DMCI Holdings, Inc.

Parent Company Financial Statements
December 31, 2016 and 2015
and Years Ended December 31, 2016, 2015
and 2014

and

Independent Auditor's Report

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
DMCI Holdings, Inc.

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of DMCI Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2016 and 2015, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for 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 Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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

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

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

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

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

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of DMCI Holdings, Inc. in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
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PTR No. 5908770, January 3, 2017, Makati City

March 16, 2017

DMCI HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 16)	**₱5,053,746,087**	₱3,695,123,711
Receivables (Notes 5, 11 and 16)	**2,228,479,649**	934,530,181
Other current assets	**15,092,191**	11,995,390
Total Current Assets	**7,297,317,927**	4,641,649,282
Noncurrent Assets		
Investments in subsidiaries and associates (Note 6)	**15,449,837,512**	20,705,063,391
Investment properties (Note 7)	**21,649,474**	21,649,474
Property and equipment (Note 8)	**14,549,594**	14,952,519
Pension assets (Note 12)	**49,684,240**	51,362,340
Other noncurrent assets	**6,025,283**	3,981,570
Total Noncurrent Assets	**15,541,746,103**	20,797,009,294
	₱22,839,064,030	₱25,438,658,576
LIABILITIES AND EQUITY		
Current Liability		
Accounts and other payables (Notes 9 and 16)	**₱27,129,023**	₱20,686,352
Noncurrent Liabilities		
Deferred tax liability (Note 15)	**14,925,729**	17,443,112
Other noncurrent liabilities	**1,000,000**	1,000,000
Total Noncurrent Liabilities	**15,925,729**	18,443,112
Total Liabilities	**43,054,752**	39,129,464
Equity		
Capital stock (Notes 10 and 16)	**13,277,473,780**	13,277,473,780
Additional paid-in capital (Notes 10 and 16)	**4,672,393,925**	4,672,393,925
Retained earnings (Notes 10 and 16)	**4,836,586,278**	7,438,630,119
Remeasurement gains on retirement plan - net (Notes 12 and 15)	**9,555,295**	11,031,288
Total Equity	**22,796,009,278**	25,399,529,112
	₱22,839,064,030	₱25,438,658,576

See accompanying Notes to Parent Company Financial Statements.

DMCI HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	**2015**	2014
INCOME			
Dividend income (Notes 6 and 11)	**₱6,348,634,046**	₱4,913,419,015	₱4,869,458,060
Finance income (Note 14)	**96,047,480**	78,783,175	108,877,740
Management fees (Note 11)	**4,200,000**	4,200,000	4,200,000
Foreign currency exchange gains (loss) - net	**494,519**	7,634,024	(11,321,631)
Pension income (Note 12)	**430,461**	791,316	298,268
Gain on sale of property and equipment (Note 8)	**348,214**	–	692,880
Gain on sale of investments in associates (Note 6)	**–**	307,970,330	–
Gain on sale of investment properties (Notes 7 and 11)	**–**	4,759,050	–
	6,450,154,720	5,317,556,910	4,972,205,317
COSTS AND EXPENSES			
General and administrative expenses (Note 13)	**70,471,119**	67,689,335	71,172,623
Loss on liquidation of subsidiary (Note 6)	**2,590,385,419**	–	–
	2,660,856,538	67,689,335	71,172,623
INCOME BEFORE INCOME TAX	**3,789,298,182**	5,249,867,575	4,901,032,694
PROVISION FOR INCOME TAX (Note 15)	**18,156,423**	48,267,758	20,620,104
NET INCOME	**3,771,141,759**	5,201,599,817	4,880,412,590
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on retirement plan (Note 12)	**(2,108,561)**	(12,038,460)	19,633,325
Income tax effect (Note 15)	**632,568**	3,611,538	(5,889,998)
	(1,475,993)	(8,426,922)	13,743,327
TOTAL COMPREHENSIVE INCOME	**₱3,769,665,766**	₱5,193,172,895	₱4,894,155,917

See accompanying Notes to Parent Company Financial Statements.

DMCI HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 10)	Additional Paid-in Capital (Note 10)	Retained Earnings		Remeasurement Gains on Retirement Plans - net (Note 10)	Total Equity
			Unappropriated (Note 10)	Appropriated (Note 10)		
			For the Year Ended December 31, 2016			
Balances as of January 1, 2016	**₱13,277,473,780**	**₱4,672,393,925**	**₱7,438,630,119**	**₱–**	**₱11,031,288**	**₱25,399,529,112**
Comprehensive income						
Net income	–	–	**3,771,141,759**	–	–	**3,771,141,759**
Other comprehensive loss	–	–	–	–	**(1,475,993)**	**(1,475,993)**
Total comprehensive income	–	–	**3,771,141,759**	–	**(1,475,993)**	**3,769,665,766**
Cash dividends declared (Note 10)	–	–	**(6,373,185,600)**	–	–	**(6,373,185,600)**
Balances as of December 31, 2016	**₱13,277,473,780**	**₱4,672,393,925**	**₱4,836,586,278**	**₱–**	**₱9,555,295**	**₱22,796,009,278**
			For the Year Ended December 31, 2015			
Balances as of January 1, 2015	₱13,277,473,780	₱4,672,393,925	₱8,610,215,902	₱–	₱19,458,210	₱26,579,541,817
Comprehensive income						
Net income	–	–	5,201,599,817	–	–	5,201,599,817
Other comprehensive loss	–	–	–	–	(8,426,922)	(8,426,922)
Total comprehensive income	–	–	5,201,599,817		(8,426,922)	5,193,172,895
Cash dividends declared (Note 10)	–	–	(6,373,185,600)	–	–	(6,373,185,600)
Balances as of December 31, 2015	₱13,277,473,780	₱4,672,393,925	₱7,438,630,119	₱–	₱11,031,288	₱25,399,529,112
			For the Year Ended December 31, 2014			
Balances as of January 1, 2014	₱2,655,497,780	₱4,765,316,671	₱18,624,964,912	₱2,100,000,000	₱5,714,883	₱28,151,494,246
Comprehensive income						
Net income	–	–	4,880,412,590	–	–	4,880,412,590
Other comprehensive income	–	–	–	–	13,743,327	13,743,327
Total comprehensive income	–	–	4,880,412,590	–	13,743,327	4,894,155,917
Stock dividends declared (Note 10)	10,621,976,000	(92,922,746)	(10,621,976,000)	–	–	(92,922,746)
Cash dividends declared (Note 10)	–	–	(6,373,185,600)	–	–	(6,373,185,600)
Reversal of Appropriation (Note 10)	–	–	2,100,000,000	(2,100,000,000)	–	–
Balances as of December 31, 2014	₱13,277,473,780	₱4,672,393,925	₱8,610,215,902	₱–	₱19,458,210	₱26,579,541,817

See accompanying Notes to Parent Company Financial Statements.

