

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

**Atty. Fina Bernadette D.C. Tantuico**

Contact Person

**8927133 • 8927137**

Company Telephone Numbers

1	2		3	1
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Month                      Day  
Fiscal Year

0	4		1	2
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Month                      Day  
Annual Meeting

## SEC FORM 17-A (As of 31 December 2016)

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

Form Type

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Domestic

Foreign

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File Number

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Document I.D.

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**STAMPS**

Remarks = pls. use black ink for scanning purposes.

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

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

1. FOR THE FISCAL YEAR ENDED **31 December 2016** .....

2. SEC IDENTIFICATION NUMBER **43370** ..... 3. BIR TAX IDENTIFICATION NO. **000-829-097** .....

4. EXACT NAME OF ISSUER AS SPECIFIED IN ITS CHARTER ..... *F & J Prince Holdings Corporation* .....

5. **Philippines** ..... 6.  (SEC Use Only) .....  
PROVINCE, COUNTRY OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION INDUSTRY CLASSIFICATION CODE:

7. **5<sup>th</sup> Floor, Citibank Center Building, 8741 Paseo de Roxas, Makati City** **1226** .....  
ADDRESS OF PRINCIPAL OFFICE POSTAL CODE

8. **(632) 892-7133** .....  
ISSUER'S TELEPHONE NUMBER, INCLUDING AREA CODE

9. ....  
FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT

10. SECURITIES REGISTERED PURSUANT TO SECTIONS 8 AND 12 OF THE SRC OR SEC. 4 AND 8 OF THE RSA:

<u>TITLE OF EACH CLASS</u>	<u>NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AND AMOUNT OF DEBT OUTSTANDING</u>
Class "A" Common	292,610,118
Class "B" Common	189,217,535

11. ARE ANY OR ALL OF THESE SECURITIES LISTED ON A STOCK EXCHANGE?

Yes [  ] No [  ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange**

**Common Shares, Classes "A" and "B"**

12. CHECK WHETHER THE ISSUER:

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

Yes [  ] No [  ]

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

Yes [  ] No [  ]

13. STATE THE AGGREGATE MARKET VALUE OF THE VOTING STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT.

The market value of stocks held by non-affiliates of the Corporation, based on closing prices as of 29 December 2016, was Five Pesos and Seventy Five Centavos Philippine Currency (₱5.75) per share for Class "A" shares, with an aggregate market value of One Billion Six Hundred Eighty Two Million Five Hundred Eight Thousand One Hundred Seventy Eight Pesos and Fifty Centavos, Philippine Currency (₱1,682,508,178.50) and Seven Pesos and Fifty Centavos, Philippine Currency (₱7.50) per share for Class "B" shares, as of December 29, 2016 the last trading day when the Class "B" shares were traded in 2016, with an aggregate market value of One Billion Four Hundred Nineteen Million One Hundred Thirty One Thousand and Five Hundred Twelve Pesos and Fifty Centavos, Philippine Currency (₱1,419,131,512.50).

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

14. CHECK WHETHER THE ISSUER HAS FILED ALL DOCUMENTS AND REPORTS REQUIRED TO BE FILED BY SECTION 17 OF THE CODE SUBSEQUENT TO THE DISTRIBUTION OF SECURITIES UNDER A PLAN CONFIRMED BY A COURT OR THE COMMISSION.

Yes [  ] No [  ]

**DOCUMENTS INCORPORATED BY REFERENCE**

No documents are incorporated by reference.

## **PART I - BUSINESS AND GENERAL INFORMATION**

### **ITEM I. BUSINESS**

#### **A. BUSINESS DEVELOPMENT**

##### **Business Development of the Registrant**

The Registrant was incorporated and registered with the Securities and Exchange Commission (“SEC”) on 18 February 1971 to engage primarily in the business of mining, including mineral and oil exploration. Its shares were registered and listed with the SEC in 1979 and thereafter listed and traded at the Manila Stock Exchange. Presently, its shares are listed with the Philippine Stock Exchange (“PSE”).

On 28 July 1997, the Registrant’s primary purpose was changed to that of a holding company. At present, the Registrant holds a 94.37% majority interest in Magellan Capital Holdings Corporation (“MCHC”).

In addition, the Registrant owns 30% of Pointwest Technologies Corporation (“PTC”), a software servicing and development company. The Registrant also owns 35% of Business Process Outsourcing International, Inc. (“BPOI”) a provider of accounting-based business process outsourcing (“BPO”) services to a large number of clients.

From its incorporation to the present, the Registrant has not been subject to any bankruptcy, receivership or similar proceedings. There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets other than in the ordinary course of business and other than the sale by MCHC of its shares in one of its subsidiaries to J.G. Summit Holdings, Inc.

##### **Business Development of the Registrant’s Subsidiaries**

Magellan Capital Holdings Corporation (“MCHC”) is a corporation which was incorporated and registered with the SEC on 06 November 1990. The Registrant owns a 94.37% majority interest in MCHC. MCHC’s primary purpose is to engage in the business of identifying, developing and implementing infrastructure and industrial projects. On December 7, 2006, the Registrant acquired the shares of MCHC owned by PSEG Philippines Holdings LLC which represented a 27.67% total equity stake in MCHC. As a result of this transaction, the Registrant increased its ownership stake in MCHC from 66.67% to 94.37%. Because the shares were acquired at a substantial discount to book value, the Registrant booked a gain of P201.3 million representing excess of fair value of net assets acquired over cost in 2006.

MCHC owns 100% of the shares of the following companies:

NAME OF COMPANY	DATE OF INCORPORATION	PRIMARY PURPOSE
Pinamucan Industrial Estates, Inc.	05 May 1993	Real Estate Holding and Development
Malabrigo Corporation	31 August 1993	Mining
Magellan Capital Trading, Inc.	07 January 1991	Trading
Magellan Capital Realty Development Corporation	14 November 1990	Realty

From its incorporation to the present, none of the Registrant's above-named subsidiaries have been subject to any bankruptcy, receivership or similar proceedings. There has also been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of their assets other than in the ordinary course of business.

### **Business of Registrant**

#### **Description of Registrant**

The Registrant is a holding company. At present, it owns almost 95% of its subsidiary, MCHC, which is currently invested in real estate assets and in bond and stock investments and in shares of its subsidiaries. Most of the Registrant's indirect operating subsidiaries, i.e. MCHC's subsidiaries, are in development of infrastructure projects, as well as landholding and development. The Registrant also owns 30% of PTC, a software servicing development company and 35% of BPOI which it acquired in 2004 and 2005 respectively.

#### **Percentage of Consolidated Total Revenues**

Breakdown of Revenues for the year 2016

	CONSOLIDATED TOTAL REVENUES	PERCENTAGE BREAKDOWN
Equity in Net Earnings of Associates	₱ 72,929,014	41.2%
Interest Income	40,141,896	22.6%
Net Foreign Exchange Gains	32,814,059	18.5%
Gain on Disposal of AFS and FVPL Financial Assets	5,379,140	3.0%
Rent	14,028,672	7.9%
Dividend Income	1,906,263	1.1%
Fair Value Gain on Financial Assets of FVPL	9,980,598	5.6%
Others	88,257	0.1%
<b>Total</b>	<b>₱ 177,267,899</b>	<b>100.00%</b>

## Breakdown of Revenues for the year 2015

	CONSOLIDATED TOTAL REVENUES	PERCENTAGE BREAKDOWN
Equity in Net Earnings of Associates	₱ 105,413,232	57.5%
Interest Income	39,171,045	21.4%
Net Foreign Exchange Gains	22,825,228	12.4%
Gain on Disposal of AFS and FVPL Financial Assets	1,525,919	0.8%
Rent	12,796,615	7.0%
Dividend Income	1,538,110	0.8%
Others	180,027	0.1%
<b>Total</b>	<b>₱ 183,450,176</b>	<b>100.00%</b>

The Registrant's consolidated revenue in 2016 decreased by 3.4% to ₱177.3 million from ₱183.5 million in 2015. Equity in net earnings of associates decreased by 30.8% from ₱105.4 million in 2015 to ₱72.9 million in 2016 as Pointwest Technologies Corporation's earnings dropped due to lower operating margins. Interest income slightly increased to ₱40.1 million in 2016 from ₱39.2 million in 2015 as interest levels have begun to stabilize. A net foreign exchange gain of ₱32.8 million was recorded in 2016 compared to ₱22.8 million in 2015 as the Peso declined against foreign currencies which benefitted the foreign denominated bonds and other securities held by the Registrant and its subsidiary. Rent increased from ₱12.8 million in 2015 to ₱14.0 million in 2016 due to escalation of rental rates and leasing of additional office units purchased in 2016. Gain on disposal of AFS, HTM and FVPL Financial Assets increased to ₱5.4 million in 2016 compare to ₱1.5 million in 2015. Dividend income increased to ₱1.9 million in 2016 from ₱1.5 million in 2015.

## B. PRINCIPAL PRODUCTS AND SERVICES OF MCHC

Currently, MCHC, the Registrant's subsidiary, has direct holdings in real estate and stock and bond investments. It also owns shares in subsidiaries and affiliates engaged in development of infrastructure projects and in real estate investment and development.

### (a) Power Generation Project Companies

As a result of the crippling power shortages in the 1980s, the Philippine government launched its program to encourage private sector participation in the power industry through the enactment of Executive Order No. 215 ("EO 215"). Under EO 215, independent power producers ("IPPs") may participate in bulk generation to serve the requirements of the National Power Corporation ("NPC"), electric cooperatives, private utilities and other customers. It was against this background that MCHC's power generation project companies, Magellan Utilities Development Corporation ("MUDC"), Magellan Cogeneration, Inc. ("MCI") and Mactan Power Corporation ("MPC") were organized, on the basis of BOO schemes under Republic Act No. 6957, as amended by Republic Act No. 7718. The MPC project was sold by MCHC in 1997 right before the onset of the Asian economic crisis. The MCI project was completed and sold in 1998.

