Starmalls Inc. – parent company was incorporated on October 16, 1969 and presently engaged in investment and real estate business.

Masterpiece Asia Properties Inc. – incorporated in October 4, 2001 and is wholly owned by STR. The Company's mall developments are Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall San Jose del Monte, Starmall Talisay, Starmall Imus, and Optimum Bank Building. In 2015, it has on-going construction of Starmall Prima Bataan in Balanga City, Bataan and the expansion of Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa and Starmall San Jose del Monte.

Manuela Corporation – incorporated in February 22, 1972 and is 98.36% wholly owned by STR. The Company's mall developments are Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw and Starmall Alabang. Its corporate building is known as the Worldwide Corporate Center. In 2015, it opened the redeveloped Starmall Las Piñas complex which includes a multi-level parking. In the same year, the construction of a corporate building in Las Piñas City is on-going.

The Company virtually conducts all of its operations through its subsidiaries.

The Company's subsidiaries are involved in the acquisition of undeveloped land, the planning and design of developments, the securing of regulatory approvals for development and sale or lease, the supervision of land development and construction and the marketing and selling/leasing of it products.

Bankruptcy, Receivership or Similar Proceeding

As of December 31, 2016, there is no bankruptcy, receivership or similar proceedings involving the Group.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

As at February 24, 2016, VLL completed its acquisition of the shares of Starmalls, Inc. representing 88.34% or 7.44 billion shares. After the aforementioned transactions, Starmalls, Masterpiece and Manuela became subsidiaries of VLL.

In December 2014, the Company sold 1,009,960 shares of its investment in BEC. This disposal of 100% of the investment in BEC resulted to its cessation as a subsidiary.

In May 2013, the Company sold the remaining 399,397,000 shares of its investment in VLL, hence, it ceased to be an associate as of December 31, 2013.

Various diversification/ new product lines introduced by the Company during the last three years

In April 2012, MAPI opened its first mall development in what is known as Starmall San Jose Del Monte in Bulacan. It opened Starmall Prima Taguig and Starmall Talisay in 2014. In 2015, it opened Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus, and Optimum Bank Building. As of end of 2015, it has on-going construction of Starmall Prima Bataan in Balanga City, Bataan and the expansion of Starmall Prima Taguig, Starmall Prima Daang Hari, Starmall Prima Sta. Rosa and Starmall San Jose del Monte.

After its acquisition of MC in June 2012, the Company increased its mall portfolio to include Starmall Las Piñas, Starmall Las Piñas Annex, Starmall EDSA-Shaw and Starmall Alabang and a corporate building, Worldwide Corporate Center. MC redeveloped Starmall EDSA-Shaw and Starmall Alabang in 2013. In 2015, it opened the redeveloped Starmall Las Piñas complex which includes a multi-level parking. As of end of 2015, construction of a corporate building in Las Piñas City is on-going.

Competition

Our shopping malls compete with other shopping malls in the geographic areas in which they operate. The other major shopping mall operators in the Mega Manila are Robinsons, SM and Ayala. We believe that we are well-positioned to face increased competition in the shopping mall industry given the competitive advantages we have including, among other things, the location of our existing shopping malls, the land bank of the Company and its affiliates, our balance sheet strength, a successful tenant mix and selection criteria and our strategic partnership with the Villar Family Companies. Our experience and understanding of the retail industry has also been a contributing factor to our competitive advantage in the industry.

WCC competes with other BPO commercial centers and office buildings in the geographic area in which it operates. The major BPO office building commercial center developers in Metro Manila are Ayala

Land, Robinsons Land, Megaworld and Filinvest Land. These developers have undertaken mixed-use residential, office and commercial developments in and around the major CBDs in Metro Manila as well as in key provincial cities. Apart from these real estate companies, there are many other independent developers in Metro Manila who have undertaken construction of new BPO buildings or conversion of existing buildings into BPO facilities in anticipation of a growing demand for BPO office spaces. We believe that we are well- positioned to face increased competition in the BPO commercial development given the competitive advantages we have including, among other things, the strategic location of our existing BPO commercial center, our strong and stable partnership with our existing BPO tenants and our expertise in flexible build-out arrangements to suit the requirements of our BPO tenants. Our experience and understanding of the BPO industry has also been a contributing factor to our competitive advantage in the industry

Suppliers

Site development and construction work is contracted out to various qualified and accredited independent contractors. For larger projects, such as major repair or construction work, contracts are awarded on the basis of competitive bidding. For operational repairs and maintenance projects, we hire contractors without a competitive process based on our previous experience with the contractor. In all cases, our accreditation procedure takes into consideration each contractor's experience, financial capability, resources and track record of adhering to quality, cost and time of completion commitments. We maintain relationships with various accredited independent contractors and deal with each of them on an arm's length basis. We are not and do not expect to be dependent upon one or a limited number of suppliers or contractors.

Dependence on a Few Major Customers

The target customer segment of the commercial leasing business consists of broad C retail consumers. We believe that our shopping malls address the needs and aspirations of our target customers through our wide selection of retail outlets, supermarkets and department stores, together with other attractions, such as food courts, cinemas and other entertainment facilities. We attract local chains and franchises, to satisfy the preferences of our target customers.

The management team also took a proactive approach towards managing the tenant mix at its existing assets to ensure optimal alignment with the needs of its target market, including removing and replacing delinquent tenants with tenants that provide more suitable retail concepts and offerings and reorganizing mall layouts to address customers' needs as well as increasing the efficiency of available leasable area.

The remaining house and lot business is not dependent on repeat business from customers. MC has a marketing agreement with Crown Asia Properties, Inc., a subsidiary of VLL, which has a broad market base including local and foreign buyers.

Transactions with related parties

The Company and its subsidiaries, in their ordinary course of business, engage in significant commercial transactions with certain companies controlled by the Villar Family, including the Villar Family Companies and their respective subsidiaries. We have signed a memorandum of agreement with certain subsidiaries of Vista Land under which we have been granted a right of first refusal and right of first offer in respect of certain commercial properties by such VLL subsidiaries.

The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms that are comparable to those available from unrelated third-parties.

Government approvals

The Company secures various government approvals such as license to sell, building and development permits, environmental compliance certificate, business permits, etc. as part of the normal course of its business.

The Company has no principal product that has pending government approval as of December 31, 2016.

Effect of Existing or Probable Governmental Regulations

By the nature of its business, the Company's subsidiaries are subject to governmental regulations on its land development and marketing activities, which includes, among others, zoning and environmental laws, development permit and license to sell regulations. The Company's subsidiaries comply with the said regulations in the regular conduct of its business operations.

As of December 31, 2016, the Company is not aware of any existing or probable governmental regulations that will have an effect on the Company's business operations.

Compliance With Environmental Laws

Prior to any land development activity, the subsidiaries of the Company secure the requisite environmental permits, including environmental compliance certificate and drainage permit for the sewage treatment plants, from the appropriate government agencies.

Costs and Effects of Compliance with Environmental Laws

The subsidiaries of the Company pay such amount as may be imposed by the appropriate government agencies for the procurement of all necessary environmental permits prior to commencement of any development project. The costs are generally minimal and vary from time to time.

Unless pertinent environmental laws are complied with, and requisite permits are secured, the Company's subsidiaries cannot and do not proceed with its projects.

Research and Development Costs

Research and development activities, such as market research, training and contractor's development programs, are treated as normal operating expense. For 2016, the amount that the Company spent for research and development is minimal and does not constitute a significant percentage of the Company's revenues.

Employees

As of December 31, 2016, the Company and its subsidiaries, had a total of 198 employees. This is broken down by function as follows:

Function	Number of employees
Operations	72
Administrative	100
Technical	26
Total	**198**

The Company has no collective bargaining agreements with its employees and none of the Company's employees belong to a union. In addition to the regular remuneration packages being given by the Company, it also adopts a performance-based incentive scheme to employees holding strategic positions, such as foreign travel grants. The Company has no employee stock option plan.

Risks related to the Companies Business

Each of the businesses of the Company and its Subsidiaries would inevitably involve some risks factors such as:

- Competition;
- Socio-economic conditions of the country;
- Effect of the changes in global economy;
- Foreign exchange devaluation;
- Changes in the country's political and economic situation;
- Inflation of prices affecting the cost and expenses;
- Reforms in the applicable rules and regulations affecting the Philippine Real Estate industry; and
- Changes in Philippine and International interest rates, with respect to the Company's borrowings.

To mitigate the aforementioned risks, the Company shall continue to adopt prudence in financial management and discipline in the area of operational controls, policies and procedures. With respect to competitive pressures among the industry players, the Company shall continue to compete through project concept, quality, affordability, and location of projects.

Item 2. Properties

Details of the Company's properties as of December 31, 2016 are set out in the table below:

LAND

Location	**Owner**	**Use**
Valenzuela City	STR	Land bank
Bacoor, Cavite	MAPI	Land bank/ Mall
San Jose del Monte, Bulacan	MAPI	Mall
Taguig City	MAPI	Mall
Imus, Cavite	MAPI	Mall
Balanga, Bataan	MAPI	Mall
Mandaluyong City	MAPI	Office Building
Naga City	MAPI	Land bank
Dasmariñas, Cavite	MC	Residential
Alabang, Muntinlupa	MC	Mall
EDSA-Shaw	MC	Mall
Las Piñas City	MC	Mall

BUILDING AND IMPROVEMENTS

Location	**Owner**	**Use**
San Jose del Monte, Bulacan	MAPI	Mall
Bacoor, Cavite	MAPI	Mall
Taguig City	MAPI	Mall
Talisay, Cebu	MAPI	Mall
Imus, Cavite	MAPI	Mall
Sta. Rosa, Laguna	MAPI	Mall
Balanga, Bataan	MAPI	Mall
EDSA, Mandaluyong City	MAPI	Office Building
Alabang, Muntinlupa	MC	Mall
EDSA-Shaw	MC	Mall
Las Piñas City	MC	Mall
EDSA-Shaw	MC	Office Building
Las Piñas City	MC	Office Building

As of December 31, 2016, investment properties with fair value of ₱8.8 billion were used to secure the bank loans of MAPI and MC (see Note 13 of the 2016 Audited Financial Statements).

Item 3. Legal Proceedings

The Group is currently involved in litigation over portions of its properties located in Molino, Bacoor, Cavite comprising of an aggregate area of 117,480 square meters (the "Bacoor Property"). The case is an administrative action pending before the Land Management Bureau, the government agency responsible for administering disposable land in the Philippines. The plaintiffs claim to be the heirs of the rightful owner of the Bacoor Property and dispute the authenticity of MAPI's title; however, the plaintiffs do not possess a certificate of title over the property. A civil case based on a similar cause of action has been dismissed by the Regional Trial Court of Bacoor.

There is another case pending before the Regional Trial Court of Bacoor, Cavite filed by MAPI for quieting of title and annulment of titles involving portions of the Bacoor Property. The Judicial Dispute Resolution has been terminated and the case shall now be re-raffled to another court.

The rehabilitation of MC was terminated on January 25, 2012. The final report and accounting has been completed and the rehabilitation proceedings have been terminated on November 29, 2013.

We are subject to various civil lawsuits and legal actions arising in the ordinary course of our business. Typical cases include adverse claims regarding the title to parcels of land. In the Group's opinion, none of the lawsuits or legal actions to which we are currently subject will materially affect the daily operations of our business or have a material adverse effect on our consolidated financial position and results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the Annual Stockholders Meeting, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

The Company's common shares are being traded at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last three fiscal years as traded on the Philippine Stock Exchange are as follows:

Quarter	2016		2015		2014	
	High	Low	High	Low	High	Low
1st	8.00	4.08	7.46	6.81	4.09	3.51
2nd	7.14	6.20	7.70	6.56	4.05	3.70
3rd	7.15	6.53	8.37	6.98	3.95	3.70
4th	7.30	6.95	8.39	3.89	3.75	3.40

The market capitalization of STR as of December 31, 2016, based on the closing price of ₱6.95 per share, was approximately ₱58.6 billion.

As of March 31, 2017, STR's market capitalization stood at ₱58.98 billion based on the ₱7.00 per share closing price.

Price Information as of the Latest Practicable Trading Date

Trading Date	High	Low
04 April 2017	7.00	7.00

Stockholders

There are approximately 440 holders of common equity security of the Company as of December 31, 2016 (based on the number of accounts registered with the Stock Transfer Agent).

The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	Percentage (of Common Shares)[1]
1.	Vista Land & Lifescapes, Inc.[2]	7,443,192,641	88.34%
2.	Land & Houses Public Company Limited	808,431,465	9.59%
3.	Fine Properties, Inc.[3]	114,877,955	1.36%
4.	PCD Nominee Corporation (Filipino)	53,302,072	0.63%
5.	Peter O. Tan	1,798,000	0.02%
6.	Peter Tan &/Or Marilou Tan	1,524,000	0.02%
7.	PCD Nominee Corporation (Foreign)	399,503	0.00%

[1] *based on the total shares issued of 8,425,981,156*
[2] *Shares are under PCD Nominee Corporation (Filipino)*
[3] *Shares are under PCD Nominee Corporation (Filipino)*

8.	Arthur Winikoff FAO OBMVM	120,000	0.00%
9.	Orion-Squire Capital, Inc.	82,000	0.00%
10.	Orion-Squire Sec., Inc.	77,900	0.00%
11.	Cua, Ang & Chua Securities Inc.	66,000	0.00%
12.	Dees Securities Corp.	60,715	0.00%
13.	Paic Securities Corporation	60,400	0.00%
14.	Tansengco & Co., Inc.	56,000	0.00%
15.	Ansaldo, Godinez & Co. Inc.	54,286	0.00%
16.	Filinvest Sec. Co. Inc.	50,000	0.00%
17.	Mario Osmena Jr.	50,000	0.00%
18.	Benito Penalosa	50,000	0.00%
19.	David Limqueco Kho	40,000	0.00%
20.	Gilbert M. Tiu	40,000	0.00%
	Total	**8,424,332,937**	**99.98%**
	Others	1,648,219	0.02%
	Total issued and outstanding common shares as of December 31, 2016	**8,425,981,156**	**100.00%**

<u>Dividends</u>

₱0.0215 per share Regular Cash Dividend
Declaration Date: September 26, 2016
Record date: October 11, 2016
Payment date: October 26, 2016

<u>Recent Sale of Unregistered Securities</u>

There have been no sales of unregistered securities in the past three years.

<u>Stock Options</u>

None

Item 6. Management's Discussion and Analysis or Plan of Operation

<u>REVIEW OF YEAR END 2016 VS YEAR END 2015</u>

RESULTS OF OPERATIONS

<u>Revenues</u>

Operating revenue
Operating revenue increased from ₱2,775 million in the year ended December 31, 2015 to ₱4,479 million in the year ended December 31, 2016. The 61% increase in the account was primarily attributable to the following:

- Rental income increased from ₱2,380 million in the year ended December 31, 2015 to ₱4,078 million in the year ended December 31, 2016. The 71% increase was due to the primarily to the additional leasable space for the year, increase in occupancy of the existing malls and increase in the rental rate.

- Parking fee revenue decreased from ₱122 million in the year ended December 31, 2015 to ₱106 million in the year ended December 31, 2016. The 13% decrease was due to lower number of vehicles using the mall parking space due to traffic situation, most shoppers are using the public transports in going to the malls.

- Other operating income increased from ₱274 million in the year ended December 31, 2015 to ₱296 million in the year ended December 31, 2016. The 8% increase was due to increase in other fees charged to tenants classified as other operating income.

Costs and Expenses

Operating Expenses

Cost and expenses increased from ₱1,439 million in the year ended December 31, 2015 to ₱1,948 million in the year ended December 31, 2016. The 35% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 50% from ₱480 million in the year ended December 31, 2015 to ₱718 million in the year ended December 31, 2016 due to additional depreciation from the newly opened malls and corporate building.

- Increase in light and power by 55% from ₱219 million in the year ended December 31, 2015 to ₱340 million in the year ended December 31, 2016 due to the increase in the consumption in light and power as a result of the additional mall openings during the year as well as increase the rate of utilities charged during the period.

- Increase in outside services by 24% from ₱203 in the year ended December 31, 2015 to ₱251 million in the year ended December 31, 2016 due to the increase in manpower and agency fees for the operations of the malls and office buildings as a result of the new openings for the year.

- Increase in salaries and employee benefits by 29% from ₱131 million in the year ended December 31, 2015 to ₱19 million in the year ended December 31, 2016 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

- Increase in taxes and licenses by 107% from ₱70 million in the year ended December 31, 2015 to ₱144 million in the year ended December 31, 2016 due to additional taxes paid as a result of the increase in the Group’s investment properties.

- Increase in rentals by 5% from ₱107 million in the year ended December 31, 2015 to ₱112 million in the year ended December 31, 2016 due to the annual escalations of the rental rates of existing leased properties.

- Increase in repairs and maintenance by 47% from ₱58 million in the year ended December 31, 2015 to ₱85 million in the year ended December 31, 2016 due to the refurbishment of the older malls and one of our first office building.

- Increase in advertising and promotions by 63% from ₱30 million in the year ended December 31, 2015 to ₱49 million in the year ended December 31, 2016 due to increase in advertorials for the marketing and promotion of the malls and corporate buildings especially the newly opened ones.

- Increase in insurance by 36% from ₱15 million in the year ended December 31, 2015 to ₱21 million in the year ended December 31, 2016 due to the additional insurance obtained by the Company for its new malls and office buildings.

- Decrease in professional fees by 58% from ₱27 million in the year ended December 31, 2015 to ₱12 million in the year ended December 31, 2016 as a result of decrease in audit and other professional fees paid in 2016 as there were less interim review procedures required from the auditors.

- Decrease in other operating expenses by 54% from ₱99 million in the year ended December 31, 2015 to ₱46 million in the year ended December 31, 2016 due to the lower impairment losses recognized for the year.

Interest Income
Interest income decreased from ₱24 million in the year ended December 31, 2015 to ₱12 million in the year ended December 31, 2016. The 51% decrease resulted primarily from the decrease in cash and cash equivalents of the company.

Interest Expense
Interest expense increased by 496% from ₱501 million in the year ended December 31, 2015 to ₱301 million in the year ended December 31, 2016. This is due primarily to the increase in interest bearing liabilities of the Group to fund expansion.

<u>Provision for Income Tax</u>

Tax expense for the year ended December 31, 2016 is ₱690 million an increase of 70% from ₱405 million for the year ended December 31, 2015. This is due primarily to the higher deferred tax liabilities recorded for the year.

<u>Net Income</u>

As a result of the foregoing, the Company's net income increased by 72% from ₱904 million in the year ended December 31, 2015 to ₱1,551 million in the year ended December 31, 2016.

For the year ended December 31, 2016, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2016 vs. December 31, 2015

Total assets as of December 31, 2015 were ₱31,784 million compared to ₱35,823 million as of December 31, 2016, or a 13% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments decreased by 58% from ₱1,008 million as of December 31, 2015 to ₱428 million as of December 31, 2016 due to the higher disbursements made for the construction of new malls and corporate building.

- Trade Receivables – net increased by 139% from ₱1,527 million as of December 31, 2015 to ₱3,650 million as of December 31, 2016 mainly due increase in rental revenue with the opening of the new malls and corporate building.

- Due from related parties decreased by 17% from ₱3,743 million as of December 31, 2015 to ₱3,113 million as of December 31, 2016 primarily due to settlements made by affiliates during the year.

- Available for sale financial assets decreased by 5% from ₱3,937 million as of December 31, 2015 to ₱3,758 million as of December 31, 2016 due to lower market value of the AFS held by the Group.

- Property and equipment decreased by 15% from ₱61 million as of December 31, 2015 to ₱52 million as of December 31, 2016 due to reclassification made for various equipment to investment property account and retirement of old equipment.

- Investment properties increased by 15% from ₱19,154 million as of December 31, 2015 to ₱22,028 million as of December 31, 2016. The increase was due to the construction and development of new malls and office building for rent.

- Other non-current assets increased by 312% from ₱161 million as of December 31, 2015 to ₱663 million as of December 31, 2016 due to the increase in refundable deposits.

Total liabilities as of December 31, 2015 were ₱14,874 million compared to ₱17,738 million as of December 31, 2016, or a 19% increase. This was due to the following:

- Liability for land acquisition decreased by 45% from ₱552 million as of December 31, 2015 to ₱302 million as of December 31, 2016 due to settlements for the year.

- Interest bearing loans and borrowings decreased by 20% from ₱10,748 million as of December 31, 2015 to ₱8,646 million as of December 31, 2016 due to payments made during the year.

- Trade and other payables increased by 7% from ₱1,736 million as of December 31, 2015 to ₱1,864 million as of December 31, 2016 due mainly to the increase in estimated liability for property development and payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties increased by 629% from ₱720 million as of December 31, 2015 to ₱5,249 million as of December 31, 2016 to advances made from affiliates in 2016 as borrowings are now made at the parent company level (Vista Land).

- Retirement benefit obligation decreased by 33% from ₱61 million as of December 31, 2015 to ₱40 million as of December 31, 2016 due to actuarial adjustments.

- Deferred tax liabilities posted an increase of 149% from ₱343 million as of December 31, 2015 to ₱853 million as of December 31, 2016 due to the increase in temporary differences for the period that will eventually result to future tax liability.

- Refundable deposits increased by 36% from ₱95 million as of December 31, 2015 to ₱128 million as of December 31, 2016 due to the increase in deposits from tenants of both existing and new malls and corporate buildings of the Company.

- Other liabilities including current portion increased by 6% from ₱582 million as of December 31, 2015 to ₱615 million as of December 31, 2016 due mainly to the increase in security deposits.

Total stockholder's equity increased from ₱16,910 million as of December 31, 2015 to ₱18,085 million as of December 31, 2016 to due to the earnings for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2016	12/31/2015
Current ratio [(a)]	1.58:1	1.43:1
Liability-to-equity ratio [(b)]	0.98:1	1.24:1
Interest coverage [(c)]	5.05	9.04
Return on assets [(d)]	4.3%	2.4%
Return on equity [(e)]	8.6%	5.3%

Notes:

(a) *Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.*

(b) *Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.*

(c) *Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the total interest paid. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.*

(d) *Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.*

(e) *Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.*

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2016 increased from that of December 31, 2015 due higher current assets brought about by the increase in the receivables.

The decrease in liability-to-equity ratio was due to the decrease in liability for land acquisition and interest-bearing loans and borrowings due to settlements for the year.

Interest coverage for the year ended December 31, 2016 decreased because of the higher interest paid for the year.

Return on asset increased as of December 31, 2016 compared to that as of December 31, 2015 due to higher income in 2016.

Return on equity is increased as a result of higher income made in 2016.

Material Changes to the Company's Balance Sheet as of December 31, 2016 compared to December 31, 2015 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments decreased by 58% from ₱1,008 million as of December 31, 2015 to ₱428 million as of December 31, 2016 due to the higher disbursements made for the construction of new malls and corporate building.