DMCI HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOW

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,789,298,182**	₱5,249,867,575	₱4,901,032,694
Adjustments for:			
Gain on sale of investment in associates (Note 6)	**–**	(307,970,330)	–
Loss on liquidation of subsidiary (Note 6)	**2,590,385,419**	–	–
Depreciation and amortization (Notes 8 and 13)	**5,308,810**	2,815,648	2,001,576
Finance cost	**3,918**	775	5,263
Gain on sale of property and equipment (Note 8)	**(348,214)**	–	(692,880)
Pension income (Note 12)	**(430,461)**	(791,316)	(298,268)
Gain on sale of investment properties (Notes 7 and 11)	**–**	(4,759,050)	–
Unrealized foreign currency exchange gains	**(494,519)**	(7,634,024)	(3,121,369)
Finance income (Note 14)	**(96,047,480)**	(78,783,175)	(108,877,740)
Dividend income (Notes 6 and 11)	**(6,348,634,046)**	(4,913,419,015)	(4,869,458,060)
Operating income (loss) before changes in working capital	**(60,958,391)**	(60,672,912)	(79,408,784)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**29,152,723**	21,671,382	20,196,287
Other current assets	**(3,096,801)**	5,460,250	(5,389,417)
Other short-term investments	**–**	–	1,200,000,000
Increase (decrease) in accounts and other payable	**7,015,794**	7,781,896	(145,003,100)
Net cash generated from (used for) operations	**(27,886,675)**	(25,759,384)	990,394,986
Interest received	**90,664,800**	78,994,725	130,634,188
Income tax paid	**(20,041,238)**	(46,548,668)	(21,775,549)
Interest paid	**(3,918)**	(775)	(5,263)
Net cash provided by operating activities	**42,732,969**	6,685,898	1,099,248,362
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	**7,148,634,046**	4,313,419,015	4,064,595,482
Acquisitions of:			
Property and equipment (Note 8)	**(4,905,885)**	(10,010,390)	(5,595,843)
Investments in subsidiaries and associates (Note 6)	**–**	–	(3,647,616,559)
Proceeds from sale of:			
Property and equipment (Note 8)	**348,214**	–	692,880
Investments in subsidiaries and associates (Note 6)	**547,120,949**	–	–
Deposit received on future sale of investment (Note 6)	**–**	–	1,757,651,330
Increase in other non-current assets	**(2,043,713)**	–	–
Payment of subscriptions payable	**–**	–	(550,000,000)
Net cash provided by investing activities	**7,689,153,611**	4,303,408,625	1,619,727,290
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Dividends (Note 10)	**(6,373,758,723)**	(6,376,189,944)	(6,366,867,270)
Stock transaction costs	**–**	–	(92,922,746)
Net cash used in financing activities	**(6,373,758,723)**	(6,376,189,944)	(6,459,790,016)
EFFECT OF FOREIGN CURRENCY RATE CHANGES IN CASH AND CASH EQUIVALENTS	**494,519**	7,634,024	3,121,369
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,358,622,376**	(2,058,461,397)	(3,737,692,995)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,695,123,711**	5,753,585,108	9,491,278,103
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱5,053,746,087**	3,695,123,711	5,753,585,108

See accompanying Notes to Parent Company Financial Statements

DMCI HOLDINGS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 and domiciled in the Philippines. The Parent Company's registered office address is 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City. The Parent Company was listed in the Philippine Stock Exchange on December 18, 1995.

The Parent Company is the holding Company of the DMCI Group, which is primarily engaged in general construction and infrastructure, coal and nickel mining, power generation, real estate development, water concessionaire and manufacturing.

The accompanying parent company financial statements were endorsed for approval by the Audit Committee and authorized for issue by the Board of Directors (BOD) on March 16, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying parent company financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

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

The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRS which are available at the registered office address of the Parent Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*

- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Standards Issued But Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Parent Company 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.

- 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.

  These amendments are not expected to have any impact on the Parent Company.

Effective beginning on or after January 1, 2018

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

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

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

  The Company is assessing the potential effect of the amendments on its financial statements.

- 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.

  The amendments are not applicable to the Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

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

- 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 Parent Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The adoption will also have an effect on the Parent Company's application of hedge accounting and on the amount of its credit losses. The Parent Company 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 Parent Company 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.

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 and that are subject to an insignificant risk of changes in value.

Financial Instruments
Date of Recognition
The Parent Company recognizes a financial asset or a financial liability in the parent company 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 market place are recognized on the settlement date.

Initial Recognition of Financial Instruments
All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity investments, available-for-sale (AFS) financial assets, and loans and receivables. The Parent Company classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

As of December 31, 2016 and 2015, the Parent Company's financial instruments are classified as loans and receivables and other financial liabilities.

Fair Value Measurement
The Parent Company discloses the fair values of financial instruments measured at amortized cost and non-financial assets measured at cost such as investment properties in Notes 7 and 16.

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 by the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their 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 Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

For the purpose of fair value disclosures, the Parent Company's 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 to 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 Parent Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the profit or loss unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and Receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial asset at FVPL or AFS financial assets. These are included in current assets if maturity is within 12 months from the reporting date; otherwise, these are classified as noncurrent assets. This accounting policy relates to the parent company statement of financial position captions "Cash and cash equivalents" and "Receivables".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. 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) and transaction costs. The amortization is included in "Finance income" in profit or loss.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL are categorized as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, 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. The amortization is included in "Finance cost" in profit or loss. Any effects of restatement of foreign currency-denominated liabilities are recognized under the "Foreign currency exchange gains or losses" in profit or loss.

Other financial liabilities relate to the parent company statement of financial position captions, "Accounts and other payables" (excluding value added output tax and other tax related payables), and "Other noncurrent liabilities".

Impairment of Financial Assets
The Parent Company assesses at reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e. the EIR computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the parent company statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery 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 the parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, customer location, 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 Parent Company. 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 Parent Company to reduce any differences between loss estimates and actual loss experience.

The Parent Company assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Derecognition of Financial Instruments

Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- the Parent Company has transferred its rights to receive cash flows from the asset and either has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 the profit or loss.

Offsetting of Financial Instruments
Financial assets and financial liabilities are only offset and the net amount reported in the parent company statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Parent Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Investments in Subsidiaries and Associates
The Parent Company's investments in its subsidiaries and associates are accounted for under the cost method.

A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights to, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only if the Parent Company has:
a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
b) exposure, or rights, to variable returns from its involvement with the investee, and
c) the ability to use its power over the investee to affect its returns.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. The Parent Company recognizes dividend from a subsidiary in statement of comprehensive income when its right to receive the dividend is established. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction from the cost of the investment.

An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. An allowance is set up for any substantial and presumably permanent decline in the aggregate carrying value of the investment.

The Parent Company recognizes income from the investment only to the extent that it receives distributions from accumulated profits of the associate. The Parent Company recognizes dividend from an associate in statement of comprehensive income when its right to receive the dividend is established.

Investment Properties

Investment properties are stated at cost less any impairment in value. The initial cost of investment property comprises its purchase price, including non-refundable import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the period in which the costs are incurred.

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price, including non-refundable 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 fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged against expenses in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. All other repair and maintenance expenses are charged against current operations as incurred.

Depreciation of property and equipment commences once the assets are put into operational use. Depreciation is calculated on a straight-line method over the following estimated useful lives (EUL) of the respective assets:

	Years
Office furniture, fixtures and equipment	1-3
Leasehold Improvement	5
Transportation equipment	5

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Assets Carried at Cost
If there is an objective evidence that an impairment loss has been incurred 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.

Current and Noncurrent Classification
The Parent Company presents assets and liabilities in parent company statement of financial position based on current/noncurrent classification. An asset is current when it is either:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when either:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;

- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Dividend Income
Dividend income is recognized when the Parent Company's right to receive payment is established, which is generally when shareholders approve the dividend. This is recognized as dividend income in the parent company statement of comprehensive income.