MUDC, which was established to develop an approximately 320MW power plant in Pinamucan, Batangas is 43%-owned by MCHC. The other major shareholder in MUDC is GPU Power Philippines, Inc. (“GPU Power”), with a 40% equity interest. GPU Power is a subsidiary of GPU Corporation (“GPU”), the former parent company of Manila Electric Company (“MERALCO”). GPU was a U.S.-based energy holding company with about US\$11 billion in assets that operates utilities and power plants in New Jersey and Pennsylvania, U.S.A. GPU has been acquired by First Energy Corporation of Ohio which has decided to withdraw from the project and has done so by liquidating GPU Power.

MUDC initially had a 25-year power sales contract with MERALCO, under which MUDC was to supply power to MERALCO from its 300 MW coal-fired power plant to be constructed in Pinamucan, Batangas. Under a Memorandum of Agreement executed in December 1998, the parties agreed to execute a power purchase agreement whereby MERALCO would purchase the power generated from MUDC’s 320 MW power plant, which was to be fuelled primarily by natural gas. The said power purchase agreement has not yet been finalized.

As a result of the project’s uncertain prospects, the Registrant’s auditor recommended and management had agreed that provision be made for all project development expenditures and pre-operating expenses by MUDC in line with current accounting standards. MUDC has decided not to proceed with its power project due to MERALCO’s unwillingness to enter into a revised Power Purchase Agreement and due to the withdrawal of its foreign partner, GPU. In addition, MCHC has almost fully provided for its receivables due from MUDC. In 2008, in the Registrant’s Consolidated Financial Statements, receivables due to MCHC’s subsidiary, Pinamucan Industrial Estates, Inc., were also fully provisioned. Thus, the Registrant’s remaining exposure to the MUDC project is minimal at the end of 2016.

#### **(b) Real Estate Holding and Development Companies**

Until July 2011, MCHC owned 100% interest in Batangas Agro-Industrial Development Corporation (“BAID”).

BAID has the following wholly-owned subsidiaries which together with BAID own 50 hectares of land fronting Batangas Bay in Pinamucan, Batangas:

- (1) Fruit of the East, Inc.;
- (2) United Philippines Oil Trading, Inc.;
- (3) Hometel Integrated Management Corporation;
- (4) King Leader Philippines, Inc.;
- (5) Samar Commodities & Industrial Corporation; and
- (6) Tropical Aqua Resources, Inc.

In July 2011, MCHC sold all its shares in BAID to J.G. Summit Holdings, Inc. for a total consideration of ₱1.04 billion.

**(c) Principal Products and Services of Pointwest Technologies Corporation (“PTC”)**

PTC is a global service company offering outsourced IT services from the Philippines. It is led by an experienced management team that helped pioneer offshore outsourcing in the Philippines. The Registrant is a founding shareholder of PTC and owns 30% of its equity. Among others, PTC offers software servicing, maintenance, testing, and development to various clients mostly in the United States. It started operations in 2003 and has now built up to a staffing level of over One Thousand Two Hundred (1,200) IT Professionals and Support Staff. PTC’s consolidated revenue in 2016 reached over One Billion Eight Hundred Million Pesos (P1.8 Billion).

**(d) Principal Products and Services of Business Process Outsourcing International, Inc. (“BPOI”)**

BPOI is a provider of finance and accounting services such as payroll services, internal audit, payables processing and other accounting based services. It has a total of over 600 employees servicing many of the large multinationals operating in the country. BPOI was spun off from the BPO department of SGV & Co, the biggest auditing firm in the country. The Registrant is a major shareholder of BPOI with a 35% ownership stake. BPOI’s revenues in 2016 exceeded P384 million and has over 400 accountants and support staff.

**Competition**

Pointwest Technologies Corporation and BPOI face competition from other providers of software and business process outsourcing services both in the country and abroad. Outsourcing is a competitive industry and being competitive requires ability to provide quality and reliable service and ability to control costs so that operating margins are maintained at viable levels.

**Transactions with and/or Dependence on Related Parties**

The Registrant’s subsidiary, MCHC and certain of MCHC’s subsidiaries and affiliates as well as Registrant’s affiliate, BPOI have transactions with each other such as rental contracts and intercompany loans. These transactions are on arms-length basis and, in the case of partially owned affiliates, are subject to approval of unrelated shareholders of these affiliates. In the case of rental contracts, the rental rates charged are similar to those charged to outside parties leasing similar properties.

**Patents, Trademarks, Copyrights, Etc.**

As previously stated, other than for MUDC’s power supply agreement with MERALCO and Memorandum of Understanding with SPEX, there are no patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts and the like, owned by or pertaining to the Registrant and its subsidiary, MCHC.



## **Costs and Effects of Compliance with Environmental Laws**

Since MUDC has decided not to pursue its power project, there is no anticipated need to comply with any environmental regulations. The other affiliates which are involved in the outsourcing industry which mainly involve the use of computer and other office equipment are expected to have negligible environmental impact.

## **Employees**

The Registrant has three (3) full time employees, one (1) each for accounting, clerical, and administrative and one (1) consultant, not including the employees and consultants retained by the Registrant's subsidiary and affiliates. The Registrant's employees are not subject to any Collective Bargaining Agreements (CBA), nor are they involved in or have threatened to strike for the past three (3) years. Aside from the mandatory 13<sup>th</sup> month pay and additional 14<sup>th</sup> month pay and service incentive leaves (vacation and sick) benefits and retirement benefits mandated by R.A. 7641, there are no other benefits that are granted by the Registrant to its employees. The Registrant does not anticipate the need to hire additional employees within the ensuing twelve (12) months.

## **Risk of the Business of the Registrant and Subsidiaries**

### **1. Pointwest Technologies Corporation (PTC)**

PTC would face the normal risks faced by an IT services company serving mostly foreign clients. These risks include: 1) the risk that PTC may not find or retain clients; 2) some contracts are on non-recurring basis and may not be renewed; 3) risk of contract dispute in case of customer dissatisfaction with the services provided; 4) risk of non-collection of receivables due to contract dispute or to financial problems of customers; 5) high staff turnover which may affect service quality; 6) ability to recruit and retain qualified IT professionals; (7) change in foreign exchange rates that may affect the operating margin of its businesses.

### **2. Business Process Outsourcing International, Inc. ("BPOI")**

BPOI would face the normal risks faced by a BPO company which are very similar to the risks faced by an IT services outsourcing company such as PTC. BPOI currently services only domestic clients but intends to develop its foreign business. The risks BPOI takes include: 1) the risk that BPOI may not find or retain clients; 2) some contracts are on non-recurring basis and may not be renewed; 3) risk of contract dispute in case of customer dissatisfaction with the services provided; 4) risk of non-collection of receivables due to contract dispute or to financial problems of customers; 5) high staff turnover which may affect service quality; 6) ability to recruit and retain qualified accounting and finance professionals.

### **3. Portfolio Investments**

The Registrant and its subsidiaries and affiliates also invest their excess cash in bonds, stocks and short-term placements. These involve government securities as well as corporate bond and stock investments which face the normal commercial risks such as price declines, payment defaults and foreign exchange risks in the case of foreign currency denominated investments.

#### **Other Interests**

MCHC also has a 100% interest in a mining company, Malabrigo Corporation (“Malabrigo”). Malabrigo has a paid-up capital of ₱10,000,000.00 and limestone mining claims in Batangas, which are not considered significant in potential. It has also invested as a partner in a shopping center project in the United States.

Other than MUDC’s power supply agreement with MERALCO and Memorandum of Understanding with SPEX, there are no patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts and the like owned by or pertaining to the Registrant and its subsidiary, MCHC. Also, no substantial expenditures have been made for research and development activities for the past three (3) years.

## **ITEM 2. PROPERTIES**

**Equity Interests.** The Registrant’ investment in MCHC, consists of shares of common stock with aggregate issued value representing approximately 94.37% of the outstanding shares of MCHC.

MCHC owns 70,458 shares of common stock, representing approximately 43% of the outstanding capital stock of MUDC. MUDC was set up to develop a 320 MW power plant project in Pinamucan, Batangas which has now been aborted. MCHC’s exposure to MUDC has been fully provided for in the Consolidated Financial Statements.

MCHC also has equity interests in Pinamucan Industrial Estates, Inc. (100%-owned) and Malabrigo (100%-owned). MCHC also owns 100% of Magellan Capital Trading Corporation; Magellan Capital Realty Development Corporation, two inactive shell companies.

The Registrant owns common shares in Pointwest Technologies Corporation which represent a 30% ownership interest in the company. The Registrant also owns shares of BPOI equivalent to 35% ownership interest in BPOI.

**Real Estate.** The Registrant has no real estate holdings except through its subsidiary, MCHC.

**(a) Condominium Units**

MCHC owns five (5) office condominium units which comprise the entire 5<sup>th</sup> Floor of the Citibank Center building, located at 8741 Paseo de Roxas, Makati City, including five (5) appurtenant parking units, *per* a Deed of Sale executed on 26 April 2000. Three of the five units are being leased out and two units are used as the corporate offices of the Registrant and its subsidiaries. MCHC also owns an office condominium unit on the 25<sup>th</sup> Floor and two condominium units on the 16<sup>th</sup> Floor of the Citibank Tower Building in Makati (acquired in December 2014) and ten parking slots which are being leased out at prevailing commercial rates.

**(b) Office Properties**

MCHC, the Registrant's wholly-owned subsidiary, has relocated its corporate offices to its Citicenter Property which consists of the entire 5<sup>th</sup> Floor of the Citibank Center Building in Makati. The Registrant, as principal shareholder of MCHC, has been allocated office space by MCHC. MCHC has also leased out the four (4) remaining units. One of the units has been leased by Business Process Outsourcing International (BPOI) since February 16, 2009. Three other units are leased out to three other lessees.

MCHC acquired at the end of 2014 two additional condominium office units in Citibank Tower which are currently leased out. MCHC also acquired at the end of 2016 two other condominium units in JMT Condominium Building in Ortigas which are currently leased out. As a result rental income is expected to increase substantially in 2017.