Trade Receivables – net increased by 139% from ₱1,527 million as of December 31, 2015 to ₱3,650 million as of December 31, 2016 mainly due increase in rental revenue with the opening of the new malls and corporate building.

Due from related parties decreased by 17% from ₱3,743 million as of December 31, 2015 to ₱3,113 million as of December 31, 2016 primarily due to settlements made by affiliates during the year.

Available for sale financial assets decreased by 5% from ₱3,937 million as of December 31, 2015 to ₱3,758 million as of December 31, 2016 due to lower market value of the AFS held by the Group.

Property and equipment decreased by 15% from ₱61 million as of December 31, 2015 to ₱52 million as of December 31, 2016 due to reclassification made for various equipment to investment property account and retirement of old equipment.

Investment properties increased by 15% from ₱19,154 million as of December 31, 2015 to ₱22,028 million as of December 31, 2016. The increase was due to the construction and development of new malls and office building for rent.

Other non-current assets increased by 312% from ₱161 million as of December 31, 2015 to ₱663 million as of December 31, 2016 due to the increase in refundable deposits.

Liability for land acquisition decreased by 45% from ₱552 million as of December 31, 2015 to ₱302 million as of December 31, 2016 due to settlements for the year.

Interest bearing loans and borrowings decreased by 20% from ₱10,748 million as of December 31, 2015 to ₱8,646 million as of December 31, 2016 due to payments made during the year.

Trade and other payables increased by 7% from ₱1,736 million as of December 31, 2015 to ₱1,864 million as of December 31, 2016 due mainly to the increase in estimated liability for property development and payable to suppliers and contractors for the construction and development of new projects.

Due to related parties increased by 629% from ₱720 million as of December 31, 2015 to ₱5,249 million as of December 31, 2016 to advances made from affiliates in 2016 as borrowings are now made at the parent company level (Vista Land).

Retirement benefit obligation decreased by 33% from ₱61 million as of December 31, 2015 to ₱40 million as of December 31, 2016 due to actuarial adjustments.

Deferred tax liabilities posted an increase of 149% from ₱343 million as of December 31, 2015 to ₱853 million as of December 31, 2016 due to the increase in temporary differences for the period that will eventually result to future tax liability.

Refundable deposits increased by 36% from ₱95 million as of December 31, 2015 to ₱128 million as of December 31, 2016 due to the increase in deposits from tenants of both existing and new malls and corporate buildings of the Company.

Other liabilities including current portion increased by 6% from ₱582 million as of December 31, 2015 to ₱615 million as of December 31, 2016 due mainly to the increase in security deposits.

Material Changes to the Company's Statement of income for the year ended December 31, 2016 compared to the year ended December 31, 2015 (increase/decrease of 5% or more)

Rental income increased from ₱2,380 million in the year ended December 31, 2015 to ₱4,078 million in the year ended December 31, 2016. The 71% increase was due to the primarily to the additional leasable space for the year, increase in occupancy of the existing malls and increase in the rental rate.

Parking fee revenue decreased from ₱122 million in the year ended December 31, 2015 to ₱106 million in the year ended December 31, 2016. The 13% decrease was due to lower number of vehicles using the mall parking space due to traffic situation, most shoppers are using the public transports in going to the malls.

Other operating income increased from ₱274 million in the year ended December 31, 2015 to ₱296 million in the year ended December 31, 2016. The 8% increase was due to increase in other fees charged to tenants classified as other operating income.

Increase in depreciation and amortization by 50% from ₱480 million in the year ended December 31, 2015 to ₱718 million in the year ended December 31, 2016 due to additional depreciation from the newly opened malls and corporate building.

Increase in light and power by 55% from ₱219 million in the year ended December 31, 2015 to ₱340 million in the year ended December 31, 2016 due to the increase in the consumption in light and power as a result of the additional mall openings during the year as well as increase the rate of utilities charged during the period.

Increase in outside services by 24% from ₱203 in the year ended December 31, 2015 to ₱251 million in the year ended December 31, 2016 due to the increase in manpower and agency fees for the operations of the malls and office buildings as a result of the new openings for the year.

Increase in salaries and employee benefits by 29% from ₱131 million in the year ended December 31, 2015 to ₱19 million in the year ended December 31, 2016 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

Increase in taxes and licenses by 107% from ₱70 million in the year ended December 31, 2015 to ₱144 million in the year ended December 31, 2016 due to additional taxes paid as a result of the increase in the Group's investment properties.

Increase in rentals by 5% from ₱107 million in the year ended December 31, 2015 to ₱112 million in the year ended December 31, 2016 due to the annual escalations of the rental rates of existing leased properties.

Increase in repairs and maintenance by 47% from ₱58 million in the year ended December 31, 2015 to ₱85 million in the year ended December 31, 2016 due to the refurbishment of the older malls and one of our first office building.

Increase in advertising and promotions by 63% from ₱30 million in the year ended December 31, 2015 to ₱49 million in the year ended December 31, 2016 due to increase in advertorials for the marketing and promotion of the malls and corporate buildings especially the newly opened ones.

Increase in insurance by 36% from ₱15 million in the year ended December 31, 2015 to ₱21 million in the year ended December 31, 2016 due to the additional insurance obtained by the Company for its new malls and office buildings.

Decrease in professional fees by 58% from ₱27 million in the year ended December 31, 2015 to ₱12 million in the year ended December 31, 2016 as a result of decrease in audit and other professional fees paid in 2016 as there were less interim review procedures required from the auditors.

Decrease in other operating expenses by 54% from ₱99 million in the year ended December 31, 2015 to ₱46 million in the year ended December 31, 2016 due to the lower impairment losses recognized for the year.

Interest income decreased from ₱24 million in the year ended December 31, 2015 to ₱12 million in the year ended December 31, 2016. The 51% decrease resulted primarily from the decrease in cash and cash equivalents of the company.

Interest expense increased by 496% from ₱501 million in the year ended December 31, 2015 to ₱301 million in the year ended December 31, 2016. This is due primarily to the increase in interest bearing liabilities of the Group to fund expansion.

Tax expense for the year ended December 31, 2016 is ₱690 million an increase of 70% from ₱405 million for the year ended December 31, 2015. This is due primarily to the higher deferred tax liabilities recorded for the year.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

REVIEW OF YEAR END 2015 VS YEAR END 2014

RESULTS OF OPERATIONS

Revenues

Operating revenue

Operating revenue increased from ₱2,052 million in the year ended December 31, 2014 to ₱2,776 million in the year ended December 31, 2015. The 36% increase in the account was primarily attributable to the following:

- Rental income increased from ₱1,615 million in the year ended December 31, 2014 to ₱2,380 million in the year ended December 31, 2015. The 47% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte, Starmall Prima Taguig and Starmall Talisay and Worldwide Corporate Center as well as the opening of Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus and Optimum Bank Building.

- Parking fee revenue increased from ₱41 million in the year ended December 31, 2014 to ₱122 million in the year ended December 31, 2015. The 199% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

- Real estate sales decreased from ₱85 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015. The 100% decrease was due to none recognition of real estate sales with the deconsolidation of BEC.

- Other operating income decreased from ₱311 million in the year ended December 31, 2014 to ₱274 million in the year ended December 31, 2015. The 12% decrease was due to decrease in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Costs and Expenses

Operating Expenses

Cost and expenses increased from ₱1,249 million in the year ended December 31, 2014 to ₱1,439 million in the year ended December 31, 2015. The 15% increase in the account was primarily attributable to the following:

- Increase in depreciation and amortization by 12% from ₱427 million in the year ended December 31, 2014 to ₱480 million in the year ended December 31, 2015 due to additional depreciation from the newly opened malls and corporate building.

- Increase in outside services by 26% from ₱161 in the year ended December 31, 2014 to ₱203 million in the year ended December 31, 2015 due to the increase in manpower and agency fees for the operations of the malls and office buildings.

- Increase in rentals by 2% from ₱105 million in the year ended December 31, 2013 to ₱107 million in the year ended December 31, 2015 due to the increase in rental payments for the parcels of land in which the Worldwide Corporate Center, Starmall Taguig, and Starmall Talisay are located.

- Increase in salaries and employee benefits by 26% from ₱104 million in the year ended December 31, 2014 to ₱131 million in the year ended December 31, 2015 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

- Increase in taxes and licenses by 28% from ₱54 million in the year ended December 31, 2014 to ₱70 million in the year ended December 31, 2015 due to additional taxes with the increase of the Group's investment portfolio.

- Increase in light and power by 29% from ₱170 million in the year ended December 31, 2014 to ₱219 million in the year ended December 31, 2015 due to the increase in consumption and rate of utilities as well as due to the newly opened malls and corporate buildings.

- Increase in repairs and maintenance by 23% from ₱47 million in the year ended December 31, 2014 to ₱58 million in the year ended December 31, 2015 due to the refurbishment of the older malls and WCC building.

- Increase in advertising and promotion by 29% from ₱23 million in the year ended December 31, 2014 to ₱30 million in the year ended December 31, 2015 due to increase in advertorials for the marketing and promotion of the malls and corporate buildings.

- Increase in professional fees by 61% from ₱17 million in the year ended December 31, 2014 to ₱27 million in the year ended December 31, 2015 as a result of increase in audit and other professional fees paid in 2015.

- Decrease in cost of real estate sales by 100% from ₱66 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015 due to the non-recognition of real estate sales with the deconsolidation of BEC in 2014.

- Increase in other operating expenses by 69% from ₱59 million in the year ended December 31, 2014 to ₱99 million in the year ended December 31, 2015 primarily due to the recognition of impairment losses on accounts receivables in 2015.

Interest Income
Interest income decreased from ₱36 million in the year ended December 31, 2014 to ₱24 million in the year ended December 31, 2015. The 33% decrease resulted primarily from the decrease in available-for-sale financial assets of the Group.

Interest and Financing Charges
Interest and financing charges decreased by 22% from ₱65 million in the year ended December 31, 2014 to ₱51 million in the year ended December 31, 2015. This was decrease in interest on borrowings due to capitalization of the borrowing cost for the year.

Loss from Sale of AFS Financial Asset
The company incurred a loss amounting to ₱0.22 million with the disposal of its available-for-sale financial assets in 2015.

Provision for Income Tax

Tax expense for the year ended December 31, 2015 is ₱405 million and increased by 138% from ₱170 million for the year ended December 31, 2014. This is due to the primarily to the deferred tax liabilities on rental income and capitalized interest.

Net Income

As a result of the foregoing, the Company's net income increased by 57% from ₱576 million for the year ended December 31, 2014 to ₱904 million for the year ended December 31, 2015.

For the year ended December 31, 2015, there were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations. The Company is not aware of events that will cause a material change in the relationship between the costs and revenues.

FINANCIAL CONDITION

As of December 31, 2015 vs. December 31, 2014

Total assets as of December 31, 2014 were ₱19,567 million compared to ₱31,783 million as of December 31, 2015, or a 62% increase. This was due to the following:

- Cash and cash equivalents including short term cash investments decreased by 48% from ₱1,860 million as of December 31, 2014 to ₱1,008 million as of December 31, 2015 as disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

- Trade Receivables – net increased by 151% from ₱608 million as of December 31, 2014 to ₱1,527 million as of December 31, 2015 mainly due increase in rental revenue with the opening of the new malls and corporate building.

- Due from related parties decreased by 8% from ₱4,050 million as of December 31, 2014 to ₱3,743 million as of December 31, 2015 primarily due to settlements from affiliates.

- Available for sale financial assets increased by 1,045% from ₱344 million as of December 31, 2014 to ₱3,937 million as of December 31, 2015 due acquisition of VLL shares by MC after its disposal of its investment in STR shares.

- Prepayments and other current assets increased by 36% from ₱1,373 million as of December 31, 2014 to ₱1,869 million as of December 31, 2015 due mainly to the increase in increase in input taxes resulting from purchases made for the construction of new malls and office buildings as well as creditable withholding taxes.

- Property and equipment decreased by 69% from ₱202 million as of December 31, 2014 to ₱61 million as of December 31, 2015 due to reclassification made for various equipment to investment property account and retirement of aged equipment.

- Investment properties increased by 81% from ₱10,556 million as of December 31, 2014 to ₱19,154 million as of December 31, 2015. The increase was due to the construction and development of new projects and purchase of various properties to be used for commercial development. .

- Other non-current assets increased by 7% from ₱150 million as of December 31, 2014 to ₱161 million as of December 31, 2014 due to the increase in refundable deposits.

Total liabilities as of December 31, 2014 were ₱7,589 million compared to ₱14,874 million as of December 31, 2015, or a 96% increase. This was due to the following:

- Liability for land acquisition increased by 104% from ₱270 million as of December 31, 2014 from ₱552 million as of December 31, 2015 due to the land acquired on account during the year for new project sites.

- Interest bearing loans and borrowings increased by 119% from ₱4,901 million as of December 31, 2014 to ₱10,757 million as of December 31, 2015 due to the additional interest bearing loans obtained from various banks in 2015 for the development of new projects.

- Accounts and other payables increased by 15% from ₱1,507 million as of December 31, 2014 to ₱ 1,736 million as of December 31, 2015 due mainly to the increase in estimated liability for property development and payable to suppliers and contractors for the construction and development of new projects.

- Due to related parties increased by 298% from ₱181 million as of December 31, 2014 to ₱720 million as of December 31, 2015 to advances made from affiliates in 2015.

- Income tax payable decreased by 33% from ₱56 million as of December 31, 2014 to ₱37 million as of December 31, 2015 to due to settlement for the year.

- Retirement benefit obligation increased by 19% from ₱51 million as of December 31, 2014 to ₱61 million as of December 31, 2015 due to increased headcount and actuarial adjustments.

- Deferred tax liabilities posted an increase of 358% from ₱74 million as of December 31, 2014 to ₱ 337 million as of December 31, 2015. The difference is due to the increase in temporary tax differences of MAPI and MC.

- Other non-current liabilities and refundable deposits increased by 23% from ₱548 million as of December 31, 2014 to ₱676 million as of December 31, 2015 due to the increase in security deposits from tenants of the existing malls and corporate buildings.

Total stockholder's equity increased from ₱11,978 million as of December 31, 2014 to ₱16,910 million as of December 31, 2015 to due to the earnings for the year.

Considered as the top five key performance indicators of the Company as shown below:

Key Performance Indicators	12/31/2015	12/31/2014
Current ratio [(a)]	1.43:1	1.70:1
Debt-to-equity ratio [(b)]	1.24:1	0.63:1
Interest coverage [(c)]	9.04	8.47
Return on assets [(d)]	2.4%	2.9%
Return on equity [(e)]	5.3%	4.8%

Notes:

(f) Current Ratio: This ratio is obtained by dividing the Current Assets of the Company by its Current liabilities. This ratio is used as a test of the Company's liquidity.

(g) Liability-to-equity ratio: This ratio is obtained by dividing the Company's Total Liabilities by its Total Equity. The ratio reveals the proportion of debt and equity a company is using to finance its business. It also measures a company's borrowing capacity.

(h) Interest coverage: This ratio is obtained by dividing earnings before interest, taxes depreciation and amortization (EBITDA) by the total interest paid. This ratio shows whether a company is earning enough profits before interest to pay its interest cost comfortably.

(i) Return on assets: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total assets. This measures the Company's earnings in relation to all of the resources it had at its disposal.

(j) Return on equity: This ratio is obtained by dividing the Company's net income (net of income from acquisition of subsidiary) by its total equity. This measures the rate of return on the ownership interest of the Company's stockholders.

Because there are various calculation methods for the performance indicators above, the Company's presentation of such may not be comparable to similarly titled measures used by other companies.

Current ratio as of December 31, 2015 decreased from that of December 31, 2014 due to the increased loans and borrowings.

The increase in debt-to-equity ratio was due to the increase in interest-bearing loans and accounts payable.

Interest coverage for the year ended December 31, 2015 increased because of the increase in EBITDA for the year 2015.

Return on asset increased as of December 31, 2015 compared to that as of December 31, 2014 due to higher income in 2015.

Return on equity is increased as a result of higher income made in 2015.

Material Changes to the Company's Balance Sheet as of December 31, 2015 compared to December 31, 2014 (increase/decrease of 5% or more)

Cash and cash equivalents including short term cash investments decreased by 48% from ₱1,860 million as of December 31, 2014 to ₱1,008 million as of December 31, 2015 as disbursements made for the construction of new malls and corporate building as well as purchase of land to be used for future project sites.

Trade Receivables – net increased by 151% from ₱608 million as of December 31, 2014 to ₱1,527 million as of December 31, 2015 mainly due increase in rental revenue with the opening of the new malls and corporate building.

Due from related parties decreased by 8% from ₱4,050 million as of December 31, 2014 to ₱3,743 million as of December 31, 2015 primarily due to settlements from affiliates.

Available for sale financial assets increased by 1,045% from ₱344 million as of December 31, 2014 to ₱3,937 million as of December 31, 2015 due acquisition of VLL shares by MC after its disposal of its investment in STR shares.

Prepayments and other current assets increased by 36% from ₱1,373 million as of December 31, 2014 to ₱1,869 million as of December 31, 2015 due mainly to the increase in increase in input taxes resulting from purchases made for the construction of new malls and office buildings as well as creditable withholding taxes.

Property and equipment decreased by 69% from ₱202 million as of December 31, 2014 to ₱61 million as of December 31, 2015 due to reclassification made for various equipment to investment property account and retirement of aged equipment.

Investment properties increased by 81% from ₱10,556 million as of December 31, 2014 to ₱19,154 million as of December 31, 2015. The increase was due to the construction and development of new projects and purchase of various properties to be used for commercial development. .

Other non-current assets increased by 7% from ₱150 million as of December 31, 2014 to ₱161 million as of December 31, 2014 due to the increase in refundable deposits.

Liability for land acquisition increased by 104% from ₱270 million as of December 31, 2014 from ₱552 million as of December 31, 2015 due to the land acquired on account during the year for new project sites.

Interest bearing loans and borrowings increased by 119% from ₱4,901 million as of December 31, 2014 to ₱10,757 million as of December 31, 2015 due to the additional interest bearing loans obtained from various banks in 2015 for the development of new projects.

Accounts and other payables increased by 15% from ₱1,507 million as of December 31, 2014 to ₱1,736 million as of December 31, 2015 due mainly to the increase in estimated liability for property development and payable to suppliers and contractors for the construction and development of new projects.

Due to related parties increased by 298% from ₱181 million as of December 31, 2014 to ₱720 million as of December 31, 2015 to advances made from affiliates in 2015.

Income tax payable decreased by 33% from ₱56 million as of December 31, 2014 to ₱37 million as of December 31, 2015 to due to settlement for the year.

Retirement benefit obligation increased by 19% from ₱51 million as of December 31, 2014 to ₱61 million as of December 31, 2015 due to increased headcount and actuarial adjustments.

Deferred tax liabilities posted an increase of 358% from ₱74 million as of December 31, 2014 to ₱337 million as of December 31, 2015. The difference is due to the increase in temporary tax differences of MAPI and MC.

Other non-current liabilities and refundable deposits increased by 23% from ₱548 million as of December 31, 2014 to ₱676 million as of December 31, 2015 due to the increase in security deposits from tenants of the existing malls and corporate buildings.

Material Changes to the Company's Statement of income for the year ended December 31, 2015 compared to the year ended December 31, 2014 (increase/decrease of 5% or more)

Rental income increased from ₱1,615 million in the year ended December 31, 2014 to ₱2,380 million in the year ended December 31, 2015. The 47% increase was due to the increase in occupancy of Starmall Las Piñas Annex, Starmall EDSA-Shaw, Starmall Alabang, Starmall San Jose del Monte, Starmall Prima Taguig and Starmall Talisay and Worldwide Corporate Center as well as the opening of Starmall Prima Daang Hari, Starmall Prima Sta. Rosa, Starmall Imus and Optimum Bank Building.

Parking fee revenue increased from ₱41 million in the year ended December 31, 2014 to ₱122 million in the year ended December 31, 2015. The 199% increase was due to the increase in parking rates and increase occupancy in the existing malls and corporate buildings as well as the opening of the multi-level parking in the Starmall Las Pinas complex.

Real estate sales decreased from ₱85 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015. The 100% decrease was due to none recognition of real estate sales with the deconsolidation of BEC.

Other operating income decreased from ₱311 million in the year ended December 31, 2014 to ₱274 million in the year ended December 31, 2015. The 12% decrease was due to decrease in other operating income such as realized gross profit on real estate sales, gain on derecognition of liabilities and penalties and other fees charged to tenants.

Increase in depreciation and amortization by 12% from ₱427 million in the year ended December 31, 2014 to ₱480 million in the year ended December 31, 2015 due to additional depreciation from the newly opened malls and corporate building.

Increase in outside services by 26% from ₱161 in the year ended December 31, 2014 to ₱203 million in the year ended December 31, 2015 due to the increase in manpower and agency fees for the operations of the malls and office buildings.

Increase in salaries and employee benefits by 26% from ₱104 million in the year ended December 31, 2014 to ₱131 million in the year ended December 31, 2015 due to the increase in manpower for the operations and management of the new and existing malls and office buildings.

Increase in taxes and licenses by 28% from ₱54 million in the year ended December 31, 2014 to ₱70 million in the year ended December 31, 2015 due to additional taxes with the increase of the Group's investment portfolio.

Increase in light and power by 29% from ₱170 million in the year ended December 31, 2014 to ₱219 million in the year ended December 31, 2015 due to the increase in consumption and rate of utilities as well as due to the newly opened malls and corporate buildings.

Increase in repairs and maintenance by 23% from ₱47 million in the year ended December 31, 2014 to ₱58 million in the year ended December 31, 2015 due to the refurbishment of the older malls and WCC building.

Increase in advertising and promotion by 29% from ₱23 million in the year ended December 31, 2014 to ₱30 million in the year ended December 31, 2015 due to increase in advertorials for the marketing and promotion of the malls and corporate buildings.

Increase in professional fees by 61% from ₱17 million in the year ended December 31, 2014 to ₱27 million in the year ended December 31, 2015 as a result of increase in audit and other professional fees paid in 2015.

Decrease in cost of real estate sales by 100% from ₱66 million in the year ended December 31, 2014 to nil in the year ended December 31, 2015 due to the non-recognition of real estate sales with the deconsolidation of BEC in 2014.

Increase in other operating expenses by 69% from ₱59 million in the year ended December 31, 2014 to ₱99 million in the year ended December 31, 2015 primarily due to the recognition of impairment losses on accounts receivables in 2015.

Interest income decreased from ₱36 million in the year ended December 31, 2014 to ₱24 million in the year ended December 31, 2015. The 33% decrease resulted primarily from the decrease in available-for-sale financial assets of the Group.

Interest and financing charges decreased by 22% from ₱65 million in the year ended December 31, 2014 to ₱51 million in the year ended December 31, 2015. This was decrease in interest on borrowings due to capitalization of the borrowing cost for the year.