Finance Income
Revenue is recognized as interest accrues (using the EIR that is 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).

Management Fees
Revenue from management fees is recognized when the related services are rendered.

Other Income
Other income includes pension income and gain on sale of shares of stock and sale of investment properties. Gain or loss is recognized if the Parent Company disposes some of its investment in subsidiaries or associates and other properties. Gain or loss is computed as the difference between the proceeds of the disposal and its carrying amount, including the carrying amount of goodwill, if any.

General and Administrative Expenses
General and administrative expenses are expenses that arise in the course of the ordinary operations of the Parent Company. These usually take the form of an outflow or depletion of assets such as supplies, office furniture and equipment and others. Expenses are recognized in profit or loss.

Pension Costs
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 (if any), 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 method.

Defined benefit costs comprise the following:
- Service costs
- Net interest on the net defined benefit liability or asset
- 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. These amounts are calculated periodically by independent qualified actuary.

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 government 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 the Other Comprehensive Income (OCI) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account "Remeasurement gains (losses) on retirement plans" are not reclassified to another equity account 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 Parent Company, nor can they be paid directly to the Parent Company. 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company'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.

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 at the reporting date.

Deferred Tax

Deferred tax is provided, using the liability method, on all 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 exception. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and 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 liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantially enacted at the financial reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Provisions

A provision is recognized only when the Parent Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Foreign Currency Transactions and Translations

The parent company financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. However, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial reporting date. All differences are taken to profit or loss during the period of retranslation.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

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

Equity
The Parent Company records capital stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Parent Company less dividends declared.

Treasury shares represent own equity instruments which are reacquired and are subsequently retired by the Parent Company. No gain or loss is recognized in the profit or loss upon retirement of the own equity instruments. When the assets are retired, the capital stock account is reduced by its par value and the excess of cost over par value is debited to additional paid-in capital recognized when the shares were issued and to retained earnings for the remaining balance.

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

Events After the Reporting Date
Post year-end events up to the date of the Auditor's report that provide additional information about the Parent Company's position at financial reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

a. *Allowance for Impairment Losses on Receivables*
   The Parent Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts.

These factors include, but are not limited to, the counterparties' current operation, financial condition and known market factors. The Parent Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Parent Company provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets. The Parent Company's receivables amounted to ₱2,228.48 million and ₱934.53 million of December 31, 2016 and 2015, respectively (Note 5).

Allowance for impairment losses on receivables amounted to ₱2.98 million as of December 31, 2016 and 2015 (Note 5).

b. *Impairment of Nonfinancial Assets*
The Parent Company assesses the impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Parent Company considers important which could trigger an impairment review of nonfinancial assets except investments in subsidiaries and associates include the following:

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

In addition, the Parent Company considers the following factors which could trigger impairment review of investments in subsidiaries and associates:

a. deteriorating or poor financial condition;
b. recurring net losses; and
c. significant charges with an adverse effect on the subsidiaries or associates.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

As of December 31, 2016 and 2015 carrying values of the Parent Company's nonfinancial assets follow:

	2016	2015
Investments in subsidiaries and associates (Note 6)	**₱15,449,837,512**	₱20,705,063,391
Investment properties (Note 7)	**21,649,474**	21,649,474
Property and equipment (Note 8)	**14,549,594**	14,952,519

c. *Deferred Tax Assets*
The Parent Company reviews the carrying amounts of deferred taxes at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Parent Company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon likely timing and level of future taxable income together with future planning strategies.

Deferred tax assets recognized as of December 31, 2016 and 2015 amounted to ₱0.13 million and ₱0.26 million pertaining to income tax effect of the unamortized past service costs netted against deferred tax liabilities (Note 15).

d. *Estimating Pension Obligation and Other Retirement Benefits*
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 12 and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country and other relevant factors.

As of December 31, 2016 and 2015, pension assets amounted to ₱49.68 million and ₱51.36 million, respectively (Note 12).

e. *Fair Value of Financial Instruments*
Where the fair values of financial assets and financial liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology.

4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	**₱188,441,531**	₱1,026,320,207
Cash equivalents	**4,865,304,556**	2,668,803,504
	₱5,053,746,087	₱3,695,123,711

Cash in banks earn interests at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company and earn annual interest ranging from 1.13% and 3.00% and 2.50% to 2.63% in 2016 and 2015, respectively.

Interest income earned from cash and cash equivalents amounted to ₱96.05 million, ₱78.78 million, ₱101.75 million in 2016, 2015 and 2014, respectively (Note 14).

5. Receivables

This account consists of:

	2016	2015
Receivable from wholly owned subsidiary (Notes 6 and 11)	**₱2,120,702,789**	₱2,986,019
Dividends receivable (Note 11)	**100,000,000**	900,000,000
Accrued interest receivable	**10,165,583**	4,782,903
Receivables from officers and employees	**22,500**	76,788
Receivable from sale of investment property (Notes 7 and 11)	–	27,197,428
Management fee receivable (Note 11)	–	2,352,000
Other receivables	**572,055**	118,321
	2,231,462,927	937,513,459
Less allowance for impairment losses	**2,983,278**	2,983,278
	₱2,228,479,649	₱934,530,181

Dividends receivable pertains to unpaid cash dividends from the subsidiaries of the Parent Company.

Accrued interest receivable pertains to the accrual of interest from cash equivalents. These are expected to be collected upon maturity of the short-term placements.

Receivable from sale of investment property pertains to the receivable for the sale of an investment property to a related party.

Management fee receivable pertains to receivable arising from management services rendered by the Parent Company to a subsidiary.

The Parent Company provided an allowance for impairment on receivables from a subsidiary amounting to ₱2.98 million as of December 31, 2016 and 2015.

The Parent Company's receivables are expected to be realized and fall due within one year after the reporting period.

6. Investments in Subsidiaries and Associates

The details of the Parent Company's investments in subsidiaries and associates follow:

	2016	2015
Balance at beginning of year	**₱20,705,063,391**	₱22,154,744,391
Disposals	**(5,255,225,879)**	(1,449,681,000)
	₱15,449,837,512	₱20,705,063,391

The details of the Parent Company's investments in subsidiaries and associates accounted for under the cost method and the corresponding percentages of ownership follow:

			Effective Interest	
	Principal Activity	**Country of incorporation**	**2016**	2015
Investments in Subsidiaries:				
ENK Plc.	Nickel mining	United Kingdom	–	100.00
Semirara Mining and Power Corporation (Semirara)	Mining and Power	Philippines	**56.51**	56.32
DMCI Project Developers, Inc. (PDI)	Real estate development	Philippines	**100.00**	100.00
D.M. Consunji, Inc. (DMCI)	General construction	Philippines	**100.00**	100.00
DMCI Mining Corporation (DMCI Mining)	Mining	Philippines	**100.00**	100.00
DMCI Power Corporation (DMCI Power)	Power	Philippines	**100.00**	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Steel wire manufacturing	Philippines	**61.70**	61.70
Semirara Cement Corporation (SemCem)*	Cement manufacturing	Philippines	**100.00**	100.00
Associates:				
Maynilad Water Holding Company, Inc. (formerly DMCI-MPIC Water Co. Inc. (DMWC)) (MWHCI)	Investment holding for water concessionaire	Philippines	**27.19**	27.19

*Organized on January 29, 1998 and has not yet started commercial operations.