**(c) Land/Property Ownership**

MCHC has acquired a 985 m2 lot in Fort Bonifacio which it plans to develop into an office building for lease. As of 31 December 2016, the above land and properties are not subject to any mortgages, liens or encumbrances.

### ITEM 3. LEGAL PROCEEDINGS

For the past six (6) years up to the present, there are no proceedings involving, and to the best of knowledge threatened against the Registrant. As of **26 April 2017**, none of the current directors, or nominees for election as director, executive officer, underwriter or control person of the Registrant has been involved in or in the subject of any bankruptcy petition, conviction by final judgment, or is the subject of any order judgment or decree, or involved in any violation of a securities of commodities law.

However, with respect to its subsidiaries, following is a summary of pending litigation involving them:

**(a) “Rolando M. Zosa v. Magellan Capital Holdings Corporation and Magellan Capital Management Corporation”**, Civil Case No. CEB-18619, Regional Trial Court of Cebu City, Branch 58; *Magellan Capital Management Corporation and Magellan Capital Holdings Corporation v. Rolando M. Zosa, et al.*” G.R. No. 129916, Supreme Court; *Ad Hoc Arbitration with an Arbitral Tribunal composed of Justice Florentino P. Feliciano, as Chairman and Attys. Ramon R. Torralba and Enrique I. Quiason as members; Regional Trial Court, Branch 139, SP Proc. No. M-6259 and SP Proc. No. 6264.*

This is a case for damages instituted in May 1996, wherein complainant Zosa seeks to enforce his purported rights under his Employment Agreement with defendants and claims entitlement to the following reliefs, to wit:

- (1) actual damages in the amount of ₱10,000,000;
- (2) attorney’s fees in the amount of ₱300,000; and
- (3) expenses of litigation in the amount of ₱150,000.

Defendants sought a dismissal of the case, invoking the provision of arbitration in the Employment Contract. In a Decision dated 18 July 1997, the trial court declared invalid the arbitration clause providing for the manner by which the arbitrators will be chosen and substituted the provisions of the Arbitration Law therefore. The Supreme Court, on 26 March 2001 affirmed the trial court’s decision which became final and executory. Arbitrators were appointed one by Zosa, on the one hand, and the other jointly appointed by MCHC and MCMC and a third jointly chosen by the two arbitrators.

Sometime in November 2004, the Arbitral Tribunal was finally constituted composed of Justice Florentino P. Feliciano as Chairman and Attys. Ramon R. Torralba and Enrique I. Quiason as members.

On 14 March 2005, the parties submitted to the Tribunal their Confirmation of Agreement to Submit to Arbitration. The Complainant has submitted its Statement of Claims & Memorials. The respondents have submitted their Statement of Defenses and are scheduled to submit their Counter-Memorials on 02 May 2004.

On 02 August 2005, the Memoranda of the parties were submitted and the case was submitted for resolution.

On 06 March 2005, the Tribunal rendered its decision awarding Zosa's claim for severance pay but disallowed his claims for attorney's fees and moral and exemplary damages and costs of suit.

On 12 April 2006, MCHC filed with the Regional Trial Court of Makati City, a verified petition with prayer for the issuance of an Order to Vacate the Arbitral Award, dated 6 March 2006, pursuant to Sections 22 to 29 of Republic Act No. 876 ("The Arbitration Law") and the relevant provisions of Republic Act No. 9825 (the "Alternative Dispute Resolution Act of 2004). Likewise, Zosa filed his Application for Confirmation of Award on 12 April 2006. The two cases were consolidated and are presently pending with Branch 139 of the Regional Trial Court of Makati as Sp. Proc. No. M-6259 and M-6264. The parties are presently awaiting the Court's resolution on the issue of whether the Application for Confirmation of Award was seasonably filed considering the non-payment of docket fees at the time of filing. On 17 March 2009, a hearing was held whereby the Court directed all the parties to submit their respective Memoranda. In compliance with the aforesaid order, MCHC submitted its Memoranda on 17 May 2009. The case was submitted for resolution on 29 January 2013.

On 29 June 2015, the Court rendered its decision confirming the arbitral award directing MCHC solidarily with MCMC to pay Zosa's severance compensation in the amount of ₱14,669,691.43. MCHC filed its Motion for Reconsideration on 23 July 2015 which was denied in an Order dated 7 January 2016. On 9 February 2016, MCHC filed with the Court of Appeals its Petition for Review of the Decision of the Regional Trial Court. The case is now pending with the Court of Appeals.

**(b) "People of the Philippines vs. Ariel Balatbat"**, Criminal Case No. 115515, Regional Trial Court of Pasig City, Branch 155. MCHC filed a complaint, through its authorized officer, against Ariel Balatbat for qualified theft relating to several unauthorized withdrawals of, and anomalous transactions involving, company funds in the total amount ₱41,021.50 (converted to US\$1,000.00). On 29 October 2004, the Court rendered its decision finding the accused guilty beyond reasonable doubt of the crime of qualified theft under Article 310 of the Revised Penal Code and imposed the corresponding penalty of imprisonment of 10 years minimum to a maximum of 14 years. The case is pending appeal as of this writing.

**"People of the Philippines vs. Ariel Balatbat"**, Criminal Case No. 114955, Regional Trial Court of Pasig City, Branch 151. MUDC, through its authorized officer, has also filed a complaint against Ariel Balatbat for qualified theft relating to several unauthorized withdrawals of, and anomalous transactions involving, company funds in the total amount of ₱121,500.00 (equivalent to US\$3,000.00), US\$4,000.00, and US\$1,020.00. Said amounts were never recovered or accounted for. The case is currently pending before the Regional Trial Court, which also issued a warrant of arrest for the same. The bail was set for ₱40,000.00. The accused was arrested and subsequently arraigned. Three (3) witnesses have been presented - two (2) from the bank and one (1) from MUDC.

On 28 February 2005, the Prosecution filed its “Formal Offer of Evidence”. Defense rested its case on 4 December 2006. On 22 January 2007, the Prosecution presented its rebuttal evidence. The Memorandum for the Prosecution having been filed, the case was submitted for decision. As of this writing or on April 29, 2013 the Court rendered its decision finding the accused guilty of the crime of qualified theft and sentenced the accused to *reclusion perpetua*. It also ordered the restitution to MUDC of the amount of \$4,000.00 or its peso equivalent ₱105,720.00 Pesos. The Court found no liability for the amount of \$3,000.00 withdrawn it appearing that same was credited to private complainant. On appeal, the Court of Appeals, in a Decision dated 28 February 2017, reversed and set aside the Decision of the Regional Trial Court, dated 15 February 2013. As of this writing, MCHC, for humanitarian reasons, and the fact that the accused had already spent some time in incarceration, decided not to appeal the aforesaid Decision of the Court of Appeals.

- c) **Magellan Capital Holdings Corporation vs. Spouses Mario and Preciosa Roño, Civil Case No. 066, Regional Trial Court, Taguig City, Branch 153.** This is a case, filed in 2016, for Injunction, with application for TRO and Writ of Injunction, against Spouses Mario and Preciosa Roño, the Taguig Register of Deeds, the Securities and Exchange Commission, Bureau of Internal Revenue, Taguig District to prevent the use of falsified documents including a fake Deed of Sale, fake General Information Sheet (GIS) and fake certificate of title, to transfer MCHC's property in Fort Bonifacio in favor of the Spouses Roño. This is in relation to the ongoing attempt by certain individuals to cause the transfer of title over MCHC's 985 square meter lot at Bonifacio Global City (“BGC”) in their favor using falsified and spurious documents. The Regional Trial Court granted the preliminary injunction on 24 August 2016. The case is pending resolution on the grant of a permanent injunction.
- d) **Magellan Capital Holdings Corporation represented by Mr. Robert Y. Cokeng vs. Spouses Mario and Preciosa Roño et al, XV-16-INQ-16F-00541, Office of the City Prosecutor of Taguig; People of the Philippines vs. Marion S. Roño, Criminal Case No. 17-28768, Metropolitan Trial Court of Taguig City, Branch 115; People of the Philippines vs. Mario S. Roño, Criminal Case No. 17-28769, Metropolitan Trial Court of Taguig City, Branch 115; People of the Philippines vs. Mario S. Roño and Preciosa Roño, Criminal Case No. 17-28771, Metropolitan Trial Court of Taguig City, Branch 115; People of the Philippines vs. Mario Roño and Preciosa Roño, Criminal Case no. 17-28770, Metropolitan Trial Court of Taguig City, Branch 116.** These criminal cases for Falsification under Article 171 in relation to Article 172 of the Revised Penal Code, were filed against the named individuals in connection with Civil Case No. 066. The Prosecutor in XV-16-INQ-16F-00541, found probable cause against the respondents and the corresponding Information was filed with the Metropolitan Trial Court. A Warrant of Arrest against the respondents was issued on 10 February 2017 and Arraignment was held last 23 March 2017. As of this writing, the case is pending resolution of the Omnibus Motion for Reconsideration filed by the accused.
- e) **Magellan Capital Holdings Corporation, represented by Mr. Robert Y. Cokeng vs. Spouses Mario and Preciosa Roño, Pedro S. Villafior, John Doe and Jane Doe, IS No. XV-13-INV-16-J-02050, Office of the City Prosecutor of Pasay City, Department of Justice.** In relation to the aforementioned cases, this case was filed against the respondents for violation of Article 172 in relation Article 171 of the revised Penal

Code (Use of Falsified documents). The falsified documents were used to open an account in Maybank, Villamor Base branch, Pasay City.