The company incurred a loss amounting to ₱0.22 million with the disposal of its available-for-sale financial assets in 2015.

Tax expense for the year ended December 31, 2015 is ₱405 million and increased by 138% from ₱170 million for the year ended December 31, 2014. This is due to the primarily to the deferred tax liabilities on rental income and capitalized interest.

There are no other material changes in the Company's financial position (changes of 5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition on the Company.

Commitments and Contingencies

The Group is contingently liable with respect to guarantees arising in the ordinary course of business, including surety bonds, letters of guarantee for performance and bonds for its entire real estate project.

The Philippines continues to experience economic difficulties relating to currency fluctuations, volatile stock markets and slowdown in growth. Management is of the opinion that losses, if any, from these events and conditions will not have material effects on the Group's financial statements.

Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The registrant shall indicate balance sheet conditions or an income or cash flow item that it believes may be indicators of its liquidity condition.

The Group sources its capital requirements through a mix of internally generated cash, bank borrowings and advances from parent company. The Group does not expect any material cash requirements beyond the normal course of the business.

Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

None, except for those items disclosed in the 2016 Audited Financial Statements.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period except those disclosed in the 2016 Audited Financial Statements.

Item 7. Financial Statements

The Consolidated Financial Statements of the Company as of and for the year ended December 31, 2016 are incorporated herein in the accompanying Index to Financial Statements and/Supplementary Schedules.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountant

From 2004 to 2014, the external auditor of the Company was the accounting firm of Punongbayan and Araullo. Ms. Dalisay B. Duque has been the Partner In-charge since 2004. Pursuant to the General Requirements of SRC Rule 68, Par 3 (Qualifications and Reports of Independent Auditors), Ms. Mailene Sigue-Bisnar became the Partner In-charge for the year 2009. Mr. Nelson J. Dinio has been the partner designated for the financial statements for the year ended December 31, 2010 to 2014.

SGV & Co., independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2014, 2015 and 2016, included in this report. Michael C. Sabado is the current audit partner for the Company and its subsidiaries.

External Audit Fees and Services

External Audit Fees

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Company.

	2016	**2015**
	(In ₱ Millions with VAT)	
Audit and Audit-Related Fees:		
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱ 3.41	₱ 4.31
All other fees	–	–
Total	**₱ 3.41**	**₱ 4.31**

SGV & Company do not have any direct or indirect interest in the Company.

Tax Fees

Tax accounting, compliance, advice, planning and other form of tax services are not rendered by the appointed external auditor of the Company, but are secured from other entities.

All Other Fees

The appointed External Auditor of the Company does not render and/or provide product or service to the Company other than those provided under the caption “External Audit Fees”.

Audit Committee’s Approval Policies and Procedure for the Services of the External Auditor

The scope, extent and nature of the services to be referred to, and/or to be rendered by, the appointed External Auditor of the Company has to be unanimously approved by the Audit Committee in a meeting duly called for the purpose, including the fees to be paid for the services thus rendered and/or referred.

<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>

The Group has adopted some revisions and annual improvements to the PFRS (Philippine Financial Reporting Standards) that are relevant to the Group and effective for the financial statements beginning on or after January 1, 2016 as discussed in Note 3 of the Notes to Consolidated Financial Statements for the years ended December 31, 2016, 2015 and 2014.

As such, the comparative amounts contained in the audited financial statements may differ from those previously presented in the consolidated financial statements for the year ended December 31, 2015, 2014 and 2013.

There are no disagreeents with auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

<u>Board of Directors and Executive Officers</u>

The table below sets forth the members of the Company's Board and Executive Officers as of December 31, 2016.

NAME	AGE	POSITION	CITIZENSHIP
Manuel B. Villar Jr.	67	Chairman	Filipino
Jerry M. Navarrete	62	President & CEO	Filipino
Benjamarie Therese N. Serrano	54	Director, Chief Operating Officer	Filipino
Manuel Paolo A. Villar	40	Director	Filipino
Adisorn Thananun-Narapool	62	Director	Thai
Joel L. Bodegon	68	Independent Director	Filipino
Raul Juan N. Esteban	54	Independent Director	Filipino
Cynthia J. Javarez	53	Chief Financial Officer & Treasurer	Filipino
Ma. Nalen Rosero-Galang	45	Corporate Secretary & Compliance Officer	Filipino

** Business Experience of the named directors and officers covers the past five (5) years.*

MANUEL B. VILLAR JR., *Chairman*, was a Senator of the Philippines, having been elected in 2001 and re-elected in 2007. He served as Senate President from 2006 to 2008. He was a Congressman from 1992 to 2001 and served as Speaker of the House of Representatives from 1998 to 2000. A certified public accountant, Mr. Villar graduated from the University of the Philippines in 1970 with the degree of Bachelor of Science in Business Administration and in 1973 with the degree of Masters in Business Administration. In the early 1970's he founded Camella Homes and successfully managed the company to become the largest homebuilder in the Philippines now known as the Vista Land Group. Mr. Villar has been Chairman of the Board of the Company since 2012.

JERRY M. NAVARRETE, *President and Chief Executive Officer*, graduated from the Lyceum of the Philippines with a Bachelor's degree in Economics and from Ateneo de Manila University with a

Master's degree in Business Administration. He previously worked as research analyst with Aguilar Shipping for one year. Mr. Navarrete has been with the Villar Family Companies for more than 35 years. Mr. Navarrete has been President and Chief Executive Officer of the Company since 2004.

BENJAMARIE THERESE N. SERRANO, *Director and Chief Operating Officer,* graduated from the University of Philippines with a degree of Bachelor of Arts in Economics and from the Asian Institute of Management with a degree of Master of Business Management. She is presently the President and Chief Executive Officer of AllValue Holdings Corp. and its subsidiaries. She has been President of, and Chief Executive Officer of, Vista Land & Lifescapes, Inc. from 2007 to 2011 and was a director from 2007 to 2012. She is the Business Development Head of the Villar Group of Companies from 2012 to present.

MANUEL PAOLO A. VILLAR, *Director*, graduated from the Wharton School of the University of Pennsylvania with a dual degree of Bachelor of Science in Economics and bachelor of Applied Science. He worked as a research analyst at Clemente Capital Inc. in New York City prior to his graduation. He was a fixed income analyst at Goldman Sachs in Hong Kong and a consultant for McKinsey & Co. in the United States for two years before joining the Vista Land Group in 2001. He is currently the President and Chief Executive Officer of Vista Land. Mr. Villar has been a Director of the Company since 2007.

ADISORN THANANUN-NARAPOOL, *Director*, holds a Bachelor of Accounting from Thammasat University and M.B.A. from Thammasat University. Mr. Thananun-Narapool has been Managing Director of Land and Houses Public Company Limited since May 1, 2013 and serves as its Member of Executive Board. Mr. Thananun-Narapool served as Senior Executive Vice President of Support at Land and Houses Public Company Limited from 2002 to April 2013 and served as its Chief Financial Officer. Mr. Thananun-Narapool served as an Executive Vice President -Land and Houses Public Co., Ltd. from 1992 to 2001. He has been a Director of Land and Houses North Co Ltd., and Land and Houses Northeast Co Ltd., since 1995. Mr. Thananun-Narapool has been a Director of Siam Tanee Property Co., Ltd. since 1991, Siam Tanee Realestate Co., Ltd. since 1993, Safety Insurance Public Co., Ltd. since 1994, Cameron Global Limited since 1999, LH Muang Mai Co., Ltd. since 2001. Mr. Thananun-Narapool serves as a Director of Secondary Mortgage Corporation, Asset Plus Securities Public Co., Ltd., Land and Houses Property Fund. He has been a Director of Land and Houses Public Company Ltd. since 2002.

JOEL L. BODEGON, *Independent Director*, obtained his Bachelor of Arts degree and Bachelor of Laws, both from the University of the Philippines. He was admitted to the Bar in 1975. He worked in a private law firm and the Office of the Solicitor General before he joined Angara Abello Concepcion Regala and Cruz (ACCRA) in 1976, where he became a partner in 1982 until 1986. In 1987, he formed, together with some ACCRA partners, the Jardeleza Sobreviñas Diaz Hayudini & Bodegon Law Offices, where he was managing partner for 12 years until his retirement in 2008. In 2010, he formed the Bodegon Estorninos Guerzon Borie & Bongco Law Offices. Mr. Bodegon has been a Director of the Company since 2010. Atty. Bodegon possesses all the qualifications and none of the disqualifications of an Independent Director under SRC Rule 38 since his election as such.

RAUL N. ESTEBAN, *Independent Director*, graduated from the Ateneo de Manila University with a degree of Bachelor of Science in Management Engineering. He became a brand manager of Unilever Philippine from 1983 to 1986. He was the Country Representative of PPF (A Subsidiary of Unilever) from 1986 to 1988. He was Founding Partner of AGB-Nielsen Philippines and was Chairman until 2012. He held various positions in the Advertising Board of the Philippines, Advertising Congress, MORES (Marketing & Opinion Research Society of the Philippines) and ESOMAR (World Association of Marketing, Social, and Opinion Research) from 2000 to present. Currently, he is the Managing Director of Philippine Survey and Research Center Inc.

CYNTHIA J. JAVAREZ, *Chief Financial Officer and Treasurer,* Ms. Javarez, 53, graduated from the University of the East with a degree in Bachelor of Science in Business Administration major in Accounting. She is a Certified Public Accountant. She took a Management Development Program at the Asian Institute of Management. She is currently the Chief Financial Officer and Treasurer of Starmalls, Inc. She is also the Controller, Chief Financial Officer and Head of the Tax and Audit group of Vista Land after holding various other positions in the MB Villar Group of Companies since 1985.

MA. NALEN SJ. ROSERO-GALANG, *Compliance Officer and Corporate Secretary*, graduated salutatorian from the San Beda College of Law. She has been with Manuela since 2001. She was an associate of the Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices for three years. She is currently a director of Masterpiece Asia Properties, Inc. and Manuela Corporation. She is also the Corporate Secretary of the subsidiaries of Vista Land.

Resignation of Directors

Ms. Carolina C. Mejias resigned as director of the Company in June 2014. Mr. Raul Juan N. Esteban was elected in her place.

Ms. Frances Rosalie T. Coloma was not nominated for re-election in June 2014. Ms. Benjamarie Therese N. Serrano was nominated in her place.

To date, no director has resigned or declined to stand for re-election for the Board of Directors due to any disagreement with the Corporation relative to the Corporation's policies, practices and operations.

Family relationships

Manuel B. Villar, Jr., is the father of Manuel Paolo A. Villar. There are no other family relationships among the directors and executive officers.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Directors and Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

(a) None of them has been involved in any bankruptcy petition.

(b) None of them has been convicted by final judgment in a criminal proceeding or being subject to any pending criminal proceeding, both domestic and foreign.

(c) None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (both domestic and foreign) permanently or temporarily enjoining, barring, suspending or likewise limiting their involvement in any type of business, securities, commodities or banking activities.

(d) None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), by the Commission or comparable body, or by a domestic or foreign exchange or organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Names	Position	Year	Salary	Bonus
Jerry Navarrete	President & CEO			
Benjamarie Therese N. Serrano	Chief Operating Officer			
Cynthia J. Javarez	Chief Financial Officer & Treasurer			
Florence R. Bernardo	Mall operations			
Shiela Joy L. Sanchez	BPO operations			
Aggregate executive compensation for above named officers		**Actual 2015**	**₱ 8.0 M**	**₱ 0.7 M**
		Actual 2016	**₱ 8.0 M**	**₱ 0.6 M**
		Projected 2017	**₱ 8.4 M**	**₱ 0.6 M**
Aggregate executive compensation for all other officers and directors, unnamed		**Actual 2015**	**₱ 4.5 M**	**₱ 0.5 M**
		Actual 2016	**₱ 4.5 M**	**₱ 0.4 M**
		Projected 2017	**₱ 4.8 M**	**₱ 0.4 M**

The total annual compensation paid to the above-named officers and directors was paid in cash. The annual compensation includes the basic salary, the mid-year and 13th month bonus.

Standard arrangements

Other than payment of reasonable per diem per non-executive director for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2016 and 2015.

Other arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly by the Company's subsidiaries, during 2015 and 2016 for any service provided as a director.

Employment Contracts and Termination of Employment and Change in Control Arrangements

The Company has not entered into any contract or arrangement for payment of compensation other than what has been included above. Executive officers are considered employees of the Company, but their contracts with the Company are not in writing. The Company has no arrangement for termination of employment.

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

Significant employee

The Company has high regard for its human resources. It expects each employee to do his part in achieving the Company's goals and objectives.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners

Security ownership of certain record and beneficial owners of more than 5.0% of the voting securities as of December 31, 2016:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Us	Name of Beneficial Owner /Relationship with Record Owner	Citizenship	No. of Shares Held	% of Ownership[1]
Common	Vista Land & Lifescapes, Inc. 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	7,443,192,641	69.0721%
Common	Land & Houses Public Company Limited Q. House, Convent Building, 4th & 5th Floors, No. 38 Convent Road, Silom, Bangkok, Thailand Shareholder	Record Owner is also beneficial Owner	Thai	808,431,465	7.5022%
Preferred	Fine Properties Inc. 3rd Floor Starmall Las Piñas, CV Starr Avenue, Pamplona, Las Piñas City Shareholder	Record Owner is also beneficial Owner	Filipino	2,350,000,000	21.8078%

[1]Based on the total issued and outstanding shares (common and preferred) of 10,775,981,156 as of December 31, 2016

Security Ownership of Management

Security ownership of certain management as of December 31, 2016:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Piñas City	1,000 - Direct	Filipino	0.00001%
Preferred Shares	Manuel B. Villar Jr. C. Masibay Street, BF Resort Village, Las Piñas City	2,350,000,000 - Indirect	Filipino	21.80776%
Common Shares	Manuel Paolo A. Villar C. Masibay Street, BF Resort Village, Las Piñas City	1,000 - Direct	Filipino	0.00001%
Common Shares	Jerry M. Navarrete No. 333 Sineguelasan, Bacoor, Cavite	25,000 - Direct	Filipino	0.00023%

Common Shares	Benjamarie Therese N. Serrano 103 Parklane St. La Marea Subdivision, San Pedro, Laguna	1,000 - Direct	Filipino	0.00001%
Common Shares	Adisorn Thananan-Narapool 1 Q. House, Lumpini 38th Floor, South Saturn Road, Silom, Bangkok, Thailand	1,000 – Indirect	Thai	0.00001%
Common Shares	Joel L. Bodegon 118 Lipa Street, Ayala Alabang Village, Muntinlupa City	1,000 – Direct	Filipino	0.00001%
Common Shares	Raul Juan N. Esteban 223B Alexandra Condo. 29 Meralco Avenue, Ortigas Center, Pasig City	1,000 – Indirect	Filipino	0.00001%
Common Shares	Cynthia J. Javarez B3A/L2 Vetta di Citta Italia Imus, Cavite	1,000 - Direct	Filipino	0.00001%
AGGREGATE SHAREHOLDINGS		**2,350,032,000**		**21.80806%**

Voting Trust Holders of 5.0% or More

As of December 31, 2016, there is no party holding any voting trust for 5% or more of total shares outstanding.

Changes In Control

As of December 31, 2016, there was no arrangement which may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company is a subsidiary of Vista Land & Lifescapes, Inc. (VLL). It enters into transactions with associates and related parties, in its regular course of business, consisting mainly of advances and reimbursement of expenses and purchase and sell of real estate properties. These transactions to and from related parties are made on arm’s length basis and at current market prices at the time of the transactions.

No transaction, without proper disclosure, was undertaken by the Company in which any Director or Executive Officer, nominee for election as Director, or any member of its immediate family was involved or had a direct or indirect material interest.

No single Director or Executive Officer, nominee for election as Director, or any member of their immediate family owns or holds more than 10% of the Company’s voting shares.

Please refer to Notes on Related Party Transactions of the Notes to Consolidated Financial Statements of the 2016 Audited Financial Statements, which is incorporated herein in the accompanying Index to Exhibits.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

To be disclosed separately.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17 A

Exhibits

See accompanying Index to Financial Statements and Supplementary Schedules.

The following exhibit is incorporated by reference in this report:

Consolidated Financial Statements of the Company as of and for the year ended December 31, 2016.

The other exhibits, as indicated in the Index to Financial Statements and Supplementary Schedules are either not applicable to the Company or require no answer.

Reports on SEC Form 17-C

The following current reports have been reported by Starmalls, Inc. during the year 2016 through official disclosure letters dated:

January 4, 2016
STR Acquisition by VLL: Start of Tender Offer

January 5, 2016
Attendance of the Board of Directors for the year 2015

January 13, 2016
Update on STR Acquisition by VLL

February 16, 2016
STR Acquisition by VLL: Results of Tender Offer

February 18, 2016
STR Acquisition by VLL: Results of Tender Offer

February 23, 2016
Update on STR Acquisition by VLL

May 3, 2016
BOD Meeting Resolution 05/03/2016

May 11, 2016
BOD Meeting Resolution 05/11/2016

June 27, 2016
Results of ASM / Organizational Meeting of the BOD

September 26, 2016
Cash Dividend Declaration

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in MANDALUYONG CITY on APR 03 2017.

By:

JERRY M. NAVARRETE
President and Chief Executive Officer

MA. NALEN ROSERO-GALANG
Corporate Secretary

CYNTHIA J. JAVAREZ
Chief Financial Officer and Treasurer

ROWENA B. BANDIGAN
Chief Accountant

BENJAMARIE THERESE N. SERRANO
Chief Operations Officer

SUBSCRIBED AND SWORN to before me this APR 03 2017 at MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Jerry M. Navarrete	EC4138755	11 May 2015 / DFA Manila
Cynthia J. Javarez	EC3842813	31 Mar 2015 / DFA Manila
Benjamarie Therese N. Serrano	EC5357726	16 Sep 2015 / DFA Manila
Ma. Nalen Rosero-Galang	EC5435543	22 Sep 2015 / DFA Manila
Rowena B. Bandigan	EC0053121	20 Jan 2014 / DFA Manila

Doc. No. 339
Page No. 68
Book No. VI
Series of 2017.

ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
ROLL NO. 53511
IBP No. 1055198 / 03 Jan. 2017 / Quezon City
PTR No. [illegible] / 03 Jan. 2017 / Mandaluyong City
MCLE Compliance No. V-0019640, issued dated 21 April 2016
Notarial Commission Appointment No. 0314-17
[illegible] Ground Floor,
Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

STARMALLS, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

Consolidated Financial Statements

Supplementary Schedules

starmall

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Starmalls, Inc. and Subsidiaries (the "Group")** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached herein, for the years ended December 31, 2016 and 2015, 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 the financial statements that are free from material misstatement, whether to fraud or error.

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

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

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group 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.

Signed this ____________ day of APR 03 2017 2017.

MANUEL B. VILLAR, JR.
Chairman of the Board

JERRY M. NAVARRETE
President and Chief Executive Officer

CYNTHIA J. JAVAREZ
Chief Financial Officer and Treasurer

SUBSCRIBED AND SWORN, to before me this APR 03 2017 at MANDALUYONG CITY, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date and Place of Issue
Manuel B Villar, Jr.	DE0011147	14 OCT 2014 / DFA MANILA
Jerry M. Navarrete	EC4138755	11 MAY 2015 / DFA MANILA
Cynthia J. Javarez	EC3842813	31 MAR 2015/ DFA MANILA

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing and acknowledges that they executed the same.

Doc No. 336
Page No. 69
Book No. VI
Series of 2017.

ATTY. FERDINAND B. SABILLO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
ROLL NO. 53511
IBP No. 1055186 / 03 Jan. 2017 / Quezon City
PTR No. 3015653 / 03 Jan. 2017 / Mandaluyong City
MCLE Compliance No. V-0010510, issued dated 21 April 2016
Notarial Commission Appointment No. 0314-17
Worldwide Corporate Center, Upper Ground Floor, Worldwide Corporate Center, Shaw Blvd., Mandaluyong City

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

SEC Registration Number

C	S	0	0	0	0	3	9	5	8	7

C O M P A N Y N A M E

STARMALLS, INC. AND SUBSIDIARIES

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

Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas City

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

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

Company's Email Address	Company's Telephone Number	Mobile Number
www.starmallsinc.com.ph	571 5948	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
440	06/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Brian N. Edang	brian_edang@ vistaland.com.ph	02-874-4399	0917-857-6513

CONTACT PERSON's ADDRESS

Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Piñas 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.*

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Starmalls, Inc.
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City, Daanghari
Almanza II, Las Piñas City

Opinion

We have audited the consolidated financial statements of Starmalls, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 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.

Other Matter

The consolidated financial statements of Starmalls, Inc. and subsidiaries for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on April 10, 2015. Their opinion does not cover the adjustments described in Note 2. As part of our audit of the 2015 consolidated financial statements, we also audited the adjustments described in Note 2 that were applied to the 2014 consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 consolidated financial statements other than with respect to the adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2014 consolidated financial statements taken as a whole.

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.

Valuation of receivable from tenants

Accounts receivable arising from operations are significant to the Group as it represents approximately 10.31% of the total assets. Furthermore, the valuation of accounts receivable required management judgment and subjective assumptions due to the credit risks associated with trade receivables. The Group records both general and specific allowance for accounts receivable as disclosed in Note 27 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's specific impairment process over accounts receivable and tested the relevant controls. We obtained an understanding of the Group's credit policy and the processes for identifying impairment indicators, including the process for identifying past due accounts receivable. For individually significant accounts receivable, we assessed the valuation by considering the terms of the underlying contracts and correspondences, the lessee's payment history including the payments made subsequent to year end, and the lessee's current financial condition. With respect to the Group's collective impairment testing for accounts receivable, we tested the groupings of the receivables based on credit risk characteristics and compared the loss rates applied against the historical data. We also reviewed the Group's disclosures regarding accounts receivable and related impairment allowance, the related risks such as credit risk, and the aging of accounts receivable.