Dividend income from the Parent Company's subsidiaries and associates recognized in the profit or loss amounted to ₱5.84 billion and ₱510.54 million in 2016, ₱4.41 billion and ₱505.74 million in 2015, ₱4.62 billion and ₱252.28 million in 2014, respectively (Note 11).

The following table summarizes the significant financial information of the associate that is material to the Parent Company (amounts in thousands):

	MWHCI	
	2016	2015
Statement of financial position		
Current assets	**₱14,048,842**	₱14,869,003
Noncurrent assets	**84,205,598**	77,767,444
Current liabilities	**14,329,728**	14,726,877
Noncurrent liabilities	**33,899,394**	33,229,890
Non-controlling interests	**2,808,422**	2,421,437
Equity attributable to parent company	**47,216,895**	42,258,243
Statement of income		
Revenue	**₱20,223,746**	₱19,098,238
Cost and Expenses	**12,834,223**	9,940,703
Net income attributable to NCI	**528,533**	654,971
Net income attributable to parent company	**6,860,990**	8,502,564

DMCI

Declaration of Investment in PDI as Property Dividends to the Parent Company

On April 7, 2014, DMCI declared its investments in PDI amounting to ₱504.82 million, proportionate to 11.13% interest as property dividends to the Parent Company.

As at December 31, 2014, the Parent Company directly holds 100% interest on PDI. The SEC approved the declaration on September 9, 2014.

ENK Plc. (ENK)

In 2012, the Parent Company acquired existing shares of ENK, a mining company with significant mining assets in the Philippines. ENK is a laterite development and production company focused on developing its Acoje project in the Philippines. The total acquisition cost amounted to ₱2.10 billion. In aggregate, the Parent Company owns 157.26 million shares which represents 60% ownership in ENK. The remaining 40% is owned by D&A Income Ltd., an entity from United Kingdom. The investment in ENK was accounted for as an acquisition of a business.

In 2012, the Parent Company and D&A executed a Shareholders' Agreement which clearly defines the roles of the shareholder as having economic interest over ENK. The Parent Company's 60% ownership interest in ENK only allows it to exercise significant influence in 2012 because of limited participation in the governance of ENK.

On January 22, 2013, the Parent Company has acquired majority seats in the Board of ENK. Upon adoption of PFRS 10 and PFRS 11 in 2013, the Parent Company reassessed its arrangement with D&A over ENK and has determined that it has joint control over ENK because even at 60% ownership and majority seats in the Board, the strategic and financial operating decisions relating to the economic activities of ENK require the unanimous consent of both parties.

On March 24, 2014, the Parent Company acquired D&A Income Ltd's remaining 40% interest in ENK, for a total purchase price of GBP42.03 million or GBP 0.40 price per share. As a result, ENK became a wholly owned subsidiary of the Parent Company.

On March 31, 2016, the BOD of the Parent Company approved the restructuring of ENK. The dissolution and liquidation of ENK is part of the ongoing restructuring of the Parent Company's nickel mining subsidiaries in order to simplify the structure of the nickel segment and liquidate non-operating subsidiaries. On July 1, 2016, the Parent Company has completed the restructuring of ENK and ENK was subsequently sold to a third party.

Private Infra Dev Corporation (PIDC)
PIDC is primarily engaged in the business of construction, development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges. On February 19, 2008, PIDC was awarded the contract for the financing, design, construction, operation and maintenance of the Tarlac-Pangasinan-La Union Expressway (TPLEX).

In 2014, PIDC increased its authorized capital stock. The Parent Company did not subscribe to additional shares resulting to a dilution of its ownership interest.

On December 19, 2014, the Parent Company agreed to sell their respective shares in PIDC to Rapid Thoroughfares, Inc., subject to compliance with certain conditions and obtaining certain consents, including, among others, the consent of the Toll Regulatory Board and the Department of Public Works and Highways, pursuant to the Toll Concession Agreement dated August 28, 2008. The consideration for the sale of shares amounted to ₱1.76 billion or ₱1.22 price per share. In 2014, the Parent Company accordingly received the deposit of the future sale of shares amounting to ₱1.76 billion and recorded the same as 'Deposit received from future sale of investment' in the parent company statements of financial position.

On September 21, 2015, the sale of investments in PIDC has been finalized following approval of the Department of Trade and Industry (DTI) and Department of Transportation and Communications (DOTC) on August 27, 2015 consenting on the sale of the investments to RTI. The Parent Company recorded gain from sale of investments in associates amounting to ₱307.97 million in 2015.

7. Investment Properties

Rollforward of this account as follow:

	2016	2015
Balance at beginning of year	**₱21,649,474**	₱44,796,337
Disposal	−	(23,146,863)
Balance at end of year	**₱21,649,474**	₱21,649,474

The Parent Company's investment properties represent various land situated in Taguig City amounting to ₱21.65 million at December 31, 2016 and 2015.

In 2015, the Parent Company sold to DMCI Mining a certain parcel of land located in Bolitoc, Zambales for a net consideration of ₱27.20 million and recognized a gain on sale of investment property amounting to ₱4.76 million (Note 11).

The aggregate fair value as of December 31, 2016 amounted to ₱157.58 million. The fair value of investment properties have been internally determined by reference to other similar transaction in the market. 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 value of the investment properties was arrived at using the Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity which is classified under Level 3 hierarchy. The properties used as basis for comparison are situated within the immediate vicinity of the subject property.

There are no investment properties pledged as security to any of the Parent Company's liabilities in 2016 and 2015.

No rental income was generated from the investment properties of the Parent Company in 2016 and 2015.

8. Property and Equipment

Rollforward of the account follow:

	2016			
	Office Furniture, Fixtures and Equipment	**Transportation Equipment**	**Leasehold Improvements**	**Total**
Cost				
Balances at beginning of year	**₱16,448,051**	**₱17,250,076**	**₱9,971,551**	**₱43,669,678**
Additions	**156,525**	**2,065,179**	**2,684,181**	**4,905,885**
Disposals	**–**	**(1,741,071)**	**–**	**(1,741,071)**
Balances at end of year	**16,604,576**	**17,574,184**	**12,655,732**	**46,834,492**
Accumulated depreciation and amortization				
Balances at beginning of year	**16,209,692**	**12,127,872**	**379,595**	**28,717,159**
Depreciation and amortization (Note 13)	**198,407**	**2,716,981**	**2,393,422**	**5,308,810**
Disposals	**–**	**(1,741,071)**	**–**	**(1,741,071)**
Balances at end of year	**16,408,099**	**13,103,782**	**2,773,017**	**32,284,898**
Net Book Value	**₱196,477**	**₱4,470,402**	**₱9,882,715**	**₱14,549,594**

	2015			
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱16,409,212	₱17,250,076	₱–	₱33,659,288
Additions	38,839	–	9,971,551	10,010,390
Balances at end of year	16,448,051	17,250,076	9,971,551	43,669,678

(Forward)

	2015			
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Accumulated depreciation and amortization				
Balances at beginning of year	₱15,918,551	₱9,982,960	₱–	₱25,901,511
Depreciation and amortization (Note 13)	291,141	2,144,912	379,595	2,815,648
Balances at end of year	16,209,692	12,127,872	379,595	28,717,159
Net Book Value	₱238,359	₱5,122,204	₱9,591,956	₱14,952,519

Depreciation and amortization expenses charged to operations amounted to ₱5.31 million, ₱2.82 million and ₱2.00 million in 2016, 2015 and 2014, respectively (Note 13).