- f) Magellan Capital Holdings Corporation vs. Spouses Mario and Preciosa Roño, IS No. XV-03-INV-16J-10508, Office of the City Prosecutor of Quezon City, Department of Justice.** In relation to the aforementioned cases, this case was filed against the respondents for violation of Article 172 in relation to Article 171 (2) of the Revised Penal Code. The falsified documents appear as having been executed and notarized in Quezon City.
- g) Robert Y. Cokeng (for and in behalf of Magellan Capital Holdings Corporation) vs. Maybank Philippines, Inc. Dato Dr. Tan Tat Wai, Herminio M. Famatigan Jr., Jonathan P. Ong, Jose A. Morales III and Milandro C. Urbano, OSI-AC-No. 2016-032, Bangko Sentral ng Pilipinas, Office of the Special Investigation; Robert Y. Cokeng (for and in behalf of Magellan Capital Holdings Corporation) v. Metropolitan Bank and Trust Company, Fabian S. Dee, Alfredo V. Ty, Arthur Ty, Francis Cua, Trixia C. Tan, Joyce P. Pareno and Grance C. Buenavista, OSI-AC\_No. 2016-029, Bangko Sentral ng Pilipinas, Office of Special Investigation.** These cases were filed with the Bangko Sentral ng Pilipinas against two banks, Maybank and Metro Bank in connection with their participation in the aforementioned cases.

#### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

For the period October to December 2016, there were no matters submitted to a vote by security holders of the Registrant.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

#### (1) MARKET INFORMATION

The shares of the Registrant are listed with the Philippine Stock Exchange.

The high and low prices for each quarter within the last two (2) fiscal years and 1st quarter of 2017 are as follows:

QUARTER; YEAR	CLASS "A"		CLASS "B"	
	High	Low	High	Low
1 <sup>st</sup> Quarter, 2015	3.35	3.00	3.04	2.98
2 <sup>nd</sup> Quarter, 2015	3.75	3.00	3.84	3.04
3 <sup>rd</sup> Quarter, 2015	3.75	2.73	3.10	2.85
4 <sup>th</sup> Quarter, 2015	7.70	2.92	7.60	3.50
1 <sup>st</sup> Quarter, 2016	5.97	4.30	6.46	4.36
2 <sup>nd</sup> Quarter, 2016	5.69	4.82	6.60	4.82
3 <sup>rd</sup> Quarter, 2016	7.35	5.28	7.60	5.70
4 <sup>th</sup> Quarter, 2016	6.52	4.75	7.50	5.21
1 <sup>st</sup> Quarter, 2017	6.55	5.20	7.48	6.50

#### (2) HOLDERS

##### Number of Shareholders

As of 31 December 2016, the registrant had Four Hundred Seventy Six (476) stockholders of record, as follows: Class "A" shares – Four Hundred Thirty Two (432) holders; Class "B" shares –Thirty-Seven (37) holders; and Class "A" and "B" – Seven (7) holders.



The top twenty (20) stockholders of common equity of the Registrant as of 31 December 2016 are as follows:

**TOP TWENTY (20) STOCKHOLDERS AS OF 31 DECEMBER 2016**

	NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OWNERSHIP
1.	Essential Holdings Limited	139,778,670	29.01%
2.	PCD Nominee Corporation	74,701,590	15.50%
3.	Pinamucan Industrial Estates, Inc.	49,809,105	10.33%
4.	Magellan Capital Holdings Corporation	47,844,022	9.93%
5.	Consolidated Tobacco Industries of the Phils., Inc.	43,052,023	8.94%
6.	Vructi Holdings Corporation	34,643,628	7.19%
7.	Center Industrial and Investment, Inc.	23,991,000	4.98%
8.	Robert Y. Cokeng	15,713,072	3.26%
9.	Johnson Tan Gui Yee	15,371,747	3.19%
10.	Victorian Development Corporation	12,085,427	2.51%
12.	PCD Nominee Corporation (F)	10,788,481	2.24%
11.	Brixton Investment Corporation	2,815,000	0.58%
13.	Francisco Y. Cokeng, Jr.	2,160,000	0.45%
14.	Johnson U. Co	1,100,000	0.23%
15.	Homer U. Cokeng, Jr.	1,100,000	0.23%
16.	Betty C. Dy	1,100,000	0.23%
17.	Rosalinda C. Tang	1,080,000	0.22%
18.	Metro Agro Industrial Supply Corporation	793,977	0.16%
19.	Criscini Reyes	400,000	0.08%
20.	Robert Y. Ynson	325,667	0.07%

**(3) DIVIDENDS**

Dividends amounting to ₱0.20 per share were declared and paid out in 2016.

Under the Registrant's By-laws, there are no restrictions in the declaration of dividends other than what is prescribed in the Corporation Code, namely that these shall be declared only from surplus profit and no stock dividend shall be issued without the approval of stockholders representing not less than two-thirds of all stock outstanding and entitled to vote at a general or special meeting called for the purpose.

**(4) RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION**

The Registrant has not sold any securities within the past three (3) years, which were not registered under the Securities Regulation Code, including sales of reacquired securities, as well as new issues, securities issued in exchange for property, services, or other securities and new securities resulting from the modification of outstanding securities.

**(5) WARRANTS**

There are no warrants outstanding as of the end of December, 2016.

**ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

**(1) MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Registrant's consolidated revenue in 2016 decreased by 3.4% to ₱177.3 million from ₱183.5 million in 2015. Equity in net earnings of associates decreased by 30% from ₱105.4 million in 2015 to ₱72.9 million in 2016 as Pointwest experienced lower earnings as operating margins dropped at some major accounts. Interest income slightly increased from ₱39.2 million in 2015 to ₱40 million in 2016 as interest levels have stabilized. A net foreign exchange gain of ₱36.6 million was recorded in 2016 as the Peso continues to decline against foreign currencies which benefitted the foreign exchange denominated bonds and other securities hold by the Registrant and its subsidiary. Rent increased from ₱12.8 million in 2015 to ₱14.0 million in 2016 due to escalation of rental rates and the leasing out of additional condominium office units acquired in 2016. Gain on disposal of AFS, HTM and FVPL Financial Assets of ₱5.4 million was recorded in 2016 against ₱1.5 million in 2015. Dividend income increased from ₱1.5 million in 2015 to ₱1.9 million in 2016.

Total consolidated expenses of the Registrant decreased to ₱33.3 million in 2016 compared to ₱35.3 million in 2015.

As a result of the above, total consolidated income before tax in 2016 totaled ₱144.1 million compared to ₱148.2 million in 2015. After provision for income tax, total consolidated net income after tax totaled ₱136.5 million in 2016 compared to ₱139.6 million in 2015 or a decrease of 2%.

Net income attributable to non-controlling interest, namely minority shareholders of Magellan Capital Holdings Corporation, totalled ₱2.6 million in 2016 compared to ₱1.2 million in 2015.

The Registrant's financial position is very strong as it has substantial cash resources available to undertake its planned projects. As of December 31, 2016, the Registrant's consolidated cash and cash equivalent totaled over ₱954.6 million which was lower than the level of ₱965.6 million as of December 31, 2015 due to additional investment in properties. The Registrant and its subsidiary is planning to undertake development of MCHC's land in Fort Bonifacio into an income producing building as well as to acquire income producing properties as well as additional land for development. The Registrant and its subsidiary are debt free with total consolidated liabilities of ₱35.1 million compared to ₱32.8 million in 2015 total equity amounted to ₱1.9 billion as of the end of 2016 compared to ₱1.8 billion in 2015.

The Registrant and its subsidiary and affiliates are substantially debt free except for MUDC which has loans and advances from its principal shareholders. The Registrant and its subsidiaries have more than enough cash resources to meet any expected requirements in the next twelve months. Consolidated cash and cash equivalents at the end of 2016 totalled ₱954.6 million compared to ₱965.6 million at the end of 2015 while total current assets totalled ₱1.2 billion at year-end 2016 compared to ₱1.1 billion at year-end 2015. Other than the normal fluctuation of the Peso exchange rate as well as the effect of the normal market fluctuations on the value of stock and bond holdings owned by the Registrant and its subsidiary, the Registrant is not aware of any trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way. Likewise, the Registrant does not know of any trends, events or uncertainties that have or that are reasonably expected to have a material favorable or unfavorable impact on the revenues or income from continuing operations.

### **Top Five (5) Key Performance Indicators**

The top five (5) performance indicators for the Registrant are as follows:

- (1) Revenue Generation
- (2) Change in net income
- (3) Earnings per share
- (4) Current ratio
- (5) Book value per share

**Revenue Generation.** Revenue in the last three fiscal years are summarized below along with vertical percentage analysis:

(P000)	YEAR 2016	PER- CENTAGE	YEAR 2015	PER- CENTAGE	YEAR 2014	PER- CENTAGE
Equity in net earnings of associates	₱ 72,929	41.2%	₱ 105,413	57.5%	₱ 72,551	61.6%
Interest Income	40,141	22.6%	39,171	21.4%	37,720	32.0%
Rent	14,028	18.5%	12,797	7.0%	4,505	3.8%
Dividend Income	1,906	1.1%	1,538	0.8%	2,290	1.9%
Fair Value Gains on Financial Assets at FVPL	9,981	5.6%	-	-	-	-
Gain on Disposal of AFS, HTM and FVPL Investments	5,379	3.0%	1,526	0.8%	236	0.2%
Net FX Gain	32,814	18.5%	22,825	12.4%	-	-
Others	88	0.1%	180	0.1%	565	0.5%
<b>Total from continuing operation</b>	<b>₱ 177,268</b>	<b>100.0%</b>	<b>₱ 183,450</b>	<b>100.0%</b>	<b>₱ 117,867</b>	<b>100.0%</b>

Because it is a holding company, the Registrant derives a large part of its revenue from its equity in net earnings of associates which in 2016 accounted for over 41% of consolidated total revenues from continuing operations. 2014 saw a drop in earnings of the outsourcing affiliates as BPOI lost a major account and Pointwest experienced lower margin on some new accounts. However, revenue and earnings recovered sharply in 2015 leading to record revenues and profits at Pointwest and a respectable growth at BPOI. However, operating margins dropped at Pointwest in 2016 due to the lower revenues at some accounts and cost pressures. BPOI on the other hand saw improvement in margins as efficiency improved. As a result, the Registrant's share in their net earnings dropped to ₱72.9 million in 2016 from ₱105.4 million in 2015. Interest income also increased slightly in 2016 to ₱40.1 million from ₱39.2 million in 2015 due to stabilizing rates of interest in the capital markets. In addition, net Fx gain was ₱ 32.8 million in 2016 as the strong dollar benefitted the foreign exchange denominated bonds and stock portfolio of the Registrant and its subsidiaries. In the future, we would expect rental income to increase as the Registrant and its subsidiary increases its portfolio of income producing properties by developing its land in Fort Bonifacio into an income producing building and by acquiring additional income producing properties. Rental income in 2016 has exceeded ₱14.0 million from ₱12.8 million in 2015 due to acquisition of additional income producing property. Rental income in 2017 should further increase due to acquisition of income producing properties in 2016.