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, 2016 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 Michael C. Sabado.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-3 (Group A),
March 16, 2017, valid until March 15, 2020
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908755, January 3, 2017, Makati City

March 20, 2017

STARMALLS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

December 31, 2016

Unappropriated retained earnings, beginning	**₱2,470,151,157**
Add: Net loss during the period closed to retained earnings	**(54,447,401)**
Net income actually earned/realized during the period	**2,415,703,756**
Less: Dividend declarations during the year	**(181,158,595)**
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	**₱2,234,545,161**

STARMALLS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	**₱428,235,799**	₱1,008,053,273
Current portion of available-for-sale financial assets (Notes 8, 26 and 27)	**31,588,143**	36,961,985
Trade receivables (Notes 9 and 27)	**3,649,893,475**	1,527,211,987
Current portion of receivables from related parties (Notes 23 and 27)	**21,576,798**	186,940,286
Real estate properties for sale (Note 10)	**323,112,576**	323,383,321
Prepayments and other current assets (Note 11)	**1,807,277,516**	1,869,204,031
Total Current Assets	**6,261,684,307**	4,951,754,883
Noncurrent Assets		
Available-for-sale financial assets - net of current portion (Notes 8 and 27)	**3,726,634,834**	3,899,642,724
Receivables from related parties - net of current portion (Note 23)	**3,091,092,279**	3,556,024,295
Property and equipment (Note 12)	**51,791,296**	61,032,161
Investment properties (Notes 13 and 26)	**22,028,469,478**	19,154,159,238
Other noncurrent assets (Note 11)	**662,936,184**	161,020,976
Total Noncurrent Assets	**29,560,924,071**	26,831,879,394
	₱35,822,608,378	₱31,783,634,277

LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of liability for land acquisition (Notes 14, 26 and 27)	**₱79,644,720**	₱502,526,652
Current portion of interest-bearing loans and borrowings (Notes 16, 26 and 27)	**1,596,831,058**	868,191,397
Trade and other payables (Note 15)	**1,864,432,619**	1,736,092,221
Current portion of payables to related parties (Note 23)	**391,593,844**	326,680,195
Income tax payable	**38,800,111**	37,177,708
Other current liabilities	**313,216**	275,118
Total Current Liabilities	**3,971,615,568**	3,470,943,291
Noncurrent Liabilities		
Liability for land acquisition - net of current portion (Notes 14, 26 and 27)	**222,641,520**	49,628,952
Interest-bearing loans and borrowings - net of current portion (Notes 16, 26 and 27)	**7,048,991,583**	9,880,059,709
Payables to related parties - net of current portion (Notes 23 and 27)	**4,857,332,925**	393,257,223
Pension liabilities (Note 19)	**40,418,438**	60,696,193
Deferred tax liabilities - net (Note 22)	**853,217,192**	342,768,358
Refundable deposits	**128,552,216**	94,602,538
Other noncurrent liabilities (Note 17)	**615,009,673**	581,839,712
Total Noncurrent Liabilities	**13,766,163,547**	11,402,852,685
Total Liabilities	**17,737,779,115**	14,873,795,976

(Forward)

	December 31	
	2016	2015
Equity (Note 18)		
Equity attributable to parent company's stockholders:		
Capital stock	**₱8,449,481,156**	₱8,449,481,156
Additional paid-in capital	**6,389,314,354**	6,389,314,354
Retained earnings	**4,703,708,769**	3,347,702,798
Other comprehensive income	**(1,535,612,600)**	(1,343,564,493)
	18,006,891,679	16,842,933,815
Non-controlling interest	**77,937,584**	66,904,486
Total Equity	**18,084,829,263**	16,909,838,301
	₱35,822,608,378	₱31,783,634,277

See accompanying Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (With Comparative Figures for 2014)

	Years Ended December 31		
	2016	2015	2014
REVENUE			
Rental income (Note 13)	**₱4,077,936,489**	₱2,380,179,636	₱1,615,026,079
Parking fees	**105,615,365**	121,746,680	40,773,513
Real estate sales (Note 23)	**–**	–	85,322,949
Other operating income (Note 20)	**295,659,510**	273,668,177	311,122,090
	4,479,211,364	2,775,594,493	2,052,244,631
COSTS AND EXPENSES			
Depreciation (Notes 12 and 13)	**717,910,218**	479,507,582	427,196,686
Light and power	**340,473,841**	219,495,777	170,493,776
Outside services	**251,018,048**	202,937,734	161,423,883
Salaries and employee benefits (Note 19)	**169,157,974**	130,668,569	103,630,832
Taxes and licenses	**144,198,111**	69,515,732	54,147,139
Rentals	**112,428,601**	107,286,569	104,931,735
Repairs and maintenance	**85,352,599**	58,033,061	47,340,342
Advertising and promotions	**49,083,978**	30,071,874	23,357,276
Insurance	**20,503,912**	15,077,636	15,111,380
Professional fees	**11,506,392**	27,254,964	16,911,529
Cost of real estate sales (Note 23)	**–**	–	66,078,352
Other operating expenses (Note 20)	**46,116,693**	99,212,961	58,535,630
	1,947,750,367	1,439,062,459	1,249,158,560
OTHER INCOME (EXPENSE)			
Interest income (Notes 7, 8, 11 and 21)	**11,616,221**	23,917,351	35,622,165
Interest expense (Notes 14, 16, 19 and 21)	**(300,917,401)**	(50,529,983)	(64,536,296)
Loss on disposal of investments in shares of stocks (Notes 8 and 23)	**–**	(222,772)	(28,156,760)
	(289,301,180)	(26,835,404)	(57,070,891)
INCOME BEFORE INCOME TAX	**2,242,159,817**	1,309,696,630	746,015,180
PROVISION FOR INCOME TAX (Note 22)	**690,669,472**	405,247,851	170,120,850
NET INCOME	**₱1,551,490,345**	₱904,448,779	₱575,894,330
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱1,537,164,566**	₱830,509,357	₱561,268,879
Non-controlling interest	**14,325,779**	73,939,422	14,625,451
NET INCOME	**₱1,551,490,345**	₱904,448,779	₱575,894,330
EARNINGS PER SHARE FOR NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY - BASIC AND DILUTED (Note 24)	**₱0.182**	₱0.117	₱0.078

(Forward)

	Years Ended December 31		
	2016	2015	2014
NET INCOME	**₱1,551,490,345**	₱904,448,779	₱575,894,330
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Fair value loss (gain) on available-for-sale financial assets reclassified to profit or loss (Note 8)	**–**	(16,735,567)	45,418,786
Unrealized fair value gain (loss) on available-for-sale financial assets (Note 8)	**(207,773,571)**	(1,472,596,174)	16,735,567
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement on pension liabilities - net of tax (Note 19)	**12,432,783**	937,904	(3,772,453)
	(195,340,788)	(1,488,393,837)	58,381,900
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱1,356,149,557**	(₱583,945,058)	₱634,276,230
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱1,345,116,459**	(₱515,056,480)	₱619,650,779
Non-controlling interest	**11,033,098**	(68,888,578)	14,625,451
	₱1,356,149,557	(₱583,945,058)	₱634,276,230

See accompanying Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(With Comparative Figures for 2014)

	Capital stock (Note 18)								
	Common Stock	Preferred Stock	Additional Paid-in Capital (Note 18)	Treasury Stock	Other Comprehensive Income (Note 18)	Retained Earnings (Note 18)	Total	Non-controlling Interest	Total
				For the Year Ended December 31, 2016					
Balances as at January 1, 2016	**₱8,425,981,156**	**₱23,500,000**	**₱6,389,314,354**	**₱–**	**(₱1,343,564,493)**	**₱3,347,702,798**	**₱16,842,933,815**	**₱66,904,486**	**₱16,909,838,301**
Net income	**–**	–	**–**	**–**	**–**	**1,537,164,566**	**1,537,164,566**	**14,325,779**	**1,551,490,345**
Other comprehensive loss (Notes 8 and 19)	–	–	–	–	**(192,048,107)**	–	**(192,048,107)**	**(3,292,681)**	**(195,340,788)**
Total comprehensive loss	–	–	–	–	**(192,048,107)**	**1,537,164,566**	**1,345,116,459**	**11,033,098**	**1,356,149,557**
Cash Dividends	–	–	–	–	–	**(181,158,595)**	**(181,158,595)**	–	**(181,158,595)**
Balances as at December 31, 2016	**₱8,425,981,156**	**₱23,500,000**	**₱6,389,314,354**	**₱–**	**(₱1,535,612,600)**	**₱4,703,708,769**	**₱18,006,891,679**	**₱77,937,584**	**₱18,084,829,263**
				For the Year Ended December 31, 2015					
Balances as at January 1, 2015	₱8,425,981,156	₱23,500,000	₱2,451,348,760	(₱1,578,227,989)	₱2,001,344	₱2,517,193,441	₱11,841,796,712	₱135,793,064	₱11,977,589,776
Net income	–	–	–	–	–	830,509,357	830,509,357	73,939,422	904,448,779
Other comprehensive loss (Notes 8 and 19)	–	–	–	–	(1,345,565,837)	–	(1,345,565,837)	(142,828,000)	(1,488,393,837)
Total comprehensive loss	–	–	–	–	(1,345,565,837)	830,509,357	(515,056,480)	(68,888,578)	(583,945,058)
Sale of treasury shares	–	–	3,937,965,594	1,578,227,989	–	–	5,516,193,583	–	5,516,193,583
Balances as at December 31, 2015	₱8,425,981,156	₱23,500,000	₱6,389,314,354	₱–	(₱1,343,564,493)	₱3,347,702,798	₱16,842,933,815	₱66,904,486	₱16,909,838,301
				For the Year Ended December 31, 2014					
Balances as at January 1, 2014	₱8,425,981,156	₱23,500,000	₱2,451,348,760	(₱1,578,227,989)	(₱56,380,556)	₱1,955,924,562	₱11,222,145,933	₱121,167,613	₱11,343,313,546
Net income	–	–	–	–	–	561,268,879	561,268,879	14,625,451	575,894,330
Other comprehensive income (Notes 8 and 19)	–	–	–	–	58,381,900	–	58,381,900	–	58,381,900
Total comprehensive income	–	–	–	–	58,381,900	561,268,879	619,650,779	14,625,451	634,276,230
Balances as at December 31, 2014	₱8,425,981,156	₱23,500,000	₱2,451,348,760	(₱1,578,227,989)	₱2,001,344	₱2,517,193,441	₱11,841,796,712	₱135,793,064	₱11,977,589,776

See accompanying Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(With Comparative Figures for 2014)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,242,159,817**	₱1,309,696,630	₱746,015,180
Adjustments for:			
Depreciation (Notes 12 and 13)	**717,910,218**	479,507,582	427,196,686
Interest expense (Notes 14, 16, 19 and 21)	**300,917,401**	50,529,983	64,536,296
Retirement expense (Note 19)	**7,799,006**	9,348,615	4,220,522
Loss on asset retirement (Note 12)	**42,395**	–	–
Interest income (Notes 7, 8, 11 and 21)	**(11,616,221)**	(23,917,351)	(30,538,142)
Loss (gain) on sale of AFS financial assets (Note 8)	**–**	222,772	(739,714)
Unrealized foreign currency gains - net	**–**	(839,167)	(833)
Loss on sale of a subsidiary (Note 23)	**–**	–	28,156,760
Realized gross profit on real estate sales	**–**	–	(45,462,027)
Operating income before working capital changes	**3,257,212,616**	1,824,549,064	1,193,384,728
Decrease (increase) in:			
Trade and other receivables	**(2,124,264,198)**	(966,885,768)	198,544,404
Receivables from related parties	**630,295,504**	445,431,164	(1,059,917,864)
Real estate properties for sale	**270,745**	58,055	74,895,634
Prepayments and other assets (Notes 21 and 29)	**(441,774,855)**	(507,680,864)	(711,341,306)
Increase (decrease) in:			
Trade and other payables	**100,694,708**	599,273,981	578,779,993
Liability for land acquisition (Note 29)	**35,327,346**	360,381,060	(10,104,724)
Refundable deposits	**33,949,678**	21,999,736	–
Estimated liability for property development	**–**	–	(612,626)
Other noncurrent liabilities	**33,169,961**	106,142,087	(264,397)
Impairment losses on trade and other receivables (Notes 9 and 20)	**1,582,710**	50,544,672	–
Net cash flows generated from operations	**1,526,464,215**	1,933,813,187	263,363,842
Income taxes paid	**(183,926,571)**	(155,114,557)	(122,966,837)
Net cash flows provided by operating activities	**1,342,537,644**	1,778,698,630	140,397,005

(Forward)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of AFS financial assets (Note 8)	**₱–**	₱295,990,228	₱982,589,293
Interest received	**13,402,383**	21,213,379	24,371,608
Acquisitions of:			
Property and equipment (Note 12)	**(14,857,190)**	(99,324,307)	(149,982,282)
AFS financial assets (Notes 8 and 29)	**–**	(344,762,099)	(372,063,000)
Investment property (Note 13)	**(3,192,820,550)**	(6,792,777,302)	(2,771,278,092)
Net cash flows used in investing activities	**(3,194,275,357)**	(6,919,660,101)	(2,286,362,473)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from:			
Interest-bearing loans and borrowings (Note 16)	**–**	7,273,621,392	3,429,852,694
Reissuance of treasury shares	**–**	344,762,099	–
Payments of:			
Interest-bearing loans and borrowings (Note 16)	**(2,128,584,388)**	(1,469,250,764)	(319,538,909)
Interest	**(645,307,621)**	(203,432,843)	(138,501,182)
Dividends declared	**(181,120,497)**	–	–
Increase in payable to related parties	**4,226,932,745**	(1,757,800,939)	10,913,265
Net cash flows provided by financing activities	**1,271,920,239**	4,187,898,945	2,982,725,868
Cash of disposed subsidiary	**–**	–	(790,808)
Effect of exchange rate changes on cash and cash equivalents	**–**	839,167	833
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(579,817,474)**	(952,223,359)	835,970,425
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,008,053,273**	1,960,276,632	1,124,306,207
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱428,235,799**	₱1,008,053,273	₱1,960,276,632

See accompanying Notes to Consolidated Financial Statements.

STARMALLS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

Starmalls, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and duly registered with the Securities and Exchange Commission (SEC) on October 16, 1969, originally to pursue mineral exploration. After obtaining SEC approval on November 10, 2004, the Parent Company later changed its primary business and is now presently engaged in holding investments in shares of stock and real estate business.

The Parent Company is the holding company of the Starmalls Group (the Group) which is engaged in development and lease operations of retail malls and Business Process Outsourcing (BPO) commercial center operations. The Group has a wholly owned subsidiary, Masterpiece Asia Properties, Inc. (MAPI) and a 98.36% owned subsidiary, Manuela Corporation (Manuela).

On November 10, 2015, Vista Land & Lifescapes, Inc. (VLL or Vista Land) signed an agreement with the existing shareholders of the Group to acquire approximately 88.34% or 7,443.19 million shares of the outstanding capital stock of the Parent Company for a total consideration of ₱33,537.36 million.

Upon execution of the agreement, Vista Land paid ₱2,681.25 million to Fine Properties, Inc. (Fine).

As a condition to the acquisition of the Group, Fine invested the 97.5% of the total consideration received from the disposal or ₱32,698.93 million to Vista Land representing 4,573.28 million shares of Vista Land at ₱7.15 per share. The shares were issued out of Vista Land's increase in its authorized capital stock which was applied and approved by the SEC on November 11, 2015.

Starmalls and its subsidiaries became subsidiaries of Vista Land as at December 31, 2015.

Both Vista Land and Starmalls Group are entities under common control of Fine. Accordingly, Vista Land accounted for the acquisition of Starmalls Group under the pooling-of-interest method of accounting.

The Parent Company is 88.34% owned by Vista Land & Lifescapes, Inc. (VLLI or Vista Land), 9.59% owned by Land & Houses Public Company Limited or L&H and the rest by the public. The Parent Company's shares of stock are listed at the Philippine Stock Exchange (PSE).

On June 27, 2016, the stockholders ratified and approved the Amendments of Article III and Article IV of the Articles of Incorporation to extend the corporate term for another fifty (50) years from October 15, 2019 and to change the registered office and principal place of business of the Parent Company. On September 30, 2016, the Amended Articles of Incorporation was approved by the SEC.

The Parent Company's new registered office and principal place of business is located at Lower Ground Floor, Building B, EVIA Lifestyle Center, Vista City, Daanghari, Almanza II, Las Pinas City.

2. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for the available-for-sale (AFS) financial assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso unless 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 its subsidiaries (the Group) as at December 31, 2016 and 2015. The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly-owned and are presented separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes 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.

The policy is accordance with PFRS 10, Consolidated Financial Statements.

The Group became subsidiaries of Vista Land as at December 31, 2015. The acquisition was accounted for under the pooling-of-interest method of accounting.

As a result of the acquisition, the Group's accounting policies have been realigned to Vista Group. Accordingly, the fair values previously recognized on Property and equipment, and Investment properties of Manuela from the acquisition in 2012 have been adjusted under the pooling-of-interest method and reverted back to cost. In 2012, the Parent Company acquired 98.36% interest over Manuela, an entity under common ownership and control. The acquisition was accounted for using the acquisition method that adjusted the net assets of Manuela to its fair value at the time of acquisition.

In addition, the financial statements for the year ended December 31, 2014 have been restated to include the accounts of Starmalls as if the entities had always been combined.

The related effects of the change in the equity and the related expense accounts as at December 31, 2014 follow:

	December 31, 2014 (Audited)	Adjustments	December 31, 2014 (As restated)
Assets			
Investment property - net	₱19,445,196,123	(₱8,889,186,806)	₱10,556,009,317
Property and equipment - net	210,667,625	(9,098,303)	201,569,322
	19,655,863,748	(8,898,285,109)	10,757,578,639
Equity			
Additional paid-in capital	976,058,769	1,475,289,991	2,451,348,760
Retained earnings, beginning	12,424,336,236	(10,468,411,674)	1,955,924,562
Non-controlling interest, beginning	246,451,129	(125,283,516)	121,167,613
	13,646,846,134	(9,118,405,199)	4,528,440,935
Expense			
Depreciation	647,316,776	(220,120,090)	427,196,686

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

Subsidiaries	Functional Currency	Percentage of Ownership
MAPI	Philippine Peso	100.00%
Manuela	Philippine Peso	98.36%

3. **Changes in Accounting Policies**

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

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

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*

  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*

  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

  - Amendment to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*

    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  - Amendment to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

    The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- 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 on the reversal of that deductible temporary difference. 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.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

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

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

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

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

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

  The Group is in the business of leasing of real estate properties which are executed through separate identified contracts with customers.

  Sale of real estate properties

  The Group is currently assessing the impact of the adoption of the standard to other income derived from its operations.

- 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. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

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

- 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.

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

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

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

Deferred effectivity

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

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

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

4. Summary of Significant Accounting Policies

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 (3) months or less from dates of placement and that are subject to an insignificant risk of changes 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, which is the date when the Group commits to purchase or sell the asset.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities include transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables.

The Group classifies its financial liabilities as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. The financial assets of the Group are of the nature of loans and receivable, AFS financial assets and HTM financial assets, while its financial liabilities are of the nature of other financial liabilities. Management determines the classification at initial recognition and re-evaluates such designation, where allowed and appropriate, 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.

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; and
- 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 financial reporting date.

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.

"Day 1"difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss under "Interest income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using 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 non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS or as financial assets at FVPL. Receivables are recognized initially at fair value, which normally pertains to the billable amount. After initial measurement, loans and receivables are subsequently measured at cost or at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization, if any, is included in profit or loss. The losses arising from impairment of receivables are recognized in profit or loss. These financial assets are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the Group's cash and cash equivalents, trade receivables, installment contract receivables (classified under other current and noncurrent assets), reserve fund (classified under other noncurrent asset) and accrued interest receivables.

AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with the unrealized gains or losses recognized and credited to the OCI until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the OCI to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using EIR method.

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as gain or loss on disposal in profit or loss. Where the Group holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the EIR. Dividends earned on holding AFS financial assets are recognized in profit or loss as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in profit or loss.

When the fair value of AFS equity financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

As of December 31, 2016 and 2015, AFS financial assets comprise of unquoted and quoted equity securities. The Group's AFS financial assets in quoted equity securities pertain to investments in shares of publicly listed companies while unquoted equity securities pertain to investments in shares of non-listed companies.

Liability for land acquisition and other financial liabilities
Liability for land acquisition and other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, liability for land acquisition and other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized (redemption is a form of derecognition), as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

The financial liabilities measured at cost are accounts and other payables and payable to related parties and other liabilities. The financial liabilities measured at amortized cost are interest-bearing loans and borrowings and liability for land acquisition.

Derecognition of Financial Assets and Financial Liabilities

Financial asset

A financial asset (or, where applicable, a part of a group of financial assets) is derecognized where: (a) the rights to receive cash flows from the assets have 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 right 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 control of the asset.

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

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or 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.

Impairment of Financial Assets

The Group assesses at each financial 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, 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 an objective evidence of impairment exists individually for financial assets that are 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 assets' carrying amount and the present value of the estimated future cash flows discounted at the assets original EIR (excluding future credit losses that have not been incurred). If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as selling price of the lots and residential houses, 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 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 estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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. Financial assets carried at amortized costs, 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.

AFS financial assets carried at fair value
In case of equity investments classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below their corresponding cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in OCI is removed from OCI and recognized in profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are not recognized in the profit or loss. Increases in fair value after impairment are recognized directly in OCI.

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

AFS financial assets carried at cost
If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

Real Estate Properties for Sale
Real estate properties for sale consist of raw land, subdivision land and residential house and lots for sale and development. These are properties acquired or being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. These are held as inventory and are measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Acquisition cost of raw land;
- Amounts paid to contractors for construction and development of raw land and residential units; and
- Capitalized borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Nonrefundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs of sale. The carrying amount of inventories is reduced through the use of allowance account and the amount of loss is charged to profit or loss.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for marketing fees, taxes and licenses, rentals and insurance.

Creditable Withholding Tax
This pertains to the tax withheld at source by the Group's customer and is creditable against the income tax liability of the Group.

Value-Added Tax (VAT)
The input value-added tax pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Output VAT pertains to the 12% tax due on the local sale of goods or services by the Group.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under "Accounts and other payables" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current assets" account.

Investment Properties

Investment properties comprise of land, building, building improvements and property under construction or re-development that are held to earn rentals or for capital appreciation or both. Building and building improvements are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Construction-in-progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and put into operational use. CIP are carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the assets, regardless of utilization. The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

The EUL of buildings and building improvements is 10 to 40 years.

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. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

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.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and computed using the straight-line basis over the EUL of property and equipment as follows:

	Years
Office furniture, fixtures and equipment	3 to 5
Transportation equipment	3
Construction equipment	1 to 2

Building improvements are amortized on a straight-line basis over the term of the lease or the EUL of the asset, whichever is shorter.

The useful lives and depreciation and amortization method are reviewed annually 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 of 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 and amortized property and equipment are retained in the accounts until they are no longer in use. No further depreciation and amortization is charged against current operations.

Impairment of Nonfinancial Assets
This accounting policy relates to property and equipment and investment properties.

The Group assesses as at reporting date whether there is an indication that nonfinancial assets 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 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 of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Equity
When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings represent accumulated earnings of the Group less dividends declared. It includes the accumulated equity in undistributed earnings of consolidated subsidiaries which are not available for dividends until declared by the subsidiaries (Note 18).

Own equity instruments which are reacquired (treasury shares) 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 Group'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 Group 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 to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

The retained earnings account is restricted to payments of dividends to the extent of the cost of treasury shares (Note 18).

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The Company also determines whether it is acting as a principal or as an agent by considering the following features:

- Has primary responsibility for providing the goods or service;
- Has inventory risk;
- Has discretion in establishing prices; and
- Bears the credit risk.