In 2016, the Parent Company disposed fully depreciated property and equipment with a cost of ₱1.74 million at ₱0.35 million selling price. Gain on sale of property and equipment amounted to ₱0.35 million. There are no property and equipment pledged as security to any of the Parent Company's liabilities in 2016 and 2015.

9. Accounts and Other Payables

This account consists of:

	2016	2015
Dividends payable	**₱5,432,861**	₱6,005,984
Accrued expenses:		
Professional fees	**2,463,500**	2,908,500
Other accrued expenses	**2,551,323**	10,633,749
Trade payable	**717,542**	609,371
Others (Note 11)	**15,963,797**	528,748
	₱27,129,023	₱20,686,352

Dividends payable pertains to the amount declared for dividend distributions that remains outstanding as of December 31, 2016 and 2015. These are expected to be settled within one year from the date of declaration.

Accrued professional expenses relate to accruals of professional fees such as legal and audit fees.

The accrued expenses, trade and other payables are noninterest bearing and are payable within one (1) year.

Others include amounts received in 2016 by the Parent Company from PDI for future dividend declaration amounting to ₱15.00 million (Note 11). Others also include advances from lessee and government liabilities.

10. **Equity**

Capital Stock
As of December 31, 2016 and 2015, the Parent Company's capital stock consists of:

	Shares	Amount
Preferred stock - ₱1 par value		
Authorized	100,000,000	₱100,000,000
Issued and outstanding :		
Balance at beginning and end of year	3,780	₱3,780
Common stock - ₱1 par value		
Authorized	19,900,000,000	₱19,900,000,000
Issued and outstanding :		
Balance at beginning and end of the year	13,277,470,000	₱13,277,470,000

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.

On December 18, 1995, the Parent Company launched its Initial Public Offering where a total of 1.13 billion common shares were offered at an offering price of ₱9.12 per share.

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2016:

Year	Number of Shares Registered (in billions)	Number of holders of securities as of year end
December 31, 2014	13.28	688
Add Movement	–	14
December 31, 2015	13.28	702
Add Movement	–	(4)
December 31, 2016	13.28	698

Increase in Authorized Capital Stock
On August 5, 2014, the SEC approved the increase in authorized capital stock of the Parent Company from ₱6,000.00 million divided into 5,900 million common shares and 100 million preferred shares both with par value of ₱1.00 per share, to ₱20,000.00 million divided into 19,900 million common shares and 100 million preferred shares both with a par value of ₱1.00 per share.

The Parent Company has 13,277.47 million common shares issued and outstanding which are owned by 698 and 702 shareholders in 2016 and 2015, respectively.

Retained Earnings
In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2016 and 2015 amounted to ₱4,836.59 million and ₱7,438.63 million, respectively.

Under the tax code, publicly held corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Dividend Declaration
The Parent Company's BOD approved the declaration of cash dividends in favor of all its stockholders as follow:

	2016	2015	2014
May 11, 2016, ₱0.24 per share cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	**₱3,186,592,800**	₱–	₱–
May 11, 2016, ₱0.24 per share cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	**3,186,592,800**	–	–
May 15, 2015, ₱0.24 per share cash dividend to stockholders on record as of May 29, 2015, payable on or before June 10, 2015.	–	3,186,592,800	–
May 15, 2015, ₱0.24 per share cash dividend to stockholders on record as of May 29, 2015, payable on or before June 10, 2015.	–	3,186,592,800	–
May 15, 2014, ₱1.20 per share cash dividend to stockholders on record as of May 30, 2014, payable on or before June 13, 2014.	–	–	3,186,592,800
May 15, 2014, ₱1.20 per share special cash dividend to stockholders on record as of May 30, 2014, payable on or before June 13, 2014.	–	–	3,186,592,800
	₱6,373,185,600	₱6,373,185,600	₱6,373,185,600

On December 19, 2014, the Parent Company's BOD approved the reversal of the appropriation of retained earnings in the amount of ₱2,100.00 million as of December 31, 2013.

11. Related Party Transactions

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

Transactions entered into by the Parent Company with related parties are at arm's length and have terms similar to the transactions entered into with third parties. These are generally settled in cash, unless otherwise specified.

In the regular course of business, the Parent Company's significant transactions with related parties include the following:

	Amount/ Volume	**2016** Due From	**Terms**	**Conditions**
Subsidiaries				
a) Management fees	**₱4,200,000**	**₱–**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**
b) Receivable from wholly owned subsidiary (Note 5)	**(2,741)**	**2,983,278**	**Non-interest bearing; due and demandable**	**Unsecured, with impairment**
c) Dividend income/ receivable (Notes 5 and 6)	**5,838,092,708**	**100,000,000**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**
e) Other payable	**15,000,000**	**(15,000,000)**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**
f) Receivable from wholly owned subsidiary (Notes 5 and 6)	**2,117,719,511**	**2,117,719,511**	**Non-interest bearing; due and demandable**	**Unsecured, no impairment**
Associates				
c) Dividend income (Note 6)	**510,541,338**	**–**		
Total		**2,205,702,789**		
Less allowance for impairment losses (Note 5)		**(2,983,278)**		
		₱2,202,719,511		

	Amount/ Volume	2015 Due from	Terms	Conditions
Subsidiaries				
a) Management fees (Note 5)	₱4,200,000	₱2,352,000	Non-interest bearing; due and demandable	Unsecured, no impairment
b) Receivable from wholly owned subsidiary (Note 5)	–	2,986,019	Non-interest bearing; due and demandable	Unsecured, with impairment
c) Dividend income (Notes 5 and 6)	4,407,680,000	900,000,000	Non-interest bearing; due and demandable	Unsecured, no impairment
d) Receivable from sale of investment property (Note 5)	28,477,000	27,197,428	Non-interest bearing; due and demandable	Unsecured, no impairment
Associates				
c) Dividend income (Note 6)	505,739,015	–		
Total		932,535,447		
Less allowance for impairment losses (Note 5)		(2,983,278)		
		₱929,552,169		

Significant transactions with related parties follow:

(a) The Parent Company renders general management services to a subsidiary for overall supervision and management of the subsidiary's operations. Management fees amounted to ₱4.20 million in 2016 and 2015. Outstanding receivables from management services amounted to nil and ₱2.35 million as of December 31, 2016 and 2015 respectively.

(b) Receivable from wholly owned subsidiary consist of reimbursements and organization costs. The Parent Company provided allowance for impairment losses amounting to ₱2.98 million as of December 31, 2016 and 2015.

(c) Dividend income from the Parent Company's subsidiaries and associates recognized in the profit or loss amounted to ₱6.35 billion and ₱4.91 billion in 2016 and 2015, respectively. As of December 31, 2016 and 2015, dividends receivable from the Parent Company's subsidiaries amounted to ₱100.00 million and ₱900.00 million, respectively.

(d) In 2015, the Parent Company sold to DMCI Mining a parcel of land for a net consideration of ₱27.20 million. Total gain on sale of investment property, net of VAT amounted to ₱4.76 million (Note 8).