**Change in net income.** The summary income statements for the last three fiscal years are shown below with vertical percentage analysis.

(000)	YEARS ENDED DECEMBER 31					
	2016	PERCENTAGE	2015	PERCENTAGE	2014	PERCENTAGE
Revenue	₱ 177,268	100%	₱ 183,450	100%	₱ 117,867	100%
Expenses	33,174	18.7%	35,273	19.2%	33,996	28.8%
Net Income Before Tax	144,094	81.3%	148,178	80.8%	83,871	71.2%
Tax	(7,571)	4.3%	(8,536)	4.7%	(5,116)	4.3%
Net Income After Tax	136,523	77.0%	139,641	76.1%	78,754	66.8%
<b>Total Net Income</b>	<b>₱ 136,523</b>	<b>77.0%</b>	<b>₱ 139,641</b>	<b>76.1%</b>	<b>₱ 78,754</b>	<b>66.8%</b>
Attributable to Stockholders of Registrant	133,941	75.5%	138,463	75.5%	77,290	65.6%
Non-Controlling Interest	2,582	1.5%	1,178	0.6%	1,464	1.2%

As the above shows, net income dropped by 2% to ₱136.5 million in 2016 from ₱139.6 million in 2015. The decrease in net income was mainly due to lower equity in net earnings of associates. The net income in 2016 attributable to stockholders of the Registrant was ₱133.9 million while ₱2.6 million was attributable to non-controlling interests, namely minority shareholders of Magellan Capital Holdings Corporation. The net income attributable to stockholders of the Registrant in 2015 was ₱138.5 million while ₱1.2 million was attributable to non-controlling interests.

**Earnings per share.** The earnings per share in 2016 amounted to ₱0.35 per share compared to earnings per share from continuing operations of ₱0.36 in 2015 and ₱0.20 in 2016. The earnings per share are adjusted to reflect the shares held by the Registrant's subsidiaries which are classified as treasury shares in the Consolidated Financial Statements.

**Current-Ratio.** Current Ratio (current assets divided by current liabilities) which measures the liquidity position of the Registrant was 54.5 x at December 31, 2016 compared to 70 x at the end of 2015. The Registrant's liquidity position is very strong and gives it substantial resources to pursue its projects.

**Book value per share.** The Registrant's book value per share (excluding treasury shares owned by subsidiaries of the Registrant) was ₱4.85 per share at the end of 2016 from ₱4.60 at year-end 2015 and ₱4.38 at year-end 2014.

**(i) Any known trends or any known demands, commitments, events or uncertainties**

The Registrant and its subsidiary and affiliates are now substantially debt-free, except for MUDC, which has loans and advances from its principal shareholders. The Registrant and its subsidiaries have more than enough cash resources to meet any expected requirements during the next twelve (12) months. Consolidated cash and cash equivalents totalled ₱954.6 million at year end 2016 compared to ₱965.6 million at year end 2015. Other than the normal fluctuations of the Philippine Peso to the U.S. Dollar, the Registrant is unaware of any trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in its liquidity increasing or decreasing in any material way. Likewise, the Registrant does not know of any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the revenues or income from continuing operations.

**(ii) Any events that will trigger direct or contingent financial obligation**

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

**(iii) All material off-balance sheet transactions, arrangements, obligations**

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

**(2) OPERATIONS AND FINANCIAL CONDITION FOR THE LAST THREE (3) FISCAL YEARS**

The following is a detailed discussion of the Registrant's operations and financial condition for the past three (3) fiscal years.

Exhibit "2" shows the audited consolidated balance sheet as of December 31, 2016 and December 31, 2015 and audited consolidated income statements for the years 2016, 2015 and 2014. The accounts are discussed below in more detail.

## **OPERATING RESULTS**

**Revenues.** In the year ended 31 December 2016, total consolidated revenues totalled ₱177.3 million compared to ₱183.5 million in 2015 and ₱117.9 million in 2014. The reasons for the change have been discussed in the revenue generation section earlier in Item 6 of this Report.

**Expenses.** Total consolidated operating expenses decreased to ₱33.2 million in 2016 from the ₱35.2 million in 2015 due to the reasons discussed earlier in this report.

**Net Income Before Tax.** As a result of the movement in revenues and expenses discussed in the preceding sections, net income before tax totalled ₱144.1 million in 2016 compared to ₱148.2 million in 2015 and ₱83.9 million in 2014.

**Provision For Income Tax.** In 2016, there was a provision for income tax of ₱7.6 million compared to ₱8.5 million in 2015 and ₱5.1 million in 2014.

**Net Income After Tax.** As a result of the provision for income tax discussed above, the Registrant had a consolidated net income after tax of ₱136.5 million in 2016, a 2% decrease from the net income after tax of ₱139.6 million in 2015. Net income after tax in 2014 was ₱78.8 million.

## **BALANCE SHEET ACCOUNTS**

The following comparative financial analysis is based on audited consolidated balance sheets as of December 31, 2016 and December 31, 2015 shown in Exhibit "2". Exhibit "4" shows the vertical percentage analysis of balance sheet accounts as of December 31, 2016 and December 31, 2015. The movements in the various accounts are discussed below:

### **ASSETS**

**Current Assets.** Total current assets at year-end 2016 totalled ₱1,149.5 million compared to ₱1,092.0 million at year-end 2015. Cash and cash equivalents decreased to ₱955.0 million at year end 2016 from ₱966.0 million at year end 2015. Financial assets at Fair Value through Profit or Loss (FVPL) totalled ₱83.0 million at year-end 2016 from ₱62.4 million at year-end 2015. Current portion of AFS Investments totaled ₱66.8 million at year-end 2016 from ₱4.9 million at year end 2015 due to impending maturity of bond holdings. Prepayments and other assets decreased to ₱15.5 million at year-end 2016 from ₱27.1 million at year-end 2015.

**Non-Current Assets.** Total non-current assets at year-end 2016 totalled ₱824.2 million versus ₱780.5 million at year-end 2015. Most of the increase was due to increase in investment in associates from ₱202.4 million at year end 2015 to ₱295.1 million at year end 2016 due to equity in net earnings of associates .

**Total Assets.** As a result of the movement in the accounts described above, total consolidated assets of the Registrant at year-end 2016 totalled ₱1,974.0 million compared to ₱1,872.4 million at year-end 2015.

## **LIABILITIES AND EQUITY**

**Current Liabilities.** Current liabilities increased to ₱21.1 million at year-end 2016 from ₱15.6 million at year-end 2015 mainly due to increase in dividends payable and income tax payable.

**Non-Current Liabilities.** Non-current liabilities decreased to ₱14.0 million at year-end 2016 from ₱17.2 million at year-end 2015 due mainly to decrease in deferred income tax liability.

**Stockholder's Equity.** Total Stockholder's Equity Attributable to Equity Holders of the Registrant increased to ₱1,865.4 million at year-end 2016 from ₱1,766.9 million at year end 2015. This was due mainly to the net comprehensive income in 2016 attributable to equity holders of the Registrant of ₱175.4 million but reduced by dividends paid out during the year. Equity attributable to minority shareholders of MCHC totalled ₱73.2 million at year end 2016 compared to ₱72.8 million at year-end 2015 due to the share of minority shareholders of MCHC in the comprehensive net income of ₱4.5 million. As a result, total stockholders equity at year-end 2016 stood at ₱1,938.6 million compared to ₱1,839.7 million at year-end 2015.

## **INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS**

### **(1) External Audit Fees and Services**

#### *a) Audit and Audit- Related Fees for the Last Three Fiscal Years*

	<b>2014</b>	<b>2015</b>	<b>2016</b>
Registrant	₱ 221,550	₱ 232,500	₱ 281,050
MCHC	341,250	358,500	441,840
Subsidiaries of MCHC	41,009	45,930	40,225
MUDC	19,149	19,144	21,449

- b) Tax Fees:* None
- c) All Other Fees:* None
- d) Audit Committee has approved the audit fees*



## **ITEM 7. FINANCIAL STATEMENTS**

The Statement of Management's Responsibility is attached as Exhibit "1" hereof. The Audited Consolidated Financial Statements as of 31 December 2016 are attached as Exhibit "2" hereof.

## **ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There have been no disagreements with the Registrant's accountants, past or present, on accounting and financial disclosures. In 1997, Sycip Gorres Velayo & Co. replaced Velandria, Dimagiba & Co. and at present, continues to be engaged as the external auditor of the Registrant. In 2000, Vicente E. Reyes and Associates, now known as Reyes, Galang, King & Company, replaced Sycip Gorres Velayo & Co. as the external auditor of some of the wholly owned subsidiaries of Magellan Capital Holdings Corporation as well as Magellan Utilities Development Corporation.

## PART III – CONTROL AND COMPENSATION INFORMATION

### ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

#### (1) DIRECTORS AND EXECUTIVE OFFICERS

The following are the directors and executive officers of the Registrant, with the past and present positions held by them in the Registrant's subsidiaries and other companies for the past five (5) years:

**ROBERT Y. COKENG**, 65 years old, Filipino citizen.  
***Chairman, President & Chief Executive Officer***

Re-elected on 28 July 2016 for a one-year term. Director and Officer since 1996.