The Company assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements.

Rental income
Rental income under noncancellable and cancellable leases on investment property is recognized in the consolidated statements of comprehensive income under "Rental income" on a straight-line basis and terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided for under the terms of the lease contract.

Common usage and service area charges
Revenue is recognized when the performance of contractually agreed task has been substantially rendered. Income received from common usage and service area charges are presented under "rental income" in the consolidated statements of comprehensive income.

Rendering of services
Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered. Revenue from rendering of services include common usage and service area charges, income from parking fees and others. Income received from rendering of services are presented under "rental income" in the consolidated statements of comprehensive income.

Real estate revenue
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. Collectability 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. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property. Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the liabilities section of the consolidated statements of financial position.

Revenue from sales of completed real estate projects is accounted for using the full accrual method.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statements of financial position as "Real estate inventories" and the related liability as deposits under "Customers' advances and deposits".

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land 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 in-house technical staff.

Income from forfeited reservations and collections
Income from forfeited reservation and collections 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.

Interest income
Interest is recognized using the effective interest method, i.e, the rate, that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Unearned discount is recognized as income over the terms of the loans and receivables using the effective interest method and is shown as deduction for the financial assets.

Miscellaneous income
Miscellaneous income are recognized when the Group's right to receive payment is established.

Pension Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:

(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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 are enacted or substantively enacted by 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, with certain exceptions. Deferred tax liabilities shall be recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in foreseeable future. Otherwise, no deferred tax liability is set up.

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

Deferred tax assets shall be recognized for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statements of comprehensive income. Deferred tax items recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

Commissions
The Group recognizes commissions when services are rendered by the broker. The commission expense is accrued upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

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 (included in "Investment properties" account in the consolidated statements of financial position). All other borrowing costs are expensed in the period in which 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 amounts 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.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses when incurred.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and 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; a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(b) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(c) there is a 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 any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Group as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss in the statements of comprehensive income on a straight-line basis over the lease term.

Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

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

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of 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.

Segment Reporting
Presently, the Group's only significant operating segment is related to its leasing of commercial spaces operations. This is being monitored and strategic decisions are made on the basis of operating results.

Furthermore, the Group's operations are presently concentrated in the Philippines; hence, it has no geographical segment classification. The Group, however, continues to acquire properties for future development in different areas. Rentals to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the periods presented.

Since the Group has only one significant operating segment, the items presented in the consolidated financial statements corresponding to assets and liabilities represent virtually the entire segment assets and liabilities.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the financial reporting date. Exchange gains or losses arising from foreign exchange transactions are credited or charged against operations for the period.

Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in statements of comprehensive income net of any reimbursement.

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

Events After the Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

5. Significant Accounting Judgments and Estimates

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

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

Judgments
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:

Revenue and cost recognition
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment; and
- Stage of completion of the project.

Operating lease commitments - the Group as lessee
The Group is engaged in contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Group accordingly accounted for these as operating leases.

Operating lease commitments - the Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of these properties as the Group considered among others the length of the lease term as compared with the EUL of the assets.

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

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

Management's Use of Estimates
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 is recognized based on the POC measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project.

Impairment of loans and receivables
The Group reviews its receivables on a periodic basis to assess impairment of receivables at an individual and collective level. In assessing for impairment, the Group determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies individually significant accounts that are to be provided with allowance.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment would increase recorded expenses and decrease net income.

Loans and receivables, net of allowance for impairment losses, amounted to ₱3,649.89 million and ₱1,527.21 million as of December 31, 2016 and 2015, respectively (Note 9). The allowance for impairment on loans and receivables amounted to ₱51.58 million and ₱50.54 million as of December 31, 2016 and 2015, respectively (Note 9).

Evaluation of net realizable value of real estate properties for sale
Real estate properties for sale are valued at the lower of cost or NRV. This requires the Group to make an estimate of the real estate for sale inventories' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of these assets. In determining the recoverability of these assets, management considers whether these assets are damaged, if their selling prices have declined and management's plan in discontinuing the real estate projects. Estimated selling price is derived from publicly available market data and historical experience, while estimated selling costs are basically commission expense based on historical experience. Management would also obtain the services of an independent appraiser to determine the fair value of undeveloped land based on the latest selling prices of the properties of the same characteristics of the land and improvements.

Real estate properties for sale amounted to ₱323.11 million and ₱323.38 million as of December 31, 2016 and 2015, respectively (Note 10).

Evaluation of impairment of nonfinancial assets
The Group reviews investment properties and property and equipment for impairment of value. This includes considering certain indications of impairment such as 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 and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value les cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investment properties and property and equipment.

The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Based on management assessment as of December 31, 2016 and 2015, no indicators of impairment exist for investment properties, and property and equipment.

The aggregate carrying values of investment properties and property and equipment amounted to ₱22,080.26 million and ₱19,215.19 million as of December 31, 2016 and 2015, respectively (Notes 12 and 13).

Estimating useful lives of investment properties
The Group estimates the useful lives of investment properties based on the period over which the assets are expected to be available for use. The EUL of investment properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these property and equipment. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above.

The related cost and accumulated depreciation of investment properties as of December 31, 2016 and 2015, respectively follow:

	2016	2015
Investment properties (Note 13)		
Cost	**25,589,211,739**	22,025,357,916
Accumulated depreciation	**3,560,742,261**	2,871,198,678

6. Segment Information

The Group's asset producing revenue are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

No income was derived from a single customer that constitutes 10% or more of the Group's investment income (loss) in 2016, 2015 and 2014.

7. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	**₱349,500**	₱294,500
Cash in banks	**427,886,299**	842,381,391
Cash equivalents	**–**	165,377,382
	₱428,235,799	₱1,008,053,273

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 (3) months depending on the immediate cash requirements of the Group and earn interest as follows:

	2016	2015
Philippine Peso	**0.125% to 2.00%**	0.25% to 2.00%
US Dollar	**3.00%**	3.00%

Interest earned from cash in banks and cash equivalents for the years ended December 31, 2016, 2015 and 2014 amounted to ₱2.23 million, ₱10.72 million and ₱5.15 million, respectively (Note 21).

8. **Available-For-Sale Financial Assets**

This account consists of equity securities as follow:

	2016	2015
Current		
Quoted	**₱31,588,143**	₱36,961,985
Noncurrent		
Quoted	**3,723,430,664**	3,896,438,554
Unquoted	**3,204,170**	3,204,170
	3,726,634,834	3,899,642,724
	₱3,758,222,977	₱3,936,604,709

The rollforward of the carrying amounts of AFS financial assets are as follows:

	2016	2015
Balance at beginning of year	**₱3,936,604,709**	₱343,860,713
Additions	**29,391,839**	5,378,288,738
Disposals	**–**	(312,948,568)
Unrealized fair value losses	**(207,773,571)**	(1,472,596,174)
	₱3,758,222,977	₱3,936,604,709

The fair values of the investments in AFS financial assets have been determined directly by reference to published prices in an active market (Note 26).

The unrealized fair value gains (losses) on quoted equity securities consist of:

	2016	2015	2014
Balance at beginning of year	**(₱1,332,044,875)**	₱14,443,484	(₱47,710,869)
Unrealized fair value gains (losses) on current quoted equity securities	**(5,373,842)**	9,254,009	16,735,567
Unrealized fair value losses on noncurrent quoted equity securities	**(202,399,729)**	(1,481,850,183)	–
Fair value loss on AFS financial assets reclassified to profit or loss	**–**	(16,735,567)	45,418,786
	(1,539,818,446)	(1,474,888,257)	14,443,484
Attributable to non-controlling interest	**(3,407,487)**	142,843,382	–
Balance at end of year	**(₱1,543,225,933)**	(₱1,332,044,875)	₱14,443,484

As discussed in Note 1, Vista Land acquired 7,443.19 million shares of Starmalls, Inc. from Fine for a total consideration of ₱33,537.36 million in December 2015. As a condition to the acquisition to the acquisition of the Group, Manuela agreed to invest in Vista Land. Manuela subscribed to the increase in the authorized capital stock of Vista Land in the amount of ₱5,378.29 million representing 752.21 million shares. These are classified as AFS financial assets in the consolidated statements of financial position. The related unrealized fair value losses on these AFS financial assets amounted to ₱202.40 million and ₱1,481.85 million for the years ended December 31, 2016 and 2015, respectively.

In 2015 and 2014, certain equity and debt securities were disposed by the entity. The unrealized gain amounting ₱16.74 million and unrealized loss amounting ₱45.42 million, in 2015 and 2014, respectively, previously recognized under other comprehensive income, were reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive income for the years ended December 31, 2015 and 2014, respectively. The Parent Company reported realized loss amounting ₱0.22 million for the years ended December 31, 2015 and realized gain amounting ₱0.74 million for the year ended December 31, 2014. There are no sale of AFS financial assets in 2016.

The AFS financial assets classified as current assets in the consolidated statements of financial position is intended by management to be disposed within 12 months from the end of the reporting period.

Interest income from AFS financial assets amounted to nil, ₱3.77 million and ₱22.56 million for the years ended December 31, 2016, 2015 and 2014, respectively (Note 21).

9. Trade Receivables

This account consists of:

	2016	2015
Trade receivables from tenants:		
Related parties under common ownership	**₱2,744,625,517**	₱505,083,858
Third party	**951,006,150**	1,054,511,027
Others	**5,845,185**	18,161,774
	3,701,476,852	1,577,756,659
Allowance for impairment	**(51,583,377)**	(50,544,672)
	₱3,649,893,475	₱1,527,211,987

Receivables from tenants represent the outstanding receivables arising from the lease of commercial spaces relating to the Group's mall operations and are collectible within 30 days from billing date.

Others include receivables from employees which are collectible through salary deductions. These are noninterest bearing and has various maturity dates.

Rollfoward of the allowance for impairment at the beginning and end of 2016 and 2015 is shown below.

	2016	2015
Balance at beginning of year	**₱50,544,672**	₱–
Impairment loss during the year - net (Note 20)	**1,038,705**	50,544,672
Balance at end of year	**₱51,583,377**	₱50,544,672

The impairment loss in 2016 is net of receivable written off in 2016 which amounted to ₱0.54 million. The provision for doubtful accounts amounted to ₱1.58 million (Note 20).

10. **Real Estate Properties for Sale**

This account consists of:

	2016	2015
Land	**₱166,586,560**	₱165,906,181
Residential units for sale	**156,526,016**	157,477,140
	₱323,112,576	₱323,383,321

Residential units for sale represent houses and lots in completed subdivision projects for which the Group has already been granted the license to sell by the HLURB of the Philippines. Residential units include units that are ready for occupancy and house models.

The real estate properties for sale are carried at cost or NRV. No inventories are recorded at amounts lower than cost in 2016 and 2015.

Real estate properties for sale amounting ₱66.08 million in 2014 is included in cost of real estate sales in the consolidated statements of comprehensive income for the year ended December 31, 2014. Cost of real estate sales includes acquisition cost of raw land, subdivision and development costs paid to contractors and other costs attributable to bringing the real estate properties for sale to its intended condition. There are no real estate sales in 2016 and 2015.

Development cost as a percentage of cost of real estate sale is approximately 75% for the years ended December 31, 2016 and 2015, respectively.

There was no provision for impairment nor reversal recognized in 2016, 2015 and 2014.

Except as stated, there are no real estate properties for sale used as collateral or pledged as security for liabilities (Note 16).

11. **Prepayments and Other Assets**

This account consists of:

	2016	2015
Current		
Input VAT	**₱1,316,575,547**	₱1,251,951,699
Advances to contractors, brokers and others	**357,772,814**	462,857,054
Reserve fund	**–**	72,185,021
Prepayments	**57,580,403**	29,706,926
Current portion of installment contracts receivable (Notes 26 and 27)	**46,580,495**	26,914,007
Creditable withholding taxes	**14,979,029**	13,991,373
Others	**13,789,228**	11,597,951
	1,807,277,516	1,869,204,031
Noncurrent		
Refundable deposits	**151,876,915**	130,803,294
Reserve fund (Note 16)	**500,630,394**	–
Installment contracts receivable - net of current portion (Notes 26 and 27)	**10,428,875**	30,217,682
	662,936,184	161,020,976
	₱2,470,213,700	₱2,030,225,007

The input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

Advances to contractors, brokers and others pertain to receivables that are recouped from settlement of progress billings statements which occur within one year from the date the receivables arose.

Prepayments pertain to prepaid taxes, insurance premiums, employee benefits, repairs and maintenance and rent, which will be utilized within 12 months from the end of the reporting period.

Installment Contracts Receivable
This account principally consists of amounts arising from the sale of residential units that are interest-bearing and collectible within 10 years.

The corresponding titles to the real estate properties sold under installment contracts are transferred to the buyers only upon full payment of the contract price, effectively using the sold units as security for the installment contract receivables.

The Group recognized interest income in 2016, 2015 and 2014 amounting to ₱1.79 million, ₱2.70 million and ₱2.83 million, respectively, representing the amortization of discounts on these long-term installment contract receivables. The amounts are shown as part of interest income and interest and other financial charges account in the consolidated statements of comprehensive income (Note 21).

The Group has no provision for impairment losses for installment contracts receivable in 2016, 2015 and 2014.

The Group will be able to apply the creditable withholding taxes against income tax payable.

As of December 31, 2016 and 2015, the Group applied creditable withholding tax amounting ₱59.21 million and ₱57.05 million, respectively.

Refundable deposits pertain to deposits on utility subscriptions, rental deposits and security deposits which are due for more than one year. These deposits shall be applied against unpaid utility expenses and rent expenses upon termination of the contracts.

Reserve fund represents the fund established by MC and MAPI in accordance with a loan agreement with a local bank (Note 16). The fund earns effective interest of 0.30% to 2.45% amounting ₱4.73 million and ₱1.45 million in 2016 and 2015, respectively (Note 21).

Others include accrued interest receivable, and food, beverages and liquefied petroleum gas acquired for sale held as inventories.

12. Property and Equipment

The rollforward analysis of this account follows:

December 31, 2016

	Office and Other Equipment	**Transportation Equipment**	**Construction Equipment**	**Total**
Cost				
Balance at beginning of year	**₱84,884,152**	**₱9,876,969**	**₱4,806,879**	**₱99,568,000**
Additions	**6,585,075**	**5,526,076**	**2,746,039**	**14,857,190**
Retirement	**(160,652)**	**–**	**–**	**(160,652)**
Transfers from investment properties (Note 13)	**4,310,975**	**–**	**–**	**4,310,975**
Balance at end of year	**95,619,550**	**15,403,045**	**7,552,918**	**118,575,513**
Accumulated Depreciation				
Balance at beginning of year	**30,254,374**	**4,640,032**	**3,641,433**	**38,535,839**
Depreciation	**23,859,312**	**2,237,992**	**2,269,331**	**28,366,635**
Retirements	**(118,257)**	**–**	**–**	**(118,257)**
Balance at end of year	**53,995,429**	**6,878,024**	**5,910,764**	**66,784,217**
Net Book Value	**₱41,624,121**	**₱8,525,021**	**₱1,642,154**	**₱51,791,296**

December 31, 2015

	Office and Other Equipment	Transportation Equipment	Construction Equipment	Total
Cost				
Balance at beginning of year	₱333,503,373	₱5,937,512	₱37,962,714	₱377,403,599
Additions	53,502,816	–	45,821,491	99,324,307
Retirements	(91,220,039)	–	–	(91,220,039)
Reclassifications	(8,746,336)	3,939,457	4,806,879	–
Transfers to investment property (Note 13)	(202,155,662)	–	(83,784,205)	(285,939,867)
Balance at end of year	84,884,152	9,876,969	4,806,879	99,568,000
Accumulated depreciation				
Balance at beginning of year	148,009,010	2,931,832	24,893,434	175,834,276
Depreciation	16,478,552	925,770	–	17,404,322
Retirements	(91,220,039)	–	–	(91,220,039)
Reclassifications	(4,415,009)	782,430	3,632,579	–
Transfers to investment property (Note 13)	(38,598,140)	–	(24,884,580)	(63,482,720)
Balance at end of year	30,254,374	4,640,032	3,641,433	38,535,839
Net Book Value	₱54,629,778	₱5,236,937	₱1,165,446	₱61,032,161

In 2016, the Group transferred construction in progress amounting ₱4.31 million that are not intended to be held for commercial and retail purposes to Property and equipment (Note 13).

The Group reclassified portion of the buildings and equipment, which was previously presented under Property and equipment to Investment properties amounting ₱285.94 million in 2015 (Note 13). The reclassification resulted from change in management intention to hold the related building development for rental purposes.

In 2016, the Group disposed various office equipment resulting to loss on retirement amounting ₱42,395. There was no disposal in 2015.

As of December 31, 2016 and 2015, cost of fully depreciated assets that are still actively in use amounted to ₱29.12 million and ₱12.55 million, respectively.

13. Investment Properties

The movement in investment properties account follows:

December 31, 2016

	Land	Building and Building Improvements	Commercial Buildings Under Construction	Total
Cost				
Balance at beginning of year	**₱7,725,796,111**	**₱8,561,042,911**	**₱5,738,518,894**	**₱22,025,357,916**
Additions	**541,645,274**	**914,709,350**	**2,397,006,884**	**3,853,361,508**
Others	**(285,196,710)**	**–**	**–**	**(285,196,710)**
Reclassification	**593,836**	**7,112,806,540**	**(7,113,400,376)**	**–**
Transfers to property and equipment (Note 12)	**–**	**–**	**(4,310,975)**	**(4,310,975)**
Balance at end of year	**7,982,838,511**	**16,588,558,801**	**1,017,814,427**	**25,589,211,739**
Accumulated Depreciation				
Balance at beginning of year	**–**	**2,871,198,678**	**–**	**2,871,198,678**
Depreciation	**–**	**689,543,583**	**–**	**689,543,583**
Balance at end of year	**–**	**3,560,742,261**	**–**	**3,560,742,261**
Net Book Value	**₱7,982,838,511**	**₱13,027,816,540**	**₱1,017,814,427**	**₱22,028,469,478**

December 31, 2015

	Land	Building and Building Improvements	Commercial Buildings Under Construction	Total
Cost				
Balance at beginning of year	₱4,449,031,350	₱6,718,360,565	₱1,739,690,642	₱12,907,082,557
Additions	3,366,885,662	471,816,585	5,154,075,055	8,992,777,302
Disposal	(155,429,628)	(6,225,104)	–	(161,654,732)
Reclassification	65,308,727	1,089,938,076	(1,155,246,803)	–
Transfers from property and equipment (Note 12)	–	285,939,867	–	285,939,867
Transfers from noncurrent assets	–	1,212,922	–	1,212,922
Balance at end of year	7,725,796,111	8,561,042,911	5,738,518,894	22,025,357,916
Accumulated Depreciation and Amortization				
Balance at beginning of year	–	2,351,073,238	–	2,351,073,238
Depreciation and amortization	–	462,103,260	–	462,103,260
Retirement	–	(6,225,104)	–	(6,225,104)
Transfers from property and equipment (Note 12)	–	63,482,720	–	63,482,720
Transfers from noncurrent assets	–	764,564	–	764,564
Balance at end of year	–	2,871,198,678	–	2,871,198,678
Net Book Value	₱7,725,796,111	₱5,689,844,233	₱5,738,518,894	₱19,154,159,238

The investment properties consist mainly of land and commercial centers that are held to earn rental income. These include eleven retail malls located in key cities and municipalities in the Philippines and three Business Process Outsourcing (BPO) office spaces in Metro Manila, with a combined gross floor area of 731,210 sq. m. Commercial buildings under construction is comprised of capitalized costs arising from construction and development of commercial centers. The percentage of completion of various constructions in progress ranges from 4% to 90% in 2016 and from 40% to 98% in 2015 and are due to be completed on various dates starting July 2014 up to June 2018.

The reclassification of ₱7,113.41 million in 2016 from commercial buildings under construction to land and building and building improvements represent completed BPO commercial center in Las Piñas and retail malls in Bataan and completion of mall expansions in Laguna, Taguig and Bulacan with aggregate gross floor area of 265,730 sq. m. The remaining ₱1,017.81 million under the building and building improvements account represents ongoing development in Taguig, Molino and Kawit, Cavite.

Others amounting ₱285.20 million in 2016 represents the amount of an acquisition of land in 2014 which was cancelled in 2016 (Note 14).

The Group's investment properties generate rental income under various operating lease agreements. Rental income from the investment property amounting to ₱4,077.94 million, ₱2,380.18 million and ₱1,615.03 million for the years ended December 31, 2016, 2015 and 2014, respectively, are presented as Rental income under the Revenues account in the consolidated statements of comprehensive income. Direct costs incurred generally pertain to depreciation charges and real property taxes. For the years ended December 31, 2016, 2015 and 2014, real property tax related to investment property amounting ₱82.77 million, ₱46.90 million and ₱43.03 million, respectively, were recognized as part of Taxes and licenses under the Costs and Expenses account in the consolidated statements of comprehensive income. Depreciation charges amounted to ₱689.54 million, ₱462.10 million and ₱381.09 million for the years ended

December 31, 2016, 2015 and 2014, respectively, and are presented as part of Depreciation under the Costs and expenses account in the consolidated statements of comprehensive income.

Except as stated, there are no other investment properties used as collateral or pledged as security to secure the borrowings of the Group (Note 16).

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements.

Capitalized borrowing costs amounting to ₱660.64 million, ₱468.63 million and ₱98.00 million for the years ended December 31, 2016, 2015 and 2014, respectively, representing the actual borrowing costs incurred on loans obtained to fund the construction project are included as part of the costs of investment property.

The capitalization rate used was 4.50% to 7.25% in 2016, 2015 and 2014.

Investment properties with total carrying amount of ₱8,764.94 million and ₱10,245.50 million as of December 31, 2016 and 2015, respectively, are used as collaterals for loans obtained from local creditor banks (Note 16).

Also, certain properties under the name of the Group with carrying amount of ₱1,533.28 million are used as third party real estate mortgage for the secured long-term loan obtained by the Company from Planter's Development Bank (PDB) (Note 16).

Investment Property Owned by the Parent Company
The fair value of the remaining investment property in Valenzuela amounted to ₱42.00 million as of December 31, 2016 and 2015. The Parent Company's investment property has a carrying amount of ₱5.32 million as of December 31, 2016 and 2015, respectively. This consists of parcels of land located in Valenzuela City with a total land area of 23,675 sq. m. The investment property is being held for capital appreciation. There was no impairment loss recognized in 2016 and 2015 based on the fair values as determined by an independent firm of appraisers.