(e) Other payables of ₱15.00 million pertain to amounts received by the Parent Company from PDI for future dividend declaration.

(f) In 2016, as part of the restructuring and liquidation of ENK Plc., the latter assigned its receivable from DMCI Mining to the Parent Company, amounting to ₱2,117.72 million. (Note 6)

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company recognized allowance for impairment losses relating to the outstanding due from related parties amounting to ₱2.93 million as of December 31, 2016 and 2015, respectively. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel
The key management personnel of the Parent Company include all directors, executive and non-executive, and senior management personnel. The details of the compensation and benefits of key management personnel for 2016 and 2015 follows:

	2016	2015
Short-term employee benefits	**₱11,044,503**	₱13,980,334
Post-employment benefits	**1,466,808**	9,358,078
Total	**₱12,511,311**	₱23,338,412

12. Employee Benefits

The Parent Company has a funded, noncontributory, defined benefit plan covering substantially all of its regular employees.

Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement plans was made as of December 31, 2016.

The Parent Company is a participant to the DMCI Multiemployer Retirement Plan (the Plan) which is administered separately by an individual trustee, a Company executive and BDO Unibank, Inc. Trust Investment Division under the supervision of the Board of Trustees (BOT) of the Plan. The responsibilities of the BOT, among others, include the following:

- To hold, invest and reinvest the fund for the exclusive benefits of the members and beneficiaries of the retirement plan and for this purpose the BOT is further authorized to designate and appoint a qualified Investment Manager with such powers as may be required to realize and obtain maximum yield on investment of the fund;

- To make payments and distributions in cash, securities and other assets to the members and beneficiaries of the Plan.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Net pension assets for the retirement plan follow:

	2016	2015
Fair value of plan assets	**₱151,375,250**	₱149,633,956
Present value of defined benefit obligation	**(50,028,785)**	(51,113,463)
Surplus	**101,346,465**	98,520,493
Effect of asset ceiling	**(51,662,225)**	(47,158,153)
Net pension asset	**₱49,684,240**	₱51,362,340

Movements in the fair value of plan assets follow:

	2016	2015
Balance at beginning of year	**₱149,633,956**	₱158,300,752
Interest income	**7,571,478**	7,408,475
Remeasurement gains (losses)	**(5,830,184)**	(16,075,271)
Balance at end of year	**₱151,375,250**	₱149,633,956

Changes in the present value of the defined benefit obligation follow:

	2016	2015
Balance at beginning of year	**₱51,113,463**	₱49,595,919
Current service cost	**2,168,473**	2,138,808
Interest	**2,586,341**	2,321,089
Remeasurement losses (gains) arising from:		
Changes in demographic assumptions	**–**	1,897,274
Changes in financial assumptions	**(728,275)**	(2,544,027)
Experience adjustments	**(5,111,217)**	(2,295,600)
Balance at the end of year	**₱50,028,785**	₱51,113,463

Components of net pension income in the parent company statements of comprehensive income follow:

	2016	2015	2014
Current service cost	**₱2,168,473**	₱2,138,808	₱2,061,819
Interest on the effect of asset ceiling	**2,386,203**	2,157,262	1,637,268
Net interest income on benefit obligation and plan asset	**(4,985,137)**	(5,087,386)	(3,997,355)
	(₱430,461)	(₱791,316)	(₱298,268)

Movements in net pension assets follow:

	2016	2015
Balance at beginning of year	**₱51,362,340**	₱62,609,484
Defined benefit income recognized in profit and loss	**430,461**	791,316
Defined benefit income (loss) recognized in other comprehensive income	**(2,108,561)**	(12,038,460)
Balance at the end of year	**₱49,684,240**	₱51,362,340

As of December 31, 2016 and 2015, the Parent Company's plan assets consist primarily of the following:

	2016	2015
Cash and cash equivalents		
Cash in banks	**₱2,997,488**	₱5,431,006
Time deposits	**7,055,062**	124,816
	10,052,550	5,555,822
Investments in stocks		
Common shares	**99,884,923**	103,417,030
Preference shares	**1,335,692**	1,318,742
	101,220,615	104,735,772
Investment in government securities		
Fixed rate treasury notes (FXTNs)	**25,306,272**	26,855,802
Retail treasury bonds (RTBs)	**2,193,574**	1,114,351
	27,499,846	27,970,153
Investment in other securities and debt instruments		
AAA rated debt securities	**12,088,913**	10,795,208
Not rated debt securities	**–**	–
	12,088,913	10,795,208
Other receivables	**538,383**	599,897
Accrued trust fees and other payables	**(25,057)**	(22,896)
Fair value of plan assets	**₱151,375,250**	₱149,633,956

The investments in stocks are further categorized into:

	2016	2015
Common shares		
Quoted		
Holdings	**₱98,102,509**	₱100,981,196
Mining	**1,320,232**	1,371,085
	99,422,741	102,352,281
Unquoted		
Service	**462,182**	1,064,749
Total	**99,884,923**	103,417,030
Preference shares		
Quoted		
Holdings	**857,813**	857,807
Industrial	**477,879**	460,935
	₱101,220,615	₱104,735,772

Trust fees paid amounted to ₱0.09 million and ₱0.01 million for 2016 and 2015, respectively.

The composition of the fair value of the plan assets includes:

Cash and cash equivalents - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).

Investment in stocks - includes investment in common and preferred shares traded in the Philippine Stock Exchange. The Fund holds investments in shares of stock of the Parent Company with fair market value of ₱98.10 million and ₱100.98 million in 2016 and 2015, respectively.

Investment in government securities - include investment in Philippine RTBs and FXTNs.

Investments in other securities and debt instruments - include investment in long-term debt notes and retail bonds.

Other receivables - pertain to interest and dividends receivable on the investments in the fund.

Accrued trust fees and other payables - pertain mainly to charges of trustor in the management of the plan.

The assumptions used to determine pension benefits of the Parent Company follow:

	2016	2015	2014
Discount rate	**5.55%**	4.68%	4.68%
Salary rate increase	**6.00%**	10.00%	10.00%

The overall administration and management of the plan rest upon the Plan's BOT. The voting rights on the above securities are coming directly for funds directly held through the Parent Company's officers and indirectly for those entered into through other trust agreements with BDO Unibank, Inc. authorized to administer the investment and reinvestments of the funds.

The Parent Company does not expect to contribute into the pension fund in 2016.

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

	2016	
	Increase (decrease)	**Effect on defined benefit liability**
Discount rates	**+100 basis points**	**(₱1,312,586)**
	-100 basis points	**1,556,328**
Future salary increases	**+3.0%**	**1,491,983**
	-2.6%	**(1,291,875)**

	2015	
	Increase (decrease)	Effect on defined benefit liability
Discount rates	+100 basis points	(₱1,798,158)
	-100 basis points	2,078,345
Future salary increases	+1.0%	1,769,203
	-1.0%	(1,576,788)

The BOT of the Plan ensures that its assets are available to fulfill its obligation of paying retirement as it falls due. This is done by ensuring that its assets are easily disposable and can easily be converted to cash. The allocation of the Parent Company's plan assets consists of 66.87% equity instruments, 18.17% debt instruments in government bonds, 7.99% in debt instruments in bonds other than government bonds, 6.07% in cash and cash equivalents and 0.90% to others such as receivables generated from interest and dividends.