*President & Chief Executive Officer*, Magellan Capital Holdings Corporation, Magellan Utilities Development Corporation, Pinamucan Power Corporation, Malabrigo Corporation, Consolidated Tobacco Industries of the Philippines, Inc. and Center Industrial and Investment, Inc.; *Director*, Alcorn Gold Resources Corporation (PSE listed company); *Chairman*, Pinamucan Industrial Estates, Inc.; *Managing Director*, Essential Holdings Ltd.; *Chairman*, Pointwest Technologies Corporation and Pointwest Innovations Corporation; *Director and Chairman of the Executive Committee*, Business Process Outsourcing International, Inc.; *Chairman*, Ipads Developers, Inc.

**FRANCISCO Y. COKENG, JR.**, 63 years old, Filipino citizen.  
***Vice-Chairman and Director***

Re-elected on 28 July 2016 to a one-year term. Director since 1996.  
Also director from 1980-1991.

*Director*, Consolidated Tobacco Industries of the Philippines, Inc., Magellan Capital Holdings Corporation; *Chairman*, Sunflare Horizon International, Inc.

**EMETERIO L. BARCELON, S.J.**, 89 years old, Filipino citizen.  
***Senior Vice-President and Director***

Re-elected on 28 July 2016 for a one-year term. Director since 1980.

*Former Director*, Oriental Petroleum and Minerals Corporation; *Former President*, Ateneo de Davao; *Vice-President*, Xavier University; *Former Professor*, Asian Institute of Management; *Columnist*, Manila Bulletin; *Director*, Magellan Capital Holdings Corporation.

**JOHNSON U. CO**, 64 years old, Filipino citizen.

***Vice-President for Administration***

Re-elected on 28 July 2016 for a one-year term. Director and Treasurer since 1996.

*President*, Pinamucan Industrial Estates, Inc., Sunflare Horizon International, Inc.; *Vice-President for Administration and Director*, Magellan Capital Holdings Corporation; *Treasurer*, Magellan Utilities Development Corporation and Malabrigo Corporation; *Director*, Pinamucan Power Corporation; *Vice Chairman*, Consolidated Tobacco Industries of the Philippines, Inc.

**MARK RYAN K. COKENG**, 31 years old, Filipino citizen.

***Treasurer and Director***

Re-elected on 28 July 2016 to a one-year term.

*Treasurer and Director*, Magellan Capital Holdings Corporation; *Director and Treasurer*, Magellan Capital Corporation; *Director*, IPADS Developers, Inc.; *Director*, Pointwest Technologies Corporation, *Director*, Pointwest Innovations Corporation, *Director and Treasurer*, Business Process Outsourcing International, Inc. Bachelor of Arts in Economics and Statistics, Boston University.

**MARY K. COKENG**, 64 years old, Filipino citizen.

***Director***

Re-elected on 28 July 2016 to a one-year term. Director since 2008.

*Director*, Essential Holdings, Limited, *Director*, Magellan Capital Holdings Corporation.

**JOHNNY O. COBANKIAT**, 65 years old, Filipino citizen.

***Director***

Re-elected on 28 July 2016 to a one-year term. Director since 2008.

*President*, Ace Hardware Phils., Cobankiat Hardware, Inc. and Milwaukee Builders Center, Inc.; *Executive Vice President*, Hardware Workshop; *Vice Chairman*, R. Nubla Securities; *Director*, Shang Properties, Inc. (PSE-listed Company).

**FRANCIS LEE CHUA**, 65 years old, Filipino citizen.

***Director***

Re-elected 28 July on 2016 for a one-year term. Director since 2001.

*General Manager*, Sunny Multi Products and Land Management Inc., Rocky's Construction Supplies and Marketing, Inc.; *Corporate Secretary*, Sunflare Horizon International, Inc.

**JOHNSON TAN GUI YEE**, 70 years old, Filipino citizen.

**Director**

Re-elected on 28 July 2016 to a one-year term. Director since 1997.

*Chairman*, Armak Tape Corporation; *President & Chief Executive Officer*, Armak Holdings and Development, Inc.; *President*, Yarnton Traders Corporation; *Director*, Magellan Capital Holdings Corporation.

**RUFINO B. TIANGCO**, 67 years old, Filipino citizen.

**Director**

Re-elected on 28 July 2016 to a one-year term. Director since 1997.

*Chairman of the Board*, R.A.V. Fishing Corporation, Marala Vitas Central Terminal & Shipyard Corp.; *President*, Vructi Holdings Corporation; Trufsons Holdings Corporation, Ruvict Holdings Corporation; *Director*, Magellan Capital Holdings Corporation and Magellan Utilities Development Corporation.

**ROBERT Y. YNSON**, 69 years old, Filipino citizen.

**Director**

Re-elected on 28 July 2016 to a one-year term. Director since 1997.

*President*, Phesco, Incorporated, Benter Management & Construction Corporation, Pearl of the Orient Realty & Development Corporation; INAVEIT Systems Technologies, Inc., Pumps Internationale Corporation; *Director*, Super Industrial Corporation.

**FINA BERNADETTE D.C. TANTUICO**, 55 years old, Filipino citizen.

**Corporate Secretary**

Re-elected on 28 July 2016 to a one-year term.

*Legal Counsel and Corporate Secretary*, F & J Prince Holdings Corporation and its subsidiaries and affiliates (2002 up to the present); Magellan Capital Holdings Corporation and its subsidiaries, Magellan Utilities Development Corporation, Pointwest Technologies Corporation, Pointwest Innovations Corporation, Pinamucan Industrial Estates Inc; *Corporate Secretary*, Philippine Telegraph & Telephone Co. (PT&T), Capitol Wireless Inc. (Capwire), Philippine Wireless Inc. (Pocketbell), Republic Telecommunications Company (Retelcom), U.P. Law Alumni Foundation Inc. (UPLAF), *Former Assistant Vice-President and Corporate Secretary*, United Overseas Bank Philippines (2000-2001). Currently *President* of the Philippine Bar Association.

**Term of Office.** The directors of the Registrant were elected during the annual stockholders' meeting held on 28 July 2016. The directors have a one (1) year term of office.

**The Independent Directors.** The independent directors of the Registrant are Robert Y. Ynson and Francis L. Chua.

(2) **SIGNIFICANT EMPLOYEES**

There are no other persons other than the Registrant's executive officers who are expected to make a significant contribution to its business.

(3) **FAMILY RELATIONSHIPS**

Messrs. Robert Y. Cokeng and Francisco Y. Cokeng, Jr. are brothers. They are first cousins of Johnson U. Co. Mary K. Cokeng is the spouse of Robert Y. Cokeng. Mark Ryan K. Cokeng is the son of Robert and Mary Cokeng.

**ITEM 10. EXECUTIVE COMPENSATION**

(1) **GENERAL**

None of the directors and executive officers of the Registrant are paid any compensation as such. Among its officers, only Messrs. Fina Bernadette D.C. Tantuico, Robert Y. Cokeng, Johnson U. Co, and Mark Ryan K. Cokeng are paid professional fees and compensation by the Registrant or its affiliates, MCHC and PIEI, respectively. Directors are not paid any compensation by the Registrant other than a *per diem* of Five Thousand Pesos (₱5,000.00) per attendance of Board Meeting.

(2) SUMMARY COMPENSATION TABLE

Summary Compensation Table  
Annual Compensation

NAME & PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION*
Robert Y. Cokeng, President	2016	-	-	} P9,400,000.00 <sup>1&gt;</sup>
Johnson U. Co, Vice-President-Administration	2016	-	-	
Mark Ryan K. Cokeng, Treasurer	2016	-	-	
Fina Bernadette D.C. Tantuico, Corporate Sec	2016	-	-	
All Other Officers & Directors	2016			

NAME & PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION*
Robert Y. Cokeng, President	2016	-	-	} P9,400,000.00
Johnson U. Co, Vice-President-Administration	2016	-	-	
Mark Ryan K. Cokeng, Treasurer	2016	-	-	
Fina Bernadette D.C. Tantuico, Corporate Sec	2016	-	-	
All Other Officers & Directors	2016			

NAME & PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION*
Robert Y. Cokeng, President	2015	-	-	} P8,900,000.00
Johnson U. Co, Vice-President-Administration	2015	-	-	
Mark Ryan K. Cokeng, Treasurer	2015	-	-	
Fina Bernadette D.C. Tantuico, Corporate Sec	2015	-	-	
All Other Officers & Directors	2015	P370,000.00		

\* The amount given represents the professional fees and compensation paid by the affiliates of Registrant.

\*\*\* Other directors and executive officers of the Registrant are not paid any compensation as such.

(3) COMPENSATION OF DIRECTORS

Directors receive a *per diem* of P5000 *per* attendance at Board Meetings and no other compensation as such. †

(4) EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL ARRANGEMENTS

There are no employment contracts nor any compensatory plan or arrangements with the Executive Officers of the Registrant.

<sup>1></sup> Estimated compensation for the year 2017.

† On 12 February 2002, the SEC approved the Amendment to the Registrant's By-Laws, specifically Article III, Section 6 on Compensation of Directors. The cap of Pesos (P500.00) has been removed. Each director may now receive a reasonable *per diem*, as may be fixed by the Board of Directors, for attendance at board meetings.

\* Pursuant to the Amended By-Laws, the Securities and Exchange Commission approved the Amendment of By-Laws Registrant's Board of Directors,

During a regular meeting held on 28 February 2002 approved and adopted a resolution fixing the *per diem* at P5000 *per* attendance at Board Meetings.

**(5) WARRANTS AND OPTIONS OUTSTANDING: RE-PRICING**

There are no existing warrants outstanding. One detachable Subscription Warrant was issued for each share subscribed under the share offering in 2002. Warrants for 723,727 "A" shares and 71,198 "B" shares were exercised. All the remaining warrants that were not exercised have expired as of May 2008. There are no options or warrants currently outstanding.