Investment Property Owned by MAPI
MAPI's investment property includes several parcels of land, commercial buildings which are currently held for lease (Starmall San Jose Del Monte in Bulacan, Starmall Taguig, Starmall Sta. Rosa, Starmall Bataan, Starmall Imus, Starmall Molino and Starmall Azienda in Cebu), a commercial building in Wack-Wack, Mandaluyong and commercial buildings under construction which are owned primarily to earn rental income in the future. Part of the cost of buildings and improvements is the capitalized borrowing cost amounting ₱580.81 million, ₱411.13 million and ₱96.94 million in 2016, 2015 and 2014, respectively. The capitalization rate used was 4.50% to 6.25% for the years ended December 31, 2016, 2015 and 2014.

The land located in San Jose del Monte, Bulacan amounting ₱52.50 million, was acquired in 2011 from Household Development Corporation (HDC), a related party under common ownership (Note 23). The Phase 3 of Starmall San Jose Del Monte was completed in 2016 and started its operations in the same year. Accordingly, the Company reclassified portion of Commercial buildings under construction to Buildings and improvements amounting ₱791.64 million of the commercial building which are already available for lease.

MAPI's land located in Bacoor, Cavite was contributed by two of its former major shareholders as consideration for their subscription to MAPI's shares of stock. The cost of acquisition and development of approximately 177,746 square meters of the said property amounted to ₱2,090.28 million as of December 31, 2014. The parcel of land is currently being developed by the Group as a commercial center that will be available for lease in the future.

MAPI acquired certain parcels of land in several locations at a cost of ₱541.65 million and ₱2,665.36 million in 2016 and 2015, respectively, for future establishment of commercial properties.

In 2016, the Phase 2 of Starmall Molino, Starmall Sta. Rosa, Starmall Taguig and Starmall Bataan were completed and started their operations. Accordingly, the Company reclassified portion of Commercial buildings under construction to Land and Buildings and improvements amounting ₱0.59 million and ₱6,503.74 million, respectively.

In 2015, the Phase 1 of Starmall Molino, Starmall Sta. Rosa and Starmall Imus were completed and started their operations. Accordingly, the Company reclassified portion of Commercial buildings under construction to Land and Buildings and improvements amounting ₱65.31 million and ₱1,089.94 million, respectively.

Commercial buildings still in progress as of December 31, 2016 include BPO commercial center in Molino and Starmall Kawit amounting ₱446.62 million and ₱67.75 million, respectively. These projects are due to be completed in 2017

Investment Property Owned by Manuela
The investment property of Manuela, with a total carrying amount of ₱4,690.04 million and of ₱4,706.23 million as of December 31, 2016 and 2016, includes several parcels of land and buildings and improvements located in Mandaluyong City (Starmall EDSA - Shaw and Worldwide Corporate Center), Las Piñas City (Starmall Las Piñas - Main, Starmall Las Piñas - Annex and IT Hub Las Piñas) and Muntinlupa City (Starmall Alabang). Part of the cost of buildings and improvements is the capitalized borrowing cost amounting ₱79.73 million, ₱57.50 million and ₱1.06 million in 2016, 2015 and 2014, respectively. These properties are owned and held primarily to earn rental income. The capitalization rate used was 5.75% to 7.25% for December 31, 2016, 2015 and 2014.

In 2016, IT Hub Las Piñas, a 10-storey office building, was completed and started its operations. Accordingly, the Company reclassified portion of commercial buildings under construction related to this project to building and building improvements amounting ₱841.26 million.

In 2015, a 5-storey parking building in Las Piñas and its aircon project, which is part of Starmall Piñas - Main, was completed. The Company capitalized ₱237.37 million related to this project in the same year.

Fair Value of Investment Properties
In 2016, the Group secured the services of an independent firm of appraisers to determine the fair market values of the Group's investments as of December 31, 2016. The firm that conducted the appraisal of the investment properties is SEC accredited. Fair market value of investment property is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date.

The results of the appraisal below showed that the fair market values of investment properties exceeded the related carrying amounts as of December 31, 2016.

	Land	Buildings and Improvements	Total
Starmalls:			
Valenzuela City	₱42,000,000	₱–	₱42,000,000
MAPI:			
Starmalls Molino	4,998,000,000	1,231,000,000	6,229,000,000
Starmall Prima Taguig	1,500,000,000	2,238,000,000	3,738,000,000
Sta. Rosa, Laguna	1,253,000,000	1,856,000,000	3,109,000,000
Starmall Bataan	624,000,000	1,940,000,000	2,564,000,000
Starmall San Jose del Monte	231,000,000	1,831,000,000	2,062,000,000
Mandaluyong City	252,000,000	407,000,000	659,000,000
Imus, Cavite	258,000,000	315,000,000	573,000,000
Starmall Azienda	–	370,000,000	370,000,000
Naga City	119,500,000	–	119,500,000
Manuela:			
Starmall Alabang	3,018,000,000	3,441,000,000	6,459,000,000
Starmall EDSA - Shaw	3,306,000,000	1,143,000,000	4,449,000,000
WCC	–	1,945,000,000	1,945,000,000
IT Hub Las Piñas	106,800,000	1,042,000,000	1,148,800,000
Starmall Las Piñas - Main	231,100,000	398,000,000	629,100,000
Starmalls Las Piñas - Parking building	70,600,000	407,000,000	477,600,000
Starmall Las Piñas - Annex	126,200,000	99,000,000	225,200,000
	₱16,136,200,000	₱18,663,000,000	₱34,799,200,000

In 2015, the fair market values of investment properties amounting ₱29,923.00 million exceeded the carrying amounts as of December 31, 2015.

14. Liability for Land Acquisition

This account consists of:

	2016	2015
Current	**₱79,644,720**	₱502,526,652
Noncurrent	**222,641,520**	49,628,952
	₱302,286,240	₱552,155,604

The movement in this account follows:

	2016	2015
Balance at beginning of year	**₱552,155,604**	₱270,230,605
Additions	**542,239,110**	699,753,293
Payments	**(506,911,764)**	(417,828,294)
Cancellation (Note 13)	**(285,196,710)**	–
Balance at end of year	**₱302,286,240**	₱552,155,604

Liability for land acquisition represents the outstanding payable as of December 31, 2016 and 2015 relating to the Group's acquisition of certain parcels of land.

Additions in 2016 and 2015 pertains to land purchases in various locations from individual third parties amounting to ₱542.24 million and ₱699.75 million, respectively, to be held as future commercial building construction sites. From these purchases, the Group had outstanding liability of ₱79.65 million, payable in the next 12 months, and ₱222.64 million with maturity of more than 1 year, presented as part of the Liability for land acquisition in the current and non-current liabilities section, respectively, of the 2016 and 2015 of financial position.

In 2016, the Group cancelled the purchase of land in 2014 resulting to cancellation of related liability for land acquisition (Note 13).

For the years ended December 31, 2016, 2015 and 2014, the Group amortized interest costs relating to this transaction amounted to nil, ₱1.30 million and ₱1.00 million, respectively, which are presented as part of "Interest expense" account in the consolidated statements of comprehensive income (Note 21).

15. Trade and Other Payables

This account consists of:

	2016	2015
Trade payables	**₱610,295,149**	₱553,884,718
Retention payable	**509,497,273**	584,314,257
Deferred output VAT	**316,466,795**	280,333,605
Accrued rentals	**239,101,859**	239,049,684
Accrued expenses	**144,011,809**	62,119,723
Construction payable	**45,059,734**	16,390,234
	₱1,864,432,619	₱1,736,092,221

Trade payables represent construction materials, marketing collaterals and office supplies ordered and delivered but not yet paid, payables to government and service agencies, and advance payments made by the tenants. These are noninterest bearing and are expected to be settled within a year after the recognition period.

Retentions payable pertains to 10% retention from the contractors' progress billings which will be released after the completion of contractors' project. The 10% retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Deferred output VAT pertains to the output VAT of the Group on unpaid portion of recognized receivable from leasing operations. This amount is presented as output VAT upon collection of the receivables.

Accrued rentals pertain to the effect of straight-line recognition of contractual rent expense as prescribed by PAS 17, Leases.

Accrued expenses represent the accrual for security, building maintenance and janitorial services, salaries and employee benefits, professional fees, interest on interest-bearing loans and borrowings and other administrative expenses as well as marketing and advertising expenses, which are expected to be settled within 12 months after the end of the reporting period.

Construction payable pertains to contractors' billings for services related to the development of various projects of the Group. These are expected to be settled within a year after the financial reporting date.

The accounts and other payables are noninterest bearing and are expected to be settled within a year after the reporting date.

16. Interest-Bearing Loans and Borrowings

This account consists of:

	2016	2015
Current	**₱1,596,831,058**	₱868,191,397
Noncurrent	**7,048,991,583**	9,880,059,709
Balance at end of year	**₱8,645,822,641**	₱10,748,251,106

Movement of the account follows:

	2016	2015
Balance at beginning of year	**₱10,748,251,106**	₱4,901,898,954
Availments	**–**	7,273,621,392
Payments	**(2,128,584,388)**	(1,469,250,764)
Amortization of loan issuance cost	**26,155,923**	41,981,524
Balance at end of year	**₱8,645,822,641**	₱10,748,251,106

Loans of Manuela
In 2014, Manuela obtained various loans from UBP to finance the upgrade of the air conditioning systems of Starmall Las Piñas - Main and Starmall Las Piñas - Annex and the acquisition of generator set upgrades for all the malls of Manuela. The loans have maturities of five years from the date of drawdown and bear fixed annual interest rate of 5.75%. In 2013 and previous years, Manuela also obtained various term loans from BDO and PDB to finance the upgrade of the air conditioning systems of Starmall EDSA - Shaw and Starmall Alabang. The loans have maturities from October 2014 to February 2020 and bear an annual fixed interest rates ranging from 7.00% to 7.25%.

In 2015, the loan obtained from BDO worth ₱4,000.00 million was used solely for capital expenditure and general corporate purposes and has a maturity of seven years from the date of drawdown and bears an annual fixed interest rate of 5.75%. Real estate contracts of Manuela as well as investment properties in Starmall Alabang are used as a mortgage for this loan.

Manuela is also required to maintain a reserve fund for its future principal and interest loan repayments.

In accordance with the loan agreement with BDO, Manuela is required to maintain a reserve fund for its future principal and interest loan repayments amounting ₱126.15 million. The reserve fund is presented as part of Other noncurrent assets account in the consolidated statements of financial position (Note 11).

On January 7, 2016, Manuela obtained a loan from CBC amounting ₱1,000.00 million for working capital requirement. The loan bears an annual interest rate of 4.50%. The loan was paid in full on December 31, 2016. Related transaction cost amounting ₱7.42 million was expensed outright. The principal amount and interest amounting ₱1,045.00 million were settled as they become due.

Certain investment properties registered under the name of MAPI are used as third party real estate mortgage for the secured long-term loan obtained from PDB (Note 23).

Investment property with total carrying amount of ₱3,071.94 million and ₱2,997.11 million as of December 31, 2016 and 2015 are used as collaterals for loans obtained from local creditor banks (Note 13).

The related outstanding interest payable and interest expense as of and for the years ended December 31, 2016, 2015 and 2014 follow:

	2016	2015	2014
Interest expense (Note 21)	**₱180,842,623**	₱20,644,824	₱37,913,772
Accrued interest	**44,144,261**	2,394,971	5,086,436

Loans of MAPI
In 2012, MAPI obtained a secured loan from AUB amounting ₱420.00 million to finance the construction of Starmall San Jose del Monte. The loan is due to be settled until 2017 and bears annual interest rate of 5.70%. The loan provide for the Group to observe certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers, acquisitions and disposals; and certain other covenants.

In 2013, MAPI entered into a secured term loan agreement with RCBC for a total credit line of ₱2,700 million. As of December 31, 2016 ₱2,300.00 million has been drawn from this secured facility to finance the construction of various ongoing projects of MAPI. The loans have maturities beginning December 2015 to August 2020 and bear annual interest of 5.75%.

In addition, the loan agreement with RCBC and AUB requires MAPI to maintain a current ratio of not lower than 1.25:1:00 and debt-equity ratio of not higher than 3.00:1.00. MAPI has complied with these loan covenants, including maintaining certain financial ratios as at the reporting dates.

MAPI is also required to maintain a reserve fund for its future loan and interest repayments. In accordance with the agreement, MAPI maintains a reserve fund amounting ₱374.48 million and ₱72.19 million as of December 31, 2016 and 2015, respectively, which is presented as part of the Other noncurrent assets account in the consolidated statements of financial position (Note 11).

In 2014, MAPI entered into a secured term loan agreement with CBC and AUB amounting to ₱1,000.00 million and ₱366.00 million, respectively, primarily to finance various ongoing mall constructions. The loans with CBC and AUB have maturities beginning December 2016 to June 2017 and bears annual interest of 4.50% while the loan with AUB has maturities beginning December 2014 to December 2019 and bears annual interest of 6.25%. In 2016, MAPI settled the whole amount of CBC loan.

In connection with the loan entered with CBC, MAPI agreed to execute a negative pledge over certain real properties with carrying amount of ₱5,344.00 million as of December 31, 2015. MAPI cannot allow any other indebtedness to be secured by the covered real properties nor permit any other creditor to receive any priority or preference over the covered real properties, without written consent from the CBC. The loan was subsequently paid in 2016.

In 2015, MAPI entered into a secured term loan agreement with RCBC amounting ₱2,273.62 million primarily to finance various ongoing mall constructions. The loans have maturities of seven years from the date of drawdown and bear an annual fixed interest rate of 5.75%.

Certain investment properties with carrying amount of ₱5,692.59 million and ₱7,248.39 million as of December 31, 2016 and 2015, respectively, are used as collateral for the secured long-term loan of the Group (Note 13).

The related outstanding interest payable and interest expense as of and for the years ended December 31, 2016, 2015 and 2014 follow:

	2016	2015	2014
Interest expense (Note 21)	**₱116,994,924**	₱25,092,825	₱21,232,007
Accrued interest	**26,928,177**	11,976,138	10,423,008

17. Other Noncurrent Liabilities

This account consists of:

	2016	2015
Security deposits	**₱572,642,162**	₱548,485,102
Construction bond	**35,406,727**	28,448,976
Estimated liability on property development cost	**4,831,199**	4,831,199
Customer deposits	**2,129,585**	74,435
Total	**₱615,009,673**	₱581,839,712

Security deposits pertain to the three-month rental and three-month advance rental paid by the lessees as required under lease contracts, which will be refunded upon termination of the lease term or applied to unpaid rentals and damages.

Construction bond pertains to the deposits made by the tenants payable prior to the start of construction of the leased space and to be refunded upon receipt of final clearance to operate.

The Group has a total estimated liability on property development cost amounting ₱4.83 million as of December 31, 2016 and 2015.

Customer deposits represent the initial payments received from buyers of residential units. The Group initially records the amounts received from the buyers as such until the total deposits reach 15% to 20% of the contract price, at which point, the revenue and related installment contract receivables arising from such sale are recognized and the deposits are treated as partial collections of the unit contract price.

18. **Equity**

Capital Stock
Capital stock consists of:

	Shares	Amount
Preferred - voting, cumulative, non-participating, non-convertible, non-redeemable - P0.01 par value		
Authorized	10,000,000,000	₱100,000,000
Issued and outstanding	2,350,000,000	23,500,000
Common shares - P1.00 par value		
Authorized	16,900,000,000	16,900,000,000
Issued and outstanding	8,425,981,156	8,425,981,156

Registration Track Record
On November 13, 1970, the SEC approved the listing of the Parent Company's common shares totaling 1,000 million. The shares were initially issued at an offer price of ₱0.01 per share.

On November 10, 2004, the SEC approved the increase in the authorized capital stock of the Parent Company to ₱4,500 million divided into 4,500 million shares with a par value of ₱1.00 each, as authorized by the Parent Company's BOD.

In 2005, the Parent Company applied for another increase in its authorized capital stock to ₱5,500.00 million divided into 5,500 million shares with a par value of ₱1.00 each, as authorized by the Parent Company's BOD. On November 23, 2005, the SEC approved the increase in the authorized capital stock of the Parent Company.

Each preferred share is a voting, cumulative, non-participating, non-convertible and non-redeemable share.

As of December 31, 2016 and 2015, 8,425.98 million shares are listed in the PSE and closed at ₱6.95 and ₱7.00 per share, respectively.

Retained Earnings
In accordance with SRC Rule No. 68, As Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration as of December 31, 2016, after reconciling items, amounted to ₱2,234.55 million.

Retained earnings include the accumulated equity in undistributed earnings of consolidated subsidiaries of ₱2,504.93 million, ₱852.46 million and ₱606.39 million in 2016, 2015 and 2014, respectively. These are not available for dividends until declared by the subsidiaries.

On September 26, 2016, the BOD approved the declaration of cash dividends amounting ₱181.16 million or ₱0.0215 per share, payable to all stockholders of record as of October 11, 2016. The said dividends were paid on October 26, 2016.

Capital Management Objective Policies and Procedures
The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholders' value.

In order to maintain or achieve an optimal capital structure, the Group may issue new shares, obtain new borrowings or sell assets to reduce borrowings.

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

Relevant ratio is shown below.

	2016	2015
Interest-bearing liabilities	**₱8,948,108,881**	₱11,300,406,710
Total equity	**18,084,829,263**	16,909,838,301
Liabilities-to-equity ratio	**0.49 : 1.00**	0.67 : 1.00

The Group's Controller has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

19. **Pension Liabilities**

The Group has an unfunded, noncontributory defined benefit pension plan covering substantially all of its regular employees. The benefits are based on current salaries and years of service and related compensation on the last year of employment. The retirement is the only long-term employee benefit.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

The components of pension expense follow:

	2016	2015	2014
Current service cost	**₱7,799,006**	₱9,348,615	₱4,220,522
Interest cost (Note 21)	**2,899,717**	1,868,123	3,171,116
Total pension expense	**₱10,698,723**	₱11,216,738	₱7,391,638

Changes in the combined present value of the combined defined benefit obligation are as follows:

	2016	2015
Balance at beginning of year	**₱60,696,193**	₱50,819,318
Transfer in	**(13,215,359)**	–
Current service cost	**7,799,006**	9,348,615
Interest cost (Note 21)	**2,899,717**	1,868,123
Total amount recognized in OCI	**(17,761,119)**	(1,339,863)
Balance at end of year	**₱40,418,438**	₱60,696,193

Transfer in pertains to the transfer of pension liability to a related party due to employee transfers (Note 29).

The Group immediately recognized to OCI any actuarial gains and losses.

The assumptions used to determine the pension benefits for the Group are as follows:

	2016	2015
Discount rates	**4.88% to 5.60%**	4.58% to 5.00%
Salary increase rate	**7.00% to 11.00%**	7.00% to 11.00%

As of December 31, 2016, the Group is yet to determine how much and when to fund the post-employment defined benefit plan.

The sensitivity analyses that follow has been determined based on reasonably possible changes of the assumption occurring as at December 31, 2016, assuming if all other assumptions were held constant.

	Rates		Present value of pension liability
Discount rate	4.88% to 5.60%	+1.00%	₱37,312,637
		-1.00%	(43,848,945)
Salary increase	7.00% to 11.00%	+1.00%	43,667,490
		-1.00%	(37,436,773)

20. Other Operating Income and Expenses

Presented below are the details of other operating income and expenses for the years ended December 31, 2016, 2015 and 2014.

Other Operating Income

	2016	2015	2014
Reimbursable tenant fees	**₱184,346,671**	₱159,339,357	₱131,091,905
Mall maintenance and security fees	**60,732,762**	63,658,174	45,145,827
Advertising	**22,940,522**	18,953,077	17,599,304
Forfeited deposits and advances	**14,474,972**	8,693,583	571,084
Penalties and interest charges to tenants	**3,430,654**	2,397,018	5,713,528
Realized gross profit on real estate sales	**2,611,244**	–	45,462,027
Gain on derecognition of liabilities	**1,451,058**	17,750,625	52,369,195
Miscellaneous	**5,671,627**	2,876,343	13,169,220
	₱295,659,510	₱273,668,177	₱311,122,090

Reimbursable tenant fees pertain to the mark up on utility charges paid on behalf of the tenants.

Mall maintenance and security fee pertain to pest control fees, security postings, restroom fees and other related expenses.

Gain on derecognition of liabilities pertains to derecognized long outstanding trade payables and retention payables in 2015, and estimated liability for property development cost and miscellaneous customers' charges in 2014, which management assessed as no longer valid claims against the Group.

Miscellaneous income is composed of incidental income from tenants pass, grease trap, scrap sales, management income and other income relating to the Group's lease of commercial spaces.

Other Operating Expenses

	2016	2015	2014
Representation and entertainment	**₱16,959,140**	₱19,068,837	₱17,647,754
Supplies	**4,644,017**	6,816,852	5,678,243
Transportation and travel	**4,509,850**	8,378,303	10,362,281
Training	**3,686,851**	3,894,973	261,796
Registration fees	**3,227,327**	2,774,953	732,779
Commission	**2,995,020**	757,507	6,314,310
Impairment loss on accounts receivables (Note 9)	**1,582,710**	50,544,672	–
Dues and subscriptions	**237,823**	717,188	215,617
Subdivision maintenance	**–**	–	2,968,725
Security services	**–**	–	2,603,534
Listing fee	**–**	–	2,040,398
Rehabilitation expense	**–**	–	1,596,843
Garbage fee	**–**	–	262,321
Documentation fee	**–**	–	55,939
Donation	**–**	–	16,000
Miscellaneous	**8,273,955**	6,259,676	7,779,090
	₱46,116,693	₱99,212,961	₱58,535,630

Miscellaneous expenses include bank charges and postage and telegram expenses.