The Parent Company is not required to pre-fund the future benefits under the Plan before they come due. For that reason, the amount and timing of contributions to the Retirement Fund are at the Parent Company's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Parent Company to the Retirement Fund.

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

	2016	2015
Less than 1 year	**₱48,947,647**	₱18,285,893
More than 1 year to 5 years	**485,037**	5,730,359
More than 5 years to 10 years	**330,329**	15,484,097
	₱49,763,013	₱39,500,349

There are no plan amendments, curtailments or settlements in 2016 and 2015.

13. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Professional fees	**₱18,916,387**	₱10,806,156	₱16,136,847
Salaries, wages and employee benefits	**16,463,930**	17,134,643	16,906,472
Depreciation and amortization (Note 8)	**5,308,810**	2,815,648	2,001,576
Entertainment, amusement and recreation	**3,866,766**	3,603,012	5,354,662
Contribution and donation	**3,160,326**	160,000	2,013,000
Rent (Note 17)	**3,132,592**	2,991,206	2,809,337
Taxes and licenses	**2,678,038**	7,061,162	4,546,528
Transportation and travel	**2,629,669**	8,000,060	8,760,081
Repairs and maintenance	**2,488,550**	2,271,206	2,483,193
Supplies	**1,930,792**	1,239,505	1,235,461
Advertising and promotions	**1,852,498**	3,738,622	4,398,057
Communication, light and water	**1,201,643**	1,219,211	1,150,100
Contracted services	**949,399**	749,475	782,041
Fuel and oil	**545,250**	632,684	777,900
Bank charges	**3,918**	775	5,263
Miscellaneous	**5,342,551**	5,265,970	1,812,105
	₱70,471,119	₱67,689,335	₱71,172,623

14. Finance Income

This account consists of:

	2016	2015	2014
Cash equivalents (Note 4)	**₱94,975,763**	₱73,838,558	₱97,633,960
Bank savings accounts (Note 4)	**1,071,717**	4,944,617	4,111,146
Other short-term investments	**–**	–	7,132,634
	₱96,047,480	₱78,783,175	₱108,877,740

15. Income Tax

The provision for income tax shown in the parent company statements of comprehensive income consists of:

	2016	2015	2014
Final	**₱19,984,377**	₱46,548,668	₱21,775,549
Current	**56,861**	–	–
Deferred	**(1,884,815)**	1,719,090	(1,155,445)
	₱18,156,423	₱48,267,758	₱20,620,104

The components of the deferred tax liability as of December 31, 2016 and 2015 follow:

	2016	2015
Pension asset	**₱14,905,272**	₱15,408,702
Past service cost	**(127,899)**	(255,797)
Unrealized foreign exchange gains	**148,356**	2,290,207
	₱14,925,729	₱17,443,112

As of December 31, 2016 and 2015, the Parent Company did not recognize deferred tax assets amounting to ₱78.71 million and ₱64.05 million pertaining to allowance for impairment losses, NOLCO and MCIT with details as follow:

	2016	2015
NOLCO	**₱77,760,410**	₱63,157,876
Allowance for impairment losses	**894,983**	894,983
MCIT	**56,861**	–
	₱78,712,254	₱64,052,859

NOLCO available for offset against future taxable income over a period of three years as follow:

Year Incurred	Amount	Applied/Expired	Balance	Year of Expiry
NOLCO:				
2016	₱51,720,118	₱–	₱51,720,118	2019
2015	48,432,539	–	48,432,539	2018
2014	159,048,709	–	159,048,709	2017
2013	3,045,005	3,045,005	–	2016
	₱262,246,371	₱3,045,005	₱259,201,366	
MCIT:				
2016	₱56,861	₱–	₱56,861	2019

The Parent Company recognized deferred tax liability in OCI amounting to ₱0.63 million and ₱3.61 million which pertains to income tax effect of the remeasurement gains on retirement plan recognized in OCI for the year ended December 31, 2016 and 2015, respectively.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2016	2015	2014
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nontaxable income	**(50.26)**	(29.25)	(29.81)
Interest income subjected to final tax	**(0.23)**	(0.15)	(0.22)
Nondeductible expenses	**0.06**	0.04	(0.52)
Nondeductible Capital Loss	**20.50%**	–	–
Movement in unrecognized deferred tax assets	**0.41**	0.28	0.97
Effective income tax rate	**0.48%**	0.92%	0.42%

16. **Financial Instruments and Capital Management**

Financial Risk and Capital Management Objectives and Policies

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

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Parent Company is not subject to any externally imposed capital requirements.

The following table shows the component of the Parent Company's capital as of December 31, 2016 and 2015.

	2016	2015
Total paid-up capital	**₱17,949,867,705**	₱17,949,867,705
Retained earnings	**4,836,586,278**	7,438,630,119
	₱22,786,453,983	₱25,388,497,824

Financial Risk
The Parent Company's principal financial liabilities comprise accounts and other payables (excluding statutory liabilities) and subscription payable as of December 31, 2016 and 2015. The main purpose of the Parent Company's financial liabilities is to raise financing for the Parent Company's operations. The Parent Company has various financial assets such as cash and cash equivalents and receivables, which arise directly from its operations. The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk (i.e., foreign currency risk and interest rate risk).

The BOD reviews and agrees with policies for managing each of these risks. The Parent Company 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 Parent Company's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Parent Company's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Credit Risk
Credit risk is the risk that counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company's exposure to credit risk arises from default of the counterparties which mostly are related parties. Nevertheless, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant.

With respect to the credit risk arising from the financial assets of the Parent Company, which comprise cash and cash equivalents (excluding cash on hand), receivables and due to related parties, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Parent Company transacts only with institutions or banks that have proven track record in financial soundness.

The carrying values of loans and receivables represent the maximum exposure to credit risk.

As of December 31, 2016 and 2015, the credit quality per class of loans and receivables are as follow:

	2016				
	Neither past due nor impaired			**Past due or Individually Impaired**	**Total**
	Grade A	**Grade B**	**Sub-standard**		
Cash in bank and cash equivalents	**₱5,053,738,087**	**₱–**	**₱–**	**₱–**	**₱5,053,738,087**
Receivables*	**2,227,885,094**	**–**	**–**	**3,555,333**	**2,231,440,427**
Total	**₱7,281,623,181**	**₱–**	**₱–**	**₱3,555,333**	**₱7,285,178,514**

excludes receivables from officers and employees for liquidation

	2015				
	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Sub-standard		
Cash in bank and cash equivalents	₱3,695,115,711	₱–	₱–	₱–	₱3,695,115,711
Receivables*	931,983,071	–	–	5,453,600	937,436,671
Total	₱4,627,098,782	₱–	₱–	₱5,453,600	₱4,632,552,382

excludes receivables from officers and employees for liquidation

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables are considered Grade A due to the Parent Company's positive collection experience.

Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. In the Parent Company's assessment, there are no financial assets that will fall under this category since accounts are being collected on time.

Substandard grade are accounts which have probability of impairment based on historical trend or customer's current unfavorable operating conditions. In the Parent Company's assessment, there are no financial assets that will fall under this category since they are transacting only with their subsidiaries and associates who have good financial condition based on current operation.