**ITEM 11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT**

**(1) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AS OF 31 DECEMBER 2016**

The record or beneficial owners of 5% or more of the outstanding shares of the Registrant are as follows:

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NUMBER OF SHARES HELD	PER-CENTAGE
Common B	Essential Holdings Limited 11/F, Belgian House, 77-79 Gloucester Road, Hongkong	Same as Record Owner  Robert Y. Cokeng Managing Director	Foreign	139,778,670  Record & Beneficial	29.01%
Common A & B	Pinamucan Industrial Estates, Inc. 5 <sup>th</sup> Floor, Citibank Center, 8741 Paseo de Roxas, Makati City	Same as Record Owner  Robert Y. Cokeng Chairman	Filipino	49,809,105  Record & Beneficial	10.34%
Common A	Magellan Capital Holdings Corporation 5 <sup>th</sup> Floor, Citibank Center, 8741 Paseo de Roxas, Makati City	Same as Record Owner  Robert Y. Cokeng President	Filipino	47,844,022  Record & Beneficial	9.93%
Common A	Consolidated Tobacco Industries of the Philippines, Inc. CTIP Compound, Ortigas Avenue Ext., Rosario Pasig City	Same as Record Owner  Robert Y. Cokeng President	Filipino	43,052,023  Record & Beneficial	8.93%

Common A	Vrukti Holdings Corporation 52 Narra Avenue, Forbes Park Makati City	Same as Record Owner  Rufino B. Tiangco President	Filipino	34,633,628  Record & Beneficial	7.19%
-------------	---	---	----------	--	-------

Mr. Robert Y. Cokeng is the controlling stockholder of Essential Holdings Limited (“EHL”). He is also the President and Chairman of the Registrant.

Mr. Robert Y. Cokeng is the Chairman of Pinamucan Industrial Estates, Inc. (“PIEI”). He has been granted voting power over the shares of stock of PIEI by the Board of Directors of PIEI. He is also the President of the Registrant.

Mr. Robert Y. Cokeng has voting power over the shares of stock of Magellan Capital Holdings Corporation (“MCHC”) in the Registrant.

Consolidated Tobacco Industries of the Philippines, Inc. (“CTIP”) is principally owned and controlled by the Cokeng and Co families. Mr. Robert Y. Cokeng has voting power over the shares of stock of CTIP.

Vrukti Holdings Corporation is controlled by Mr. Rufino B. Tiangco, a director of the Registrant. He has the voting power over the shares of Vrukti Holdings Corporation.



## (2) SECURITY OWNERSHIP OF MANAGEMENT

As of 31 December 2016, the Directors, Executive Officers and Nominees of the Corporation are the beneficial owners of the following number of shares:

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF OWNERSHIP
Common A	Robert Y. Cokeng	15,713,072	Filipino	3.26%
Common A	Francisco Y. Cokeng, Jr.	2,160,000	Filipino	0.45%
Common A	Johnson U. Co	1,100,000	Filipino	0.23%
Common A	Emeterio L. Barcelon, SJ	304,952	Filipino	0.06%
Common A	Mark Ryan K. Cokeng	10,000	Filipino	0.002%
Common A	Johnson Tan Gui Yee	15,371,747	Filipino	3.19%
Common A	Mary K. Cokeng	1,000	Filipino	0.0002%
Common A	Johnny O. Cobankiat	7,227,076	Filipino	1.50%
Common A & B	Rufino B. Tiangco	128,000	Filipino	0.03%
Common A & B	Robert Y. Ynson	325,667	Filipino	0.07%
Common A	Francis L. Chua	100,000	Filipino	0.02%
<b>Total</b>		<b>42,441,514</b>		<b>8.81%</b>

TITLE OF CLASS	NAME OF DIRECTOR/EXECUTIVE OFFICER/BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	CITIZENSHIP	PERCENT OF OWNERSHIP
Common A & B	All Directors & Executive Officers	42,441,514	Filipino	8.81%

## (3) VOTING TRUST HOLDERS OF 5% OR MORE OF THE OUTSTANDING SHARES

There are no voting trust holders of 5% or more of the outstanding shares of the Registrant.

## (4) CHANGES IN CONTROL

There are no arrangements that may result in a change in control of the Registrant.

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There were no transactions with any related parties other than normal business transactions such as rental agreements between affiliates on the basis of arms length negotiations. These rental rates are in line with rental rates for similar properties and were negotiated with non-majority owned affiliates where other shareholders provide checks and balances.

There were no transactions with any entities controlled or owned by former managers of the registrant or its subsidiaries and affiliates.

## PART IV. CORPORATE GOVERNANCE

**ITEM 13.** The Annual Corporate Governance Report for the year 2016 will be submitted on or before May 31, 2017.

## PART V – EXHIBITS AND SCHEDULES

### EXHIBITS AND REPORTS ON SEC FORM 17-C

**(1) Exhibits**

EXHIBIT NO.	DOCUMENT
1	Statement of Managements' Responsibility
2	Audited Consolidated Financial Statements as of 31 December 2016 and 2015
3	Breakdown of various accounts Schedules A-H
4	Consolidated Balance Sheet as of December 31, 2016, and December 31, 2015 with vertical percentage analysis
5	Breakdown of Receivables-Others Schedule "I" Breakdown of Accounts Payable and Accrued Expenses- Schedule "2"
6	Organizational Chart of Subsidiaries and Associates

**(2) Reports on SEC Form 17-C**

For the period January to December 2016, the following matters were duly reported to the SEC and PSE under SEC Form 17-C, to wit:

DATE	MATTERS DISCLOSED
12 May 2016	<p><b>OTHER EVENTS (Item 9)</b></p> <p><b><u>Date of Annual Stockholders' Meeting</u></b></p> <p>Please be informed that pursuant to the delegated authority given by the Board of Directors of the Corporation, for the President to set the date of the 2016 Annual Stockholders Meeting, the Annual Stockholders Meeting of F &amp; J PRINCE HOLDINGS CORPORATION will be held on 28 July 2016 (Thursday). We shall accordingly inform the stockholders concerned of this schedule and the details as to time and venue.</p> <p>In this regard, the record date fixed for determining the list of stockholders entitled to vote at said meeting is 3 June 2016. Accordingly, the transfer books of the Corporation will be closed from 6 June 2016 until 10 June 2016 for the purpose of preparing said list.</p>

<p><b>27 June 2016</b></p>	<p><b>ITEM 9. OTHER EVENTS.</b></p> <p>"Magellan Capital Holdings Corporation ("MCHC"), a subsidiary of F &amp; J Prince Holdings Corporation filed today a civil complaint (Civil Case No. C-066) against certain individuals, the Taguig Register of Deeds, the Securities and Exchange Commission, Bureau of Internal Revenue, Taguig District to prevent the use of falsified documents including fake Deed of Sale and suspected fake title to transfer to MCHC's property in Fort Bonifacio." This is in relation to the ongoing attempt by certain individuals to cause the transfer of title over MCHC's 985 square meter lot at Bonifacio Global City ("BGC") in their favor using falsified and spurious documents."</p>
<p><b>28 July 2016</b></p>	<p><b>ITEM 9. OTHER EVENTS.</b></p> <p><b><u>Annual Stockholders' Meeting</u></b></p> <p><b>Election of Directors and Officers (Item 4)</b></p> <p>During the Annual Meeting of the Stockholders of the Corporation held on 28 July 2016, the following persons were elected as the new members of the Board of Directors of the Corporation, to wit:</p> <p style="text-align: center;">(in alphabetical order)</p> <p style="text-align: center;">Emeterio L. Barcelon, S.J.  Francis L. Chua  Johnson U. Co  Johnny O. Cobankiat  Francisco Y. Cokeng, Jr.  Mark Ryan K. Cokeng  Mary K. Cokeng  Robert Y. Cokeng  Johnson Tan Gui Yee  Rufino B. Tiangco  Robert Y. Ynson</p> <p>The independent directors of the Corporation are Francis L. Chua and Robert Y. Ynson.</p>

**28 July 2016**

Thereafter, at the Organizational Meeting of the newly elected directors, held immediately after the Annual Stockholders' Meeting, the following persons were elected to the positions indicated opposite their respective names:

ROBERT Y. COKENG - Chairman & President  
FRANCISCO Y. COKENG, JR. - Vice-Chairman  
EMETERIO L. BARCELON, S.J. - Senior Vice-President  
JOHNSON U. CO - Vice-President for Administration  
MARK RYAN K. COKENG - Treasurer  
FINA BERNADETTE  
D.C. TANTUICO - Corporate Secretary

The members of the different committees were elected as follows:

**Audit Committee:**

Francis L. Chua - Chairman/Independent Director  
Robert Y. Cokeng  
Johnson U. Co  
Johnson Tan Gui Yee  
Rufino B. Tiangco

**Nomination Committee:**

Robert Y. Cokeng - Chairman  
Johnson U. Co  
Johnson Tan Gui Yee  
Rufino B. Tiangco  
Robert Y. Ynson - Independent Director

**Compensation Committee:**

Robert Y. Cokeng - Chairman  
Johnson U. Co  
Johnson Tan Gui Yee  
Rufino B. Tiangco  
Francis L. Chua - Independent Director

<p><b>28 July 2016</b></p>	<p>At the meeting which followed, the Board approved and adopted a resolution declaring cash dividends as follows:</p> <p>“Resolved, that there is hereby declared out of the Corporation’s unrestricted retained earnings a cash dividend of a total of Twenty Centavos (₱0.20) per share, payable as follows:</p> <ul style="list-style-type: none"> <li>(i) <b>Ten Centavos (₱0.10) per share</b>, to stockholders of record as of <b>22 August 2016</b> (the “Record Date”), payable on or before <b>16 September 2016</b>; and</li> <li>(ii) <b>Ten Centavos (₱0.10) per share</b>, to stockholders of record as of <b>21 September 2016</b> (the “Record Date”), payable on or before <b>17 October 2016</b>.</li> </ul>
<p><b>28 July 2016</b></p>	<p><b><u>OTHER EVENTS (Item 9)</u></b></p> <p>The Annual Stockholders’ Meeting of the Corporation was held as scheduled on 28 July 2016 at the Function Room 7, Top of the Citi, 34<sup>th</sup> Floor, Citibank Tower, 8741 Paseo de Roxas, Makati City. During said meeting, where the stockholders owning at least a majority of the outstanding capital stock of the Corporation were present and/or represented, the following matters were approved by unanimous affirmative vote:</p> <ul style="list-style-type: none"> <li>(i) the Minutes of the Annual Meeting of Stockholders held on 28 July 2015;</li> <li>(ii) ratification of the corporate actions approved and adopted by the Board of Directors during the year 2015;</li> <li>(iii) the Audited Financial Statements as of 31 December 2015;</li> <li>(iv) re-appointment of Sycip Gorres Velayo &amp; Co. as external auditor of the Corporation.</li> </ul>


## SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 28, 2017.

*F & I Prince Holdings Corporation*  
Issuer

Pursuant to Section 17 of the Code, this Annual Report has been signed by the following persons in the capacities and on the dates indicated.