21. Interest Income and Interest and Other Financial Charges

Below are the details of interest income:

	2016	2015	2014
Interest income from cash and cash equivalents (Note 7)	**₱2,225,883**	₱10,720,005	₱5,147,558
Interest income from reserve fund (Note 11)	**4,729,068**	1,454,201	–
Interest income from tenants penalty	**2,875,108**	5,268,323	–
Interest income from AFS financial assets (Note 8)	**–**	3,770,850	22,563,238
Amortization of discount on long-term installment contract receivables (Note 11)	**1,786,162**	2,703,972	2,827,346
Foreign currency gains - net	**–**	–	4,294,309
Others	**–**	–	789,714
	₱11,616,221	₱23,917,351	₱35,622,165

Interest expense consist of:

	2016	2015	2014
Interest expense on regular loans, short-term borrowings and liability for land acquisition (Notes 14 and 16)	**₱297,837,548**	₱48,470,983	₱61,365,180
Interest cost on post-employment defined benefit obligation (Note 19)	**2,899,717**	1,868,123	3,171,116
Bank charges	**180,136**	190,877	–
	₱300,917,401	₱50,529,983	₱64,536,296

22. Income Tax

Provision for income tax consists of:

	2016	2015	2014
Current:			
RCIT	**₱185,058,569**	₱135,343,514	₱180,328,588
Final	**490,405**	1,079,166	4,436,500
Deferred	**505,120,498**	268,825,171	(14,644,238)
	₱690,669,472	₱405,247,851	₱170,120,850

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

	2016	2015
Deferred tax assets on:		
Rent expense	**₱80,691,004**	₱77,494,142
NOLCO	**23,689,729**	60,247,102
Carryforward benefit of MCIT	**26,835,665**	12,521,617
Accrual of retirement costs	**10,443,698**	13,071,655
Deferred gross profit	**559,450**	1,342,824
Allowance for impairment	**15,475,014**	15,163,402
	157,694,560	179,840,742
Deferred tax liabilities on:		
Rental income	**(615,532,454)**	(316,566,416)
Capitalized interest and other expenses	**(395,379,298)**	(206,042,684)
	(1,010,911,752)	(522,609,100)
	(₱853,217,192)	(₱342,768,358)

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

As of December 31, 2016 and 2015, the Group has deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income for which no deferred tax assets have been recognized as follows:

	2016	2015
MCIT	**₱298,133**	₱288,834
NOLCO	**59,739,923**	38,282,525
Post-employment benefit obligation	**17,124,010**	17,124,010
	₱77,162,066	₱55,695,369

The related deferred tax assets of these deductible temporary differences amounted to ₱23.36 million and ₱16.91 million as of December 31, 2016 and 2015, respectively.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

As of December 31, 2016, the details of the unused tax credits from the excess of the MCIT over RCIT and NOLCO, which are available for offset against future income tax payable and taxable income, respectively, over a period of three (3) years from the year of inception, follow:

<u>NOLCO</u>

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2013	₱53,650,299	(₱53,650,299)	₱–	2016
2014	71,673,745	(71,673,745)	–	2017
2015	96,568,250	(7,150,694)	89,417,556	2018
2016	49,288,133	–	49,288,133	2019
	₱271,180,427	(₱132,474,738)	₱138,705,689	

<u>MCIT</u>

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2013	₱2,449,794	(₱2,449,794)	₱–	2016
2014	3,754,091	–	3,754,091	2017
2015	6,606,566	–	6,606,566	2018
2016	16,773,141	–	16,773,141	2019
	₱29,583,592	(₱2,449,794)	₱27,133,798	

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

	2016	2015	2014
Provision for income tax at statutory income tax rate	**30.00%**	30.00%	30.00%
Adjustments for income subjected to lower tax rates	**–**	–	(0.49%)
Tax effects of:			
Nondeductible interest and other expenses	**0.07%**	0.10%	11.12%
Rental income adjustment in accordance with PAS 17	**–**	–	(4.21%)
Recognition of deferred tax liability in excess of deferred tax asset	**–**	–	(11.83%)
Income already subjected to final tax	**(0.01%)**	(0.12%)	(2.85%)
Expiration of NOLCO and MCIT	**0.15%**	0.36%	0.71%
Unrecognized DTA on temporary differences during the year	**0.59%**	0.60%	0.35%
Provision for income tax	**30.80%**	30.94%	22.80%

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence (referred to herein as "affiliates"). Related parties may be individuals or corporate entities.

The Group in their regular conduct of business has entered into transactions with affiliates and other related parties principally consisting of advances and reimbursement of expenses and purchase and sale of real estate properties. The Group's policy is to settle its intercompany receivables and payables on a net basis.

The consolidated statements of financial position include the following amounts resulting from the foregoing transactions which represent amounts receivable (payable) to related parties as of December 31, 2016 and 2015:

December 31, 2016

Related Party	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
All Value Group	Entity under common control	Non-trade receivables	**₱13,442,297**	**₱320,092,151**	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	–	**(137,577,654)**	Non-interest bearing	Unsecured
Vista Land Group	Entity under common control	Non-trade receivables	–	**137,904,846**	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	**(5,141,598,492)**	**(5,249,106,821)**	Non-interest bearing	Unsecured
Fine Properties, Inc.	Ultimate Parent	Sale of VLL shares	–	**2,211,684,018**	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	**(67,137,480)**	**(67,137,480)**	Non-interest bearing	Unsecured

(Forward)

Related Party	**Relationship**	**Nature of Transaction**	**Amount/ Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Althorp Holdings	Entity under common control	Non-trade payables	**₱–**	**(₱24,930,004)**	Non-interest bearing	Unsecured
Georgia School	Entity under common control	Non-trade receivables	**–**	**48,805,660**	Non-interest bearing	Unsecured, no impairment
Flavors and Treats, Inc.	Entity under common control	Non-trade payables	**8,820**	**–**	Non-interest bearing	Unsecured
Manuela Metropolis Corporation	Entity under common control	Non-trade receivables	**36,000,000**	**538,476,241**	Non-interest bearing	Unsecured, no impairment
Parallax, Inc.	Entity under common control	Non-trade receivables	**–**	**85,531,351**	Non-interest bearing	Unsecured
				(₱2,136,257,692)		

December 31, 2015

Related Party	Relationship	Nature of Transaction	Amount/ Volume	Outstanding Balance	Terms	Conditions
All Value Group	Entity under common control	Non-trade receivables	(₱35,815,204)	₱306,649,854	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	(137,464,878)	(137,577,654)	Non-interest bearing	Unsecured
Vista Land Group	Entity under common control	Non-trade receivables	133,783,635	137,904,846	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	(127,132,750)	(107,508,329)	Non-interest bearing	Unsecured
Fine Properties, Inc.	Ultimate Parent	Sale of VLL shares	325,212,497)	2,211,684,018	Non-interest bearing	Unsecured, no impairment
		Non-trade receivables	(666,030,046)	–	Non-interest bearing	Unsecured, no impairment
		Non-trade payables	172,947,164	–	Non-interest bearing	Unsecured
Althorp Holdings	Entity under common control	Non-trade payables	(24,930,004)	(24,930,004)	Non-interest bearing	Unsecured
Georgia School	Entity under common control	Non-trade receivables	44,233,149	48,805,660	Non-interest bearing	Unsecured, no impairment
Flavors and Treats, Inc.	Entity under common control	Non-trade payables	(8,820)	(8,820)	Non-interest bearing	Unsecured
Manuela Metropolis Corporation	Entity under common control	Non-trade receivables	119,021,373	502,476,241	Non-interest bearing	Unsecured, no impairment
Parallax, Inc.	Entity under common control	Non-trade receivables	–	85,531,351	Non-interest bearing	Unsecured, no impairment
				₱3,023,027,163		

Guarantee over Vista Land's Loan

On October 4, 2013, VLL International, Inc. (VII), a related party, issued US$100.00 million bonds which are due in 2018. On January 18, 2016, the Group guaranteed this Note together with the subsidiaries of the Vista Land Group ("Original Subsidiary Guarantors").

On April 29, 2014, VII issued US$350.00 million bonds which are due in 2019. On January 18, 2016, the Group guaranteed this Note together with the subsidiaries of the Vista Land Group ("Original Subsidiary Guarantors").

On June 18, 2015, VII issued US$300.00 million bonds which are due on April 29, 2019 to refinance its debt and for general corporate purposes. On January 18, 2016, the Group guaranteed this Note together with the subsidiaries of the Vista Group ("Original Subsidiary Guarantors").

The Notes required VII to observe certain covenants including, among others, incurrence of additional debt; grant of security interest; payment of dividends; mergers; acquisitions and disposals; and certain other covenants. The incurrence test for additional debt requires the VII to have a Fixed Charge Cover Ratio (FCCR) of not less than 2.5x. These were complied with by VII in 2016.

On December 28, 2016, Vista Land entered into a Corporate Notes Facility Agreement with China Bank Capital Corporation for the issuance of a long term corporate notes with a principal amount of up to ₱8,000.00 million. The first drawdown was at ₱5,150.00 million. The proceeds will be utilized for the 2017 capital expenditures, refinancing of existing indebtedness and to fund other general corporate expenses. The interest at the first drawdown at 6.19% per annum is payable quarterly in arrears while the principal amount is payable in 2% annual amortizations on each principal repayment date with 82% to be repaid on maturity date. In case of default on the notes, interest and any amount payable due the lender, the borrower will pay a default interest. The issue cost amounted to ₱38.72 million.

The corporate notes requires Vista Land to maintain the pari passu ranking with all and future unsecured and unsubordinated indebtedness except for obligations mandatorily preferred or in respect of which a statutory preference is established by law. The Group is also required to maintain at all times the following financial ratios: Current ratio at 1.00, debt to equity at 2.50 and debt service coverage ratio of at least 1.00. No dividends may be declared or paid if the Parent Company is in default and it will not provide any loans or advances to third parties nor issue guarantees other than the benefit of any of its subsidiaries and in the ordinary course of business. These were complied with by Vista Land as of December 31, 2016.

As part of the issuance of the corporate notes, the subsidiaries of the Parent Company that acted as guarantors, irrevocably and unconditionally, are: Brittany Corporation, Camella Homes, Inc., Crown Asia Properties, Inc. Communities Philippines, Inc. Starmalls, Inc. and Vista Residences, Inc.

Sale of treasury shares
In 2015, treasury stock amounting ₱1,578.29 million was sold to Vista Land for ₱5,516.19 million (Note 18). The outstanding payable amounted to ₱5,171.43 million as of December 31, 2016 and 2015, respectively.

Investment in Vista Land
The group acquired 752,208,215 million shares of Vista Land for ₱7.15 per share or ₱5,378.29 million. Outstanding receivable amounted to and ₱5,033.53 million as of December 31, 2016 and 2015, respectively. The receivable amounting ₱5,033.53 million was applied against the payable amounting ₱5,171.43 million.

Cash Advances
In the normal course of business, the Group grants and/or receives cash advances from its major stockholder, FPI, and its subsidiaries for working capital requirements and other purposes. The advances are unsecured, noninterest-bearing, with no repayment terms and are repayable in cash.

In 2016, the Parent Company obtained 6.19%, 10-year loans from Vista Land and VRI amounting ₱2,776.38 million and ₱166.00 million, respectively.

Sale of Investment in an Associate
In May 2013, the Group sold the remaining 399,397,000 shares of its investments in VLL, with a carrying amount of ₱1,906.22 million, for a total consideration of ₱2,772.30 million to FPI. The outstanding receivable as of December 31, 2016 and 2015 amounting ₱2,027.57 million is presented as part of Receivable from related parties under current and non-current sections of the consolidated statements of financial position and is payable annually up to 2019. The agreement also provides for interest at a fixed annual rate of 4% starting 2015.

Transactions with Related Parties Under Common Ownership

Land Purchase

In 2011, the Group acquired a parcel of land amounting ₱46.30 million from HDC to be developed as commercial property in the future whose balance is payable on a quarterly basis over a period of five years (Note 13). The liability is noninterest-bearing and measured at amortized cost using the effective interest method. The outstanding balance arising from this transaction is presented as Liability for land acquisition in the consolidated statements of financial position.

Operating Lease Agreement

In 2013, the Group entered into an operating lease agreement with HDC for the lease of parcels of land located in Ususan Taguig and Tuktukan Taguig, to be developed by the Group as commercial property in the future. The lease term is for a period of 20 years with renewal option.

In 2015, the Group and HDC entered into another deed of absolute sale covering the parcels of land located in Ususan Taguig (Note 13).

Rental Income

The Group has operating lease agreements with certain related parties under common ownership for the lease of the Group's investment property (Note 13). The lease agreements have a term of one year and are renewable annually. The rentals earned from related parties are presented as part of Rental income under the Revenues account in the consolidated statements of comprehensive income. The outstanding receivables arising from these transactions are shown as part of the Trade and other receivables account in the consolidated statements of financial position (Note 9).

Disposal of Investment in a Subsidiary

On December 29, 2014, the Parent Company transferred, by executing a deed of assignment, all its ownership interest in Brittany Estates Corporation (BEC) consisting of 1,009,960 common shares of stock with par value of ₱100.00 per share to Household Development Corporation (HDC), a related party under common ownership, for ₱507.16 million (Note 13). The carrying value of the investment at the time of sale was ₱588.78 million. Loss on disposal of a subsidiary amounted to ₱76.47 million and is presented under the "Other income (expense)" account in the 2014 consolidated statements of comprehensive income.

The allowance for impairment recognized in prior years amounting to ₱27.46 million as of December 31, 2013 pertains to a portion of the Parent Company's investments in BEC and MAPI, which management previously assessed to be impaired. In 2014, as a result of the disposal of the BEC shares, the related allowance for impairment for BEC amounting ₱5.14 million was derecognized from the books.

In 2014, BEC recognized real estate sales and cost of sales amounting ₱85.32 million and ₱66.08 million, respectively.

In addition, management has assessed that a reversal of the allowance for impairment losses previously recognized on its investment in MAPI shares is necessary, based on the improvement seen in MAPI's operations as evidenced by its increasing net book value. The reversal of impairment amounting ₱22.32 million is presented as "Gain on reversal of impairment loss" account in the 2014 statements of comprehensive income.

Transfer of Land

In 2015, land under investment property amounting ₱155.43 million has been transferred to related parties and was applied against corresponding payable to related parties (Note 29).

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. These principally consist of dividends, advances, reimbursement of expenses and management income. As of December 31, 2016 and 2015, the Group has not made any provision for impairment loss 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.

Key Management Personnel Compensation
The compensation of key management personnel by benefit type follows:

	2016	2015	2014
Short-term employee benefits	**₱28,220,113**	₱26,224,428	₱22,677,368
Post-employment benefits	**9,895,231**	9,348,615	4,220,522
	₱38,115,344	₱35,573,043	₱26,897,890

24. Earnings Per Share

EPS were computed as follows:

	2016	2015	2014
Net profit attributable to parent company's stockholders	**₱1,537,164,566**	₱830,509,357	₱561,268,879
Divided by weighted average number of outstanding common shares	**8,425,981,156**	7,092,378,517	7,202,878,365
	₱0.182	₱0.117	₱0.078

The Group does not have potential dilutive shares as of December 31, 2016, 2015 and 2014. Diluted EPS is equal to basic EPS.

25. Contingencies

The Group is contingently liable with respect to lease contracts and other transactions arising in the ordinary course of business.

Legal Matters
As of December 31, 2016 and 2015, certain lawsuits and claims filed by or against the Group are still pending. Management and its legal counsel believe that the ultimate outcome of these lawsuits and claims will not have a material adverse effect on the Group's consolidated financial statements. 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 and assessments.

Others
There are other commitments and contingent liabilities that arise in the normal course of the Group's operations that are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

26. **Fair Value Determination**

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

- Level 1*:* quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2*:* other valuation techniques involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3*:* other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Cash and cash equivalents: Due to the short-term nature of the account, the fair value of cash and cash equivalents approximates the carrying amounts in the consolidated statements of financial position.

Installment contracts receivables: Estimated fair value of installment contracts receivables is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date using the remaining terms of maturity. The discount rate used ranged from 12% to 20% in 2016 and 12% to 20% in 2015.

Trade and other receivables: Due to the short-term nature of the account, the fair value of other receivables approximates the carrying amounts.

Receivable from related parties: Due to the short-term nature of the account, carrying amounts approximate their fair values.

AFS financial assets: For AFS investment in unquoted equity securities, these are carried and presented at cost since fair value is not reasonably determine due to the unpredictable nature of future cash flows and without any other suitable methods of arriving at a reliable fair value.

For shares in open ended investment companies, fair value is by reference to net asset value per share.

Investment properties: The valuation techniques adopted for the measurement of fair values in the appraisal reports are the market approach for the land and cost approach for the buildings and building improvements.

Accounts and other payables: Fair values of accounts and other payables approximate their carrying amounts in the consolidated statements of financial position due to the short-term nature of the transactions.

Payables to related parties: Due to the short-term nature of the account, carrying amounts approximate their fair values.

Interest-bearing loans and borrowings and liability for land acquisition: Estimated fair values of bank loans and liability for land acquisition are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranges from 4.50% to 7.25% in 2016 and 4.50% to 7.25% in 2015using the remaining terms to maturity.

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities recognized as of December 31, 2016 and 2015:

	December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets measured at fair value:				
Installment contracts receivables (Note 11)	**₱–**	**₱–**	**₱57,009,370**	**₱57,009,370**
AFS financial assets (Note 8)	**3,755,018,807**	**–**	**3,204,170**	**3,758,222,977**
Investment properties (Note 13)	**–**	**34,799,200,000**	**–**	**34,799,200,000**
Other financial liabilities for which fair values are disclosed:				
Liability for land acquisition (Note 14)	**–**	**–**	**302,286,240**	**302,286,240**
Interest-bearing loans and borrowings (Note 16)	**–**	**–**	**8,645,822,641**	**8,645,822,641**

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value:				
Installment contracts receivables (Note 11)	₱–	₱–	₱57,131,689	₱57,131,689
AFS financial assets (Note 8)	3,933,400,539	–	3,204,170	3,936,604,709
Investment properties (Note 13)	–	29,923,000,000	–	29,923,000,000
Other financial liabilities for which fair values are disclosed:				
Liability for land acquisition (Note 14)	–	–	552,155,604	552,155,604
Interest-bearing loans and borrowings (Note 16)	–	–	10,748,251,106	10,748,251,106

In 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements. Financial assets determined under Level 3 include AFS investment in unquoted equity securities and installments contracts receivables.

Financial liabilities under Level 3 include liability for land acquisition and interest-bearing loans and borrowings. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

Description of significant unobservable inputs to valuation:

Account	**Valuation Technique**	**Significant Unobservable Inputs**
Installment contracts receivables	Discounted cash flow analysis	Discount rate
Interest-bearing loans and borrowings	Discounted cash flow analysis	Discount rate
Liability for land acquisition	Discounted cash flow analysis	Discount rate
Investment property	Market Data Approach	Price per square meter, size, location, shape, time, element and corner influence

Significant increases (decreases) in discount rate would result in significantly higher (lower) fair value of the installment contracts receivables, bank loans, loans payables and liabilities for purchased land.

Significant Unobservable Input

Discount Rate	The rate at which cash flows are discounted back to the value at measurement date.

27. **Financial Assets and Liabilities**

Financial Risk Management and Objectives

Financial risk
The Group's principal financial liabilities comprise of interest-bearing loans and borrowings, trade and other payables and liability for land acquisition. The main purpose of the Group's financial liabilities is to raise financing for the Group's operations. The Group has various financial assets such as installment contracts receivables, cash and cash equivalents and AFS financial assets which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk.

The BOD reviews and approves with policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Group's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Interest rate risk
The Group's exposure to market risk for changes in interest rates, relates primarily to its financial assets and liabilities that are interest-bearing.

The Group's policy is to manage its interest cost by entering into fixed rate debts. The Group also regularly enters into short-term loans as it relates to its sold installment contracts receivables in order to cushion the impact of potential increase in loan interest rates.

The table below shows the financial assets and liabilities that are interest-bearing:

	December 31, 2016		December 31, 2015	
	Effective Interest Rate	**Amount**	Effective Interest Rate	Amount
Financial assets				
Fixed rate				
Cash and cash equivalents (excluding cash on hand) (Note 7)	**1.20% to 2.00%**	**₱427,886,299**	1.20% to 2.00%	₱1,007,758,773
Installment contracts receivable (Note 11)	**12.00% to 20.00%**	**57,009,370**	12.00% to 20.00%	57,131,689
		₱484,895,669		₱1,064,890,462
Financial liabilities				
Fixed rate				
Interest-bearing loans and borrowings (Note 16)	**4.50% to 7.25%**	**₱8,645,822,641**	4.50% to 7.25%	₱10,748,251,106
Liability for land acquisition (Note 14)	**5.70% to 7.50%**	**302,286,240**	5.70% to 7.50%	552,155,604
		₱8,948,108,881		₱11,300,406,710

As of December 31, 2016 and 2015, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exposure to foreign currency risk

arises mainly when financial assets, financial liabilities, and forecasted transactions are denominated in a currency other than the Group's local currency or will be denominated in such a currency in the planned course of business. The principal foreign currency risk to which the Group is exposed involves the US Dollar (US$). Foreign currency risk is monitored and analyzed systematically and is managed by the Group.

The Group's foreign exchange risk from fluctuation of exchange rate is mainly on the Company's cash in bank.

The exchange rates as of December 31, 2016 and 2015 was ₱49.72 and ₱47.06 per US$1.00, respectively. As of December 31, 2016 and 2015, the Company's US dollar-denominated cash in banks amounted to US$10,237.13 and US$13,060.39, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate until its next annual financial reporting date, with all other variables held constant, of the Company's 2016 and 2015 profit before tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2016 and 2015.

	Currency	Increase (decrease) in US dollar rate	Effect on income (loss) before income tax
2016	**US$**	**+0.45%**	**₱9,169**
		-0.45%	**(9,169)**
2015	US$	+0.75%	4,610
		-0.75%	(4,610)

Credit risk
The Group transacts only with recognized and creditworthy third parties. The Group's receivables are monitored on an ongoing basis resulting to manageable exposure to bad debts. Lessees and 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 installment contracts receivables 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 due installment contracts receivable. 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 and the requirement for remedial procedures is minimal given the profile of buyers.

With respect to credit risk arising from the other financial assets of the Group, which are comprised of cash and cash equivalents and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages its cash by maintaining cash accounts with banks which have demonstrated financial soundness for several years.

The table below shows the comparative summary of maximum credit risk exposure on financial assets as of December 31, 2016 and 2015:

	2016			
	Maximum Credit Exposure	**Fair Value of Collateral**	**Net Exposure to Credit Risk**	**Financial Effect**
Loans and Receivables				
Cash and cash equivalents (excluding cash on hand) (Note 7)	**₱427,886,299**	**₱–**	**₱427,886,299**	**–**
Trade receivables (Note 9)	**3,649,893,475**	**–**	**3,649,893,475**	**–**
Installment contracts receivables (Note 11)	**57,009,370**	**99,498,100**	**–**	**57,009,370**
	4,134,789,144	**99,498,100**	**4,077,779,774**	**57,009,370**
AFS Financial Assets (Note 8)				
Investments in mutual funds	**31,588,143**	**–**	**31,588,143**	**–**
Investments in quoted equity shares	**3,723,430,664**	**–**	**3,723,430,664**	**–**
Investments in unquoted equity shares	**3,204,170**	**–**	**3,204,170**	**–**
	₱7,893,012,121	**₱99,498,100**	**₱7,836,002,751**	**₱57,009,370**

	2015			
	Maximum Credit Exposure	Fair Value of Collateral	Net Exposure to Credit Risk	Financial Effect
Loans and Receivables				
Cash and cash equivalents (excluding cash on hand) (Note 7)	₱1,007,758,773	₱–	₱1,007,758,773	–
Trade receivables (Note 9)	1,527,211,987	–	1,527,211,987	–
Installment contracts receivables (Note 11)	57,131,689	99,498,100	–	57,131,689
	2,592,102,449	99,498,100	2,534,970,760	57,131,689
AFS Financial Assets (Note 8)				
Investments in mutual funds	36,961,985	–	36,961,985	–
Investments in quoted equity shares	3,896,438,554	–	3,896,438,554	–
Investments in unquoted equity shares	3,204,170	–	3,204,170	–
	₱6,528,707,158	₱99,498,100	₱6,471,575,469	₱57,131,689

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As of December 31, 2016 and 2015, the aging analyses of past due but not impaired receivables, presented per class are as follows:

December 31, 2016

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Total of Past Due But Not Impaired	Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days			
Trade and other receivables	**₱1,301,529,540**	**₱486,229,580**	**₱70,319,612**	**₱33,090,618**	**₱1,758,724,125**	**₱2,348,363,935**	**₱51,583,377**	**₱3,701,476,852**
Installment contract receivables	**57,009,370**	–	–	–	–	–	–	**57,009,370**
Total	**₱1,358,538,910**	**₱486,229,580**	**₱70,319,612**	**₱33,090,618**	**₱1,758,724,125**	**₱2,348,363,935**	**₱51,583,377**	**₱3,758,486,222**

December 31, 2015

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Total of Past Due But Not Impaired	Impaired Financial Assets	Total
		<30 days	30-60 days	60-90 days	>90 days			
Trade and other receivables	₱677,559,106	₱86,057,728	₱55,722,924	₱46,608,959	₱661,263,270	₱849,652,881	₱50,544,672	₱1,577,756,659
Installment contract receivables	57,131,689	–	–	–	–	–	–	57,131,689
Total	₱734,690,795	₱86,057,728	₱55,722,924	₱46,608,959	₱661,263,270	₱849,652,881	₱50,544,672	₱1,634,888,348

Those accounts that are considered neither past due nor impaired are receivables without any default in payments and those accounts wherein the management has assessed that recoverability is high.