The Parent Company determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

As of December 31, 2016 and 2015, the aging analysis of the Parent Company's loans and receivables presented per class is as follows:

	2016							
	Neither Past due nor Impaired	**Past due but not impaired**					**Impaired financial assets**	**Total**
		<30 days	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**		
Cash in bank and cash equivalents	**₱5,053,738,087**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,053,738,087**
Receivables								
Dividend receivable	**100,000,000**	**–**	**–**	**–**	**–**	**–**	**–**	**100,000,000**
Due from related parties	**2,117,719,511**	**–**	**–**	**–**	**–**	**–**	**2,983,278**	**2,120,702,789**
Accrued interest	**10,165,583**	**–**	**–**	**–**	**–**	**–**	**–**	**10,165,583**
Other receivable	**–**	**572,055**	**–**	**–**	**–**	**–**	**–**	**572,055**
Total	**₱7,281,623,181**	**₱572,055**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,983,278**	**₱7,285,178,514**

	2015							
	Neither Past due nor Impaired	Past due but not impaired					Impaired financial assets	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days		
Cash in bank and cash equivalents	₱3,695,115,711	₱–	₱–	₱–	₱–	₱–	₱–	₱3,695,115,711
Receivables								
Dividend receivable	900,000,000	–	–	–	–	–	–	900,000,000
Receivables from sale of investment property	27,197,428	–	–	–	–	–	–	27,197,428
Due from related parties	2,741	–	–	–	–	–	2,983,278	2,986,019
Accrued interest	4,782,903	–	–	–	–	–	–	4,782,903
Management fee receivable	–	1,176,000	–	–	–	1,176,000	–	2,352,000
Other receivable	–	118,321	–	–	–	–	–	118,321
Total	₱4,627,098,783	₱1,294,321	₱–	₱–	₱–	₱1,176,000	₱2,983,278	₱4,632,552,382

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company's policy is to maintain a level of cash and cash equivalents deemed sufficient to fund its monthly cash requirements, at least for the next four to six months. A significant part of the Parent Company's financial assets that are held to meet the cash outflows include cash equivalents, receivables, other short-term investments and due from related parties. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. The Parent Company also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities.

Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore.

Moreover, the Parent Company considers the following as mitigating factors for liquidity risk:

- Available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- Diverse funding sources.
- Internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.

As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.

The table summarizes the maturity profile of the Parent Company's financial assets and liabilities as of December 31, 2016 and 2015 based on contractual undiscounted payments:

	2016					
	< 1 year	**1 to < 2 years**	**2 to < 3 years**	**3 to < 4 years**	**> 5 years**	**Total**
Loans and Receivables						
Cash and cash equivalents	**₱5,053,746,087**	**₱–**	**₱–**	**₱–**	**₱–**	**₱5,053,746,087**
Receivables*	**2,228,457,149**	**–**	**–**	**–**	**–**	**2,228,457,149**
	7,282,203,236					**7,282,203,236**
Other Financial Liabilities						
Accounts and other payables**						
Accrued expenses	**₱2,551,323**	**₱–**	**₱–**	**₱–**	**₱–**	**2,551,323**
Dividends payable	**5,432,861**	**–**	**–**	**–**	**–**	**5,432,861**
Other current payable	**15,963,797**	**–**	**–**	**–**	**–**	**15,963,797**
Other noncurrent liabilities	**–**	**–**	**–**	**–**	**1,000,000**	**1,000,000**
	23,947,981				**1,000,000**	**24,947,981**
Liquidity gap	**₱7,258,255,255**	**₱–**	**₱–**	**₱–**	**(₱1,000,000)**	**₱7,257,255,255**

excludes receivables from officers and employees for liquidation
*****excludes statutory liabilities***

	2015					
	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	Total
Loans and Receivables						
Cash and cash equivalents	₱3,695,123,711	₱–	₱–	₱–	₱–	₱3,695,123,711
Receivables*	934,453,393	–	–	–	–	934,453,393
	4,629,577,104					4,629,577,104
Other Financial Liabilities						
Accounts and other payables**						
Accrued expenses	₱13,542,249	₱–	₱–	₱–	₱–	₱13,542,249
Dividends payable	6,005,984	–	–	–	–	6,005,984
Other current payable	528,748	–	–	–	–	528,748
Other noncurrent liabilities	–	–	–	–	1,000,000	1,000,000
	20,076,981				1,000,000	21,076,981
Liquidity gap	₱4,609,500,123	₱–	₱–	₱–	(₱1,000,000)	₱4,608,500,123

**excludes receivables officers and employees for liquidation*
***excludes statutory liabilities*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates (interest rate risk), foreign exchange rates (foreign currency) and market prices (equity price risk).

Foreign Currency Risk

The Parent Company's foreign exchange risk results primarily from movements of the Philippine Peso (₱) against the US Dollar ($) for its cash and cash equivalents. Approximately 0.25% and 4.20% of cash and cash equivalents as of December 31, 2016 and 2015, respectively, were denominated in US Dollar.

Information on the Parent Company's foreign currency denominated monetary assets and Philippine Peso (PHP) equivalents which pertains to cash and cash equivalents as of December 31, 2016 and 2015 follow:

	USD	Peso Equivalent
2016	**$251,688**	**₱12,537,244**
2015	$3,295,983	₱155,108,958

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱49.72/USD1.00 and ₱47.06/USD1.00 as at December 31, 2016 and 2015, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Parent Company's income before income tax (due to changes in the fair value of monetary assets). There is no impact on the Parent Company's equity other than those already affecting the income.

			Effect on income before income tax	
	2016	2015	**2016**	2015
US Dollar	**+5.65%**	+5.99%	**₱683,720**	₱9,291,029
	-5.65%	-5.99%	**(730,354)**	(9,291,025)

The Parent Company recognized ₱0.49 million and ₱7.63 million foreign exchange gains for the year ended December 31, 2016 and 2015, respectively, arising from the translation of the Parent Company's cash and cash equivalents.

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

As of December 31, 2016 and 2015, the Parent Company has no outstanding floating rate financial instruments. Accordingly, the Parent Company is not sensitive to cash flow interest rate fluctuations.

Short-term investments bear fixed interest rates for the period of the investment.

Fair Value of Financial Instruments
The carrying amounts of cash and cash equivalents, receivables and accounts and other payables approximate their fair values due to the relative short-term nature of the transactions.

The carrying amounts of other noncurrent liabilities approximate their fair value because the liability is due and demandable.

17. Commitments and Contingencies

Operating Lease Commitment

Parent Company as a Lessee
The Parent Company has a lease agreement with Asia Industries, Inc., which ended in May 31, 2015. The lease is automatically renewable, unless termination is agreed by both parties. The lease agreement was renewed for five (5) years from June 1, 2015 to May 31, 2020.

The total rental fees charged against operations amounted to ₱3.13 million and ₱2.99 million in 2016 and 2015, respectively which are included under "General and administrative expenses" in the parent company statements of comprehensive income (Note 13).

As of December 31, 2016 and 2015, future minimum lease payments under the aforementioned operating lease and the present value of the net minimum lease payments follow:

	2016	2015
Within one (1) year	**₱3,289,832**	₱2,990,756
After one (1) year but not more than five (5) years	**9,323,435**	14,426,560
Total future minimum lease payments	**₱12,613,267**	₱17,417,316

Contingencies

The Parent Company is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the parent company 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. No provisions were made during the year.