The tables below show the credit quality of the Group's financial assets as of December 31, 2016 and 2015, gross of allowance for impairment losses:

December 31, 2016

	Neither past due nor impaired						
	High grade	**Medium grade**	**Low grade**	**Total**	**Past due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents (excluding cash on hand)	**₱427,886,299**	**₱–**	**₱–**	**₱427,886,299**	**₱–**	**₱–**	**₱427,886,299**
Trade receivables	–	**1,301,529,540**	–	**1,301,529,540**	**2,348,363,935**	**51,583,377**	**3,701,476,852**
Installment contract receivables	–	**57,009,370**	–	**57,009,370**	–	–	**57,009,370**
Total loans and receivables	**427,886,299**	**1,358,538,910**	–	**1,786,425,209**	**2,348,363,935**	**51,583,377**	**4,186,372,521**
AFS Financial Assets							
Investments in mutual funds	**31,588,143**	–	–	**31,588,143**	–	–	**31,588,143**
Investments in quoted equity shares	**3,723,430,664**	–	–	**3,723,430,664**	–	–	**3,723,430,664**
Investments in unquoted equity shares	**3,204,170**	–	–	**3,204,170**	–	–	**3,204,170**
	₱4,186,109,276	**₱1,358,538,910**	**₱–**	**₱5,544,648,186**	**₱2,348,363,935**	**₱51,583,377**	**₱7,944,595,498**

December 31, 2015

	Neither past due nor impaired						
	High grade	Medium grade	Low grade	Total	Past due but not impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱1,007,758,773	₱–	₱–	₱1,007,758,773	₱–	₱–	₱1,007,758,773
Trade receivables	–	677,559,106	–	677,559,106	849,652,881	50,544,672	1,577,756,659
Installment contract receivables	–	57,131,689	–	57,131,689	–	–	57,131,689
Total loans and receivables	1,007,758,773	734,690,795	–	1,742,449,568	849,652,881	50,544,672	2,642,647,121
AFS Financial Assets							
Investments in mutual funds	36,961,985	–	–	36,961,985	–	–	36,961,985
Investments in quoted equity shares	3,896,438,554	–	–	3,896,438,554	–	–	3,896,438,554
Investments in unquoted equity shares	3,204,170	–	–	3,204,170	–	–	3,204,170
	₱4,944,363,482	₱734,690,795	₱–	₱5,679,054,277	₱849,652,881	₱50,544,672	₱6,579,251,830

High grade cash and cash equivalents are money market placements and working cash fund placed, invested or deposited in local banks belonging to the top ten banks in the Philippines in terms of resources and profitability.

The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant.

Medium grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Low grade accounts are accounts which have probability of impairment based on historical trend.

Based on the Group's experience, its loans and receivables are highly collectible or collectible on demand. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. The installment contract receivables are collateralized by the corresponding real estate properties. In few cases of buyer defaults, the Group can repossess the collateralized properties and held it for sale in the ordinary course of business at the prevailing market price. The total of repossessed properties included in the "Real estate inventories" account in the consolidated statements of financial position amounted to ₱0.11 million and ₱0.62 million as of December 31, 2016 and 2015, respectively. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.

Liquidity Risk
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group's loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.

The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2016 and 2015.

Equity Price Risk
The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally investment in mutual funds classified as AFS financial assets. Such securities are subject to price risk due to possible adverse changes in market values of instruments arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group invests in equity securities for various reasons, including reducing its overall exposure to interest rate risk.

In 2016, the Group determined the reasonably possible change in index using the specific adjusted data for each equity security the Group holds as of the reporting dates. The adjusted data is the forecasted measure of the volatility of security or a portfolio in comparison to the market as a whole.

The analysis below is performed for reasonably possible movements in NAV per share with all other variables held constant, showing the impact on equity (that reflects adjustments due to changes in fair value of AFS financial assets):

	Change in NAV per Share	Impact on Equity
December 31, 2016	**+9.51%**	**₱3,004,878**
	-9.51%	**(3,004,878)**
December 31, 2015	+7.64%	₱2,824,230
	-7.64%	(2,824,230)

In 2016, the Group determined the reasonably possible change in NAV per share using the historical NAV year-end values for the past three years.

Maturity Profile of Financial Assets and Liabilities

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2016 and 2015 based on undiscounted contractual payments, including interest receivable and payable.

December 31, 2016

	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	**₱428,235,799**	**₱–**	**₱–**	**₱–**	**₱428,235,799**
Receivable from related parties	–	–	**21,576,798**	**3,901,092,279**	**3,922,669,077**
Trade receivables	**1,301,529,540**	**589,639,810**	**1,758,724,125**	–	**3,649,893,475**
Installment contracts receivables	–	–	**46,580,495**	**10,428,875**	**57,009,370**
AFS Financial Assets					
Investments mutual funds	**31,588,143**	–	–	–	**31,588,143**
Investments in quoted equity securities	–	–	–	**3,723,430,664**	**3,723,430,664**
Investments in unquoted equity securities	–	–	–	**3,204,170**	**3,204,170**
Total undiscounted financial assets	**₱1,761,353,482**	**₱589,639,810**	**₱1,826,881,418**	**₱7,638,155,988**	**₱11,816,030,698**
Financial Liabilities					
Financial liabilities at amortized cost					
Liability for land acquisition	–	–	**79,644,720**	**222,641,520**	**302,286,240**
Interest-bearing loans and borrowings	–	–	**1,596,831,058**	**7,048,991,583**	**8,645,822,641**
Trade and other payables	–	**1,864,432,619**	–	–	**1,864,432,619**
Payables to related parties	–	–	**391,593,844**	**4,857,332,925**	**5,248,926,769**
Total undiscounted financial liabilities	**₱–**	**₱1,864,432,619**	**₱2,068,069,622**	**₱12,128,966,028**	**₱16,061,468,269**

December 31, 2015

	On Demand	1 to 3 Months	3 to 12 Months	More than 1 year	Total
Financial Assets					
Loans and receivables					
Cash and cash equivalents	₱1,008,053,273	₱–	₱–	₱–	₱1,008,053,273
Receivable from related parties	–	–	186,940,286	3,556,024,295	3,742,964,581
Trade receivables	677,559,106	188,389,611	661,263,270	–	1,527,211,987
Installment contracts receivables	–	–	26,914,007	30,217,682	57,131,689
AFS Financial Assets					
Investments mutual funds	36,961,985	–	–	–	36,961,985
Investments in quoted equity securities	–	–	–	3,896,438,554	3,896,438,554
Investments in unquoted equity securities	–	–	–	3,204,170	3,204,170
Total undiscounted financial assets	₱1,722,574,364	₱188,389,611	₱875,117,563	₱7,485,884,701	₱10,271,966,239
Financial Liabilities					
Financial liabilities at amortized cost					
Liability for land acquisition	₱–	₱3,276,218	₱499,250,434	₱49,628,952	₱552,155,604
Interest-bearing loans and borrowings	–	–	868,191,397	9,880,059,709	10,748,251,106
Trade and other payables	–	1,736,092,221	–	–	1,736,092,221
Payables to related parties	–	–	326,680,195	393,257,223	719,937,418
Total undiscounted financial liabilities	₱–	₱1,739,368,439	₱1,694,122,026	₱10,322,945,884	₱13,756,436,349

28. **Lease Commitments**

Operating Lease Commitments - Group as Lessee

The Group leases a parcel of land from LECA Properties, Inc. (LECA) where WCC is situated for an original period of 25 years commencing on August 1, 1995 until July 31, 2020 with rental escalation every year at an agreed rate ranging from ₱44.20 to ₱44.89 per square meter. The lease contract includes a clause that the lessee shall be responsible for all real property taxes, assessments or charges on the improvements on the leased property.

On August 25, 2010, Manuela executed a Memorandum of Agreement (MOA) whereby LECA agreed to a reduction of the amount of outstanding rentals and arrearages and set a schedule of payment of the agreed amount. Furthermore, on the same MOA, LECA agreed for an extension of the term of the original lease, for an addition 10 years from the expiration of the original lease period, under the same terms and conditions, except as to the rate of rentals which the parties shall agree prior to the expiration of the original lease term.

Also, the Group is a lessee under various operating leases covering parcels of land where some on-going mall projects are being constructed. These leases have terms ranging from 20 to 25 years, with rental escalation clauses and renewal options.

Rental expense from these operating leases amounted to ₱112.43 million, ₱107.29 million and ₱104.93 million in 2016, 2015 and 2014, respectively, and is presented as part of rentals under the costs and expenses account in the consolidated statements of comprehensive income.

The future minimum rental commitments arising from their agreements as of December 31 are as follows:

	2016	2015
Less than one year	**₱119,351,440**	₱107,351,659
Between one and five years	**620,183,884**	566,672,997
More than five years	**1,853,381,067**	2,015,115,699
	₱2,592,916,391	₱2,689,140,355

Operating Lease Commitments - Group as Lessor
The Group leases out properties under various operating leases with various escalation clauses and renewal rights. Rental income from these operating leases in 2016, 2015 and 2014 amounted to ₱4,077.94 million, ₱2,380.18 million and ₱1,615.03 million, respectively, and is presented as rental income under the revenues and income account in the consolidated statements of comprehensive income.

The future minimum lease receivables under these non-cancelable leases as of December 31 are as follows:

	2016	2015
Less than one year	**₱2,142,993,018**	₱1,403,371,450
Between one and five years	**8,561,900,197**	5,003,732,837
More than five years	**7,002,260,095**	4,314,041,517
	₱17,707,153,310	₱10,721,145,804

Stated in the lease agreements is the payment of refundable security deposits equivalent to 3-month's rent which is remitted by the tenants upon the commencement of their lease contracts. The Group has outstanding liability as of December 31, 2016 and 2015 amounting ₱128.55 million and ₱94.60 million, respectively, and is presented under non-current liabilities section of the consolidated statements of financial position.

29. Notes to Consolidated Statements of Cash Flows

The Group's noncash investing and financing activities pertain to the following:

a) Transaction cost amounting ₱29.39 million related to the acquisition of Vista Land shares by Manuela was applied against receivable from related parties. In 2015, the Group acquired 752.21 million shares of Vista Land for ₱7.15 per share or ₱5,378.29 million. Outstanding payable amounting ₱5,033.53 has been applied against receivable from related parties (Note 23).

b) In 2016, the Group cancelled a 2014 land acquisition amounting ₱285.20 million. The affected amounts are Investment properties and Liability for land acquisition.

c) Transfer of Pension liability amounting ₱13.22 million to a related party due to employee transfers. The transaction was recorded as Payables to related parties.

d) In 2016, the Group transferred investment property to property and equipment amounting ₱4.31 million (Notes 12 and 13). In 2015, land under investment property amounting ₱155.43 million has been transferred to related parties and was recorded as receivable from related parties (Note 23).

e) The Group capitalized borrowing cost amounting ₱660.54 million, ₱468.63 million and ₱98.00 million for the years ended December 31, 2016, 2015 and 2014.

f) The Group purchased land that is payable to related party under common control amounted to ₱78.46 million and to other related parties amounting ₱2,200.00 million as of December 31, 2015. The acquisition costs have been charged to Payables to related parties.

g) In 2015, the Group applied the ₱5,171.43 million outstanding payable to shareholders arising from the sale of treasury shares recorded as receivable from related parties (Note 23).

h) In 2014, the Group transferred its 100% ownership interest in Brittany Estates Corporation (BEC) consisting of 1,009,960 shares to Household Development Corporation in exchange for lands amounting to ₱507.20 million. The Company received certain parcels of land in Taguig, Imus and Las Pinas City amounting ₱415.50 million. The outstanding receivables arising from this transaction is shown as part of the Receivable from related party account in the current section of the 2014 consolidated statements of financial position.

i) In 2013, the Group sold the remaining 399.40 million shares of its investment in VLL, with carrying amount of ₱1.80 billion, for a total consideration of ₱2.80 billion to Fine Properties, Inc., a related party under common ownership, which remained outstanding as of December 31, 2014.

j) In 2014, the Group acquired parcels of land in various locations amounting to ₱700.50 million to be developed as commercial property in the future. Out of which, ₱231.90 million is still outstanding, and payable in the next twelve months, and ₱14.30 million with maturity of more than 1 year, presented as part of the Liability for land acquisition in the current and non-current liabilities section of the 2014 consolidated statements of financial position (Note 14).

k) In 2014, the Group transferred certain parcels of land to BEC amounting to ₱70.80 million.

30. **Approval of the Financial Statements**

The consolidated financial statements of the Group as of and for the years ended December 31, 2016 and 2015 were authorized for issue by the BOD on March 20, 2017.

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

INDEPENDENT AUDITORS' REPORT
ON THE SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Starmalls, Inc.
Lower Ground Floor, Building B
EVIA Lifestyle Center, Vista City, Daanghari
Almanza II, Las Piñas City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Starmalls, Inc. and its subsidiaries as at and for the year ended December 31, 2016 and have issued our report thereon dated March 20, 2017. Our audit was made for purposes of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the management of Starmalls, Inc. These schedules are presented for purposes of complying with Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-3 (Group A),
March 16, 2017, valid until March 15, 2020
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908755, January 3, 2017, Makati City

March 20, 2017

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as of December 31, 2016:

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2016**		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to 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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 7 *(cont'd)*	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
	New Hedge Accounting Requirements		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11, Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation	✓		
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27, Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
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	Impairment of Assets	✓		
	Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	•Amendments to PAS 38, Clarification of Acceptable Methods of Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	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: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2016.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2016. The Group will adopt the Standards and Interpretations when these become effective.

STARMALLS, INC. AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES

I. Supplementary schedules required by Annex 68-E

   A. Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)

   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

   E. Long-term Debt

   F. Indebtedness to Related Parties

   G. Guarantees of Securities of Other Issuers

   H. Capital Stock

II. Schedule of all of the effective standards and interpretations (Part 1, 4J)

III. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)

IV. Map of the relationships of the companies within the group (Part 1, 4H)

V. Schedule of Financial Ratios

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2016

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash and cash equivalents (excluding cash on hand)	N/A	₱427,886,299	₱427,886,299	₱2,225,883
Trade receivables	N/A	3,649,893,475	3,649,893,475	–
Installment contracts receivables	N/A	57,009,370	57,009,370	1,786,162
Investments in mutual funds	N/A	31,588,143	31,588,143	–
Investments in quoted equity shares (Vista Land)	752,208,215 shares	3,723,430,664	3,723,430,664	–
Investments in unquoted equity shares (Manuela Metropolis Corp.)	2,432,000 shares	3,204,170	3,204,170	–
Total Financial Assets		₱7,893,012,121	₱7,893,012,121	₱4,012,045

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2016

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Subject to liquidation of employees	₱18,161,774	₱96,944,499	₱109,261,088	₱–	₱5,845,185	₱–	₱5,845,185

*Cash advances used for the Group’s operations

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2016

Name and Designation of Debtor/Creditor	Balance at Beginning of Period	Additions	Amounts Liquidated	Amounts Converted to APIC/Capital Stock	Current	Noncurrent	Balance at end of period
MC	₱2,895,391,770	₱2,046,365,957	(₱338,059,933)	–	–	₱4,603,697,794	₱4,603,697,794
MC	338,040,654	462,498,597	(766,119,648)	–	–	34,419,603	34,419,603
STR	3,136,813,649	2,586,197,000	(211,000,200)	–	–	5,512,010,449	5,512,010,449
MAPI	(3,136,813,649)	(2,385,196,800)	10,000,000	–	–	(5,512,010,449)	(5,512,010,449)
MAPI	(2,895,389,067)	(1,918,566,259)	210,257,532	–	–	(4,603,697,794)	(4,603,697,794)
STR	(338,040,654)	(421,498,297)	725,119,348	–	–	(34,419,603)	(34,419,603)

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE D: INTANGIBLE ASSETS

DECEMBER 31, 2016

Description	Beginning balance	Additions	Amount of Amortization	Current	Not Current	Ending balance

NOT APPLICABLE

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE E: LONG TERM DEBT

DECEMBER 31, 2016

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet	Interest rates	Amount	Number of periodic installments	Maturity date
Interest-Bearing Loans and Borrowings (BDO)	₱4,330,000,000	₱474,656,408	₱3,438,002,445	5.75%/7.00%	₱3,912,658,853	Monthly interest payment; quarterly principal payment	July 29, 2020/ February 1, 2018
Interest-Bearing Loans and Borrowings (AUB)	420,000,000	150,107,010	183,000,000	6.25%	333,107,010	Monthly interest payment; quarterly principal payment	May 1, 2015/ August 1, 2020
Interest-Bearing Loans and Borrowings (PDB)	355,580,000	88,895,000	12,123,750	7.25%	101,018,750	Monthly interest payment; quarterly principal payment	November 1, 2017/ March 1, 2018/ April 1, 0218
Interest-Bearing Loans and Borrowings (RCBC)	4,694,571,392	803,172,640	3,264,100,683	5.75%	4,067,273,323	Monthly interest payment; quarterly principal payment	March 2016/ September 2016/ August 2020
Interest-Bearing Loans and Borrowings (UBP)	340,000,000	80,000,000	151,764,705	5.75%	231,764,705	Monthly interest payment; quarterly principal payment	August 30, 2019/ December 19, 2019
	₱10,140,151,392	₱1,596,831,058	₱7,048,991,583		₱8,645,822,641		

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2016

Name of related party	Balance at beginning of period	Balance at end of period
Brittany Estates Corporation	₱6,065,915	₱6,065,915
Crown Asia Properties, Inc.	137,577,654	202,558,468
Communities Bohol, Inc.	1,500	–
Flavors and Treats	8,820	–
Household Development Corp.	101,363,870	72,232,932
Hero Holdings	24,930,004	24,930,004
Vista Residence, Inc.	77,044	164,446,588
Fine Properties, Inc.	–	67,137,480
Total indebtedness to related party	₱270,024,807	₱537,371,387

STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE G:
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2016

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

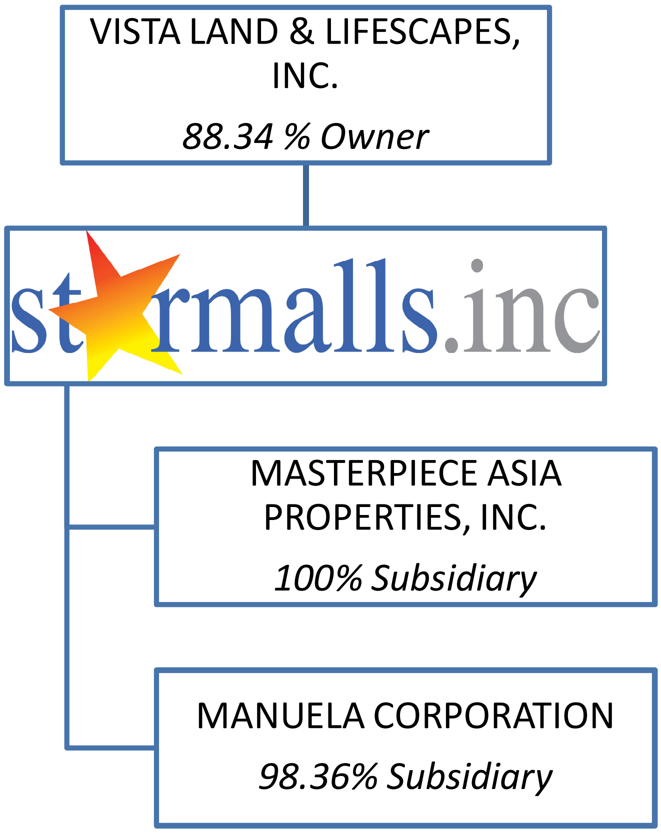
STARMALLS, INC. AND SUBSIDIARIES
SCHEDULE H: CAPITAL STOCK
DECEMBER 31, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common Stock, P1 par value	16,900,000,000	8,425,981,156	–	7,436,222,014	32,500	989,726,642
Preferred Stock, P0.01 par value	10,000,000,000	2,350,000,000	–	2,350,000,000	–	–

See Note 18 of the Consolidated Financial Statements

STARMALLS, INC. AND SUBSIDIARIES

Map showing the relationships between and among the Group and its ultimate parent and its subsidiaries
December 31, 2016



STARMALLS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL RATIOS

DECEMBER 31, 2016

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2016, 2015 and 2014.

		2016	2015	2014
Current ratio	Current assets / Current liabilities	**1.58**	1.43	1.70
Long-term debt-to-equity ratio	Long-term debt[1] / Equity	**0.40**	0.59	0.30
Debt ratio	Interest bearing debt[2] / Total assets	**0.25**	0.36	0.26
Debt to equity ratio	Interest bearing debt[2] / Total equity	**0.49**	0.67	0.43
Net debt to equity ratio	Net debt[3] / Total equity	**0.47**	0.61	0.27
Asset to equity ratio	Total assets / Total equity	**1.98**	1.88	1.63
Interest service coverage ratio	EBITDA / Total interest paid	**5.05**	9.04	8.47
Asset to liability ratio	Total Assets / Total Liabilities	**2.02**	2.14	2.58

[1] Pertains to long term portion of the Liability for Land Acquisition and Interest-bearing Loans and Borrowings

[2] Includes Liability for Land Acquisition and Interest-bearing Loans and Borrowings

[3] Interest bearing debt less Cash and cash equivalents, Short-term and Long-Term cash investments