By:

  
**ROBERT Y. COKENG**  
Chairman/Principal Executive Officer/  
Principal Operating Officer

  
**MARK RYAN K. COKENG**  
Principal Financial Officer/  
Comptroller

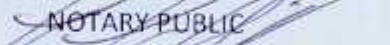
  
**(ATTY.) FINA BERNADETTE D.C. TANTUICO**  
Corporate Secretary

**APR 27, 2017**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2017,  
affiants exhibiting to me their Community Tax Certificates, as follows:

NAMES	COMMUNITY TAX CERTIFICATE NO.	DATE OF ISSUE	PLACE OF ISSUE
Robert Y. Cokeng	25032098	January 18, 2017	Makati City
Mark Ryan K. Cokeng	25032097	January 18, 2017	Makati City
Fina Bernadette D.C. Tantuico	Integrated Bar of the Philippines (IBP) Lifetime Membership ID#00463 with Toll of Attorney No. 35636 issued by IBP		

Doc. No. 492 ;  
Page No. 100 ;  
Book No. III ;  
Series of 2017.

  
**NOTARY PUBLIC**  
**ATTY. THOMAS J. DE CASTRO**  
Notary Public for Makati City  
Appt. No. M-159 until December 31, 2018  
7th Floor Citibank Center Pasco de Roxas Makati City  
IBP No. 1057289, 1/5/2017 Makati Chapter  
PTR No. 5913949, 1/5/2017 Makati City  
Roll No. 57668  
MCLE Compliance No. V-0019855 valid 04/15/16 to 04/14/2017

STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

The management of **F& J Prince Holdings Corporation and its subsidiaries** is responsible for the preparation and fair presentation of the financial statements including the statements attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signed under oath by the following:

  
**Robert Y. Cokeng**  
President/ CEO/ Chairman

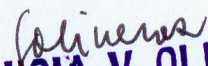
  
**Mark Ryan K. Cokeng**  
Treasurer/Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 18 2017, 2017, affiants exhibiting to me their Community Tax Certificates, as follows:

<u>Names</u>	<u>Community Tax Cert. No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Robert Y. Cokeng	25032098	18 January, 2017	Makati City
Mark Ryan K. Cokeng	25032097	18 January, 2017	Makati City

NOTARY PUBLIC

Doc.No. 314 ;  
Page No. 63 ;  
Book No. XIX ;  
Series of 2017

  
**ATTY. LUCIA V. OLIVEROS**  
NOTARY PUBLIC/UNTIL DEC. 31, 2017  
IBP NO: 105606 / JAN.-4-2017  
PTR NO: 5995360 / JAN.-3-2017  
ROLL NO: 41287  
MCLE NO: V-0017455 / 4-4-2016  
COMMISSION NO.: 2016-143



**AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS**

**As of**

**December 31, 2016 and  
December 31, 2015**

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

0	0	0	0	0	4	3	3	7	0
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**COMPANY NAME**

F	&	J	P	R	I	N	C	E	H	O	L	D	I	N	G	S	C	O	R	P	O	R	A	T	
I	O	N	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S								

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

5	T	H	F	L	O	O	R	,	C	I	T	I	B	A	N	K	C	E	N	T	E	R	8	7	4
1	P	A	S	E	O	D	E	R	O	X	A	S	,	M	A	K	A	T	I	C	I	T	Y		

Form Type

A	C	F	S
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Department requiring the report

C	F	D
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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address <div style="border: 1px solid black; padding: 2px; text-align: center;"><b>fiphco@gmail.com</b></div>	Company's Telephone Number <div style="border: 1px solid black; padding: 2px; text-align: center;"><b>892-7133 / 892-7137</b></div>	Mobile Number <div style="border: 1px solid black; padding: 2px; text-align: center;"><b>NONE</b></div>
No. of Stockholders <div style="border: 1px solid black; padding: 2px; text-align: center;"><b>483</b></div>	Annual Meeting (Month / Day) <div style="border: 1px solid black; padding: 2px; text-align: center;"><b>July 28</b></div>	Fiscal Year (Month / Day) <div style="border: 1px solid black; padding: 2px; text-align: center;"><b>December 31</b></div>

**CONTACT PERSON INFORMATION**

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

Name of Contact Person <div style="border: 1px solid black; padding: 2px;"><b>Atty. Fina C. Tantuico</b></div>	Email Address <div style="border: 1px solid black; padding: 2px; text-align: center;"><b>fct.law@gmail.com</b></div>	Telephone Number/s <div style="border: 1px solid black; padding: 2px; text-align: center;"><b>633-2107</b></div>	Mobile Number <div style="border: 1px solid black; padding: 2px; text-align: center;"><b>09178920786</b></div>
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**CONTACT PERSON'S ADDRESS**

**5<sup>th</sup> Floor Citibank Center, 8741 Paseo de Roxas, Makati City**

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

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



## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and the Stockholders  
F & J Prince Holdings Corporation and Subsidiaries  
5th Floor, Citibank Center Building  
8741 Paseo de Roxas corner Villar Street  
Salcedo Village, Makati City

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of F & J Prince Holdings Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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



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

### ***Accounting for Investments in Associates***

The Group owns 35% and 30% in Business Process Outsourcing International (BPO) and Pointwest Technologies Corporation (PTC), respectively. These investments in associates are accounted for under the equity method, and are reviewed if there are indicators of impairment. The accounting for these investments is significant to our audit because of the substantial amount of the Group's investment in and equity in net earnings of associates. As of December 31, 2016, the investments in associates amounted to ₱295.1 million, and the Group's equity in net earnings of associates for the year then ended amounted to ₱72.9 million. Refer to Note 8 for the discussion on the Investments in Associates.

### ***Audit Response***

We obtained an understanding of the Group's process in recognizing the equity in net earnings of its associates, including the understanding of the associates' business transactions. We recalculated the Group's equity in net earnings of associates based on the associates' audited financial statements. In addition, our audit procedures included, among others, coordinating and instructing the statutory auditors of the associates to perform an audit on the relevant financial information of BPO and PTC for the purpose of the Group's consolidated financial statements. During the year, we discussed the risk assessment, audit strategy of the statutory auditors, as well as any significant developments in the associates. We further evaluated management's considerations regarding the impairment indicators of the investments in associates by reviewing the associates' results of operations as well as the associates' ability to declare dividends.

### **Other Information**

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

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

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



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

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

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

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

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

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

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is  
Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 5908703, January 3, 2017, Makati City

April 11, 2017



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱954,570,050	₱965,633,140
Financial assets at fair value through profit or loss (FVPL) [Note 6]	83,025,754	62,352,318
Receivables (Note 7)	8,216,827	8,397,430
Due from related parties (Note 18)	21,444,995	23,513,795
Current portion of available for sale (AFS) financial assets (Note 9)	66,753,263	4,902,099
Prepayments and other current assets	15,529,159	27,097,708
<b>Total Current Assets</b>	<b>1,149,540,048</b>	<b>1,091,896,490</b>
<b>Noncurrent Assets</b>		
AFS financial assets - net of current portion (Note 9)	335,121,729	401,236,077
Investments in associates (Note 8)	295,148,551	202,417,747
Property and equipment (Note 11)	10,467,538	12,027,977
Investment properties (Note 12)	158,547,912	132,430,015
Other noncurrent assets (Note 13)	24,927,486	32,426,972
<b>Total Noncurrent Assets</b>	<b>824,213,216</b>	<b>780,538,788</b>
<b>TOTAL ASSETS</b>	<b>₱1,973,753,264</b>	<b>₱1,872,435,278</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 14)	₱4,683,468	₱3,955,401
Dividends payable (Note 17)	6,006,566	3,418,416
Income tax payable	5,402,348	3,191,511
Provision for legal obligation (Note 21)	5,000,000	5,000,000
<b>Total Current Liabilities</b>	<b>21,092,382</b>	<b>15,565,328</b>
<b>Noncurrent Liability</b>		
Retirement benefit obligation (Note 15)	11,305,731	10,918,293
Deferred income tax liability (Note 16)	2,736,531	6,296,804
<b>Total Noncurrent Liabilities</b>	<b>14,042,262</b>	<b>17,215,097</b>
<b>Total Liabilities</b>	<b>35,134,644</b>	<b>32,780,425</b>
<b>Equity</b>		
Common stock (Note 17)	481,827,653	481,827,653
Additional paid-in capital	144,759,977	144,759,977
Treasury shares (Note 17)	(99,669,477)	(99,669,477)
Net unrealized valuation gains on AFS financial assets (Note 9)	18,686,502	19,321,108
Actuarial losses on retirement benefit obligation (Note 15)	(1,152,586)	(2,412,162)
Accumulated share in other comprehensive income of associates (Note 8)	24,861,485	(15,961,151)
Retained earnings (Note 17)	1,296,094,095	1,238,994,327
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>1,865,407,649</b>	<b>1,766,860,275</b>
<b>Noncontrolling Interests</b>	<b>73,210,971</b>	<b>72,794,578</b>
<b>Total Equity</b>	<b>1,938,618,620</b>	<b>1,839,654,853</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,973,753,264</b>	<b>₱1,872,435,278</b>

*See accompanying Notes to Consolidated Financial Statements.*



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>REVENUES AND INCOME</b>			
Equity in net earnings of associates (Note 8)	<b>₱72,929,014</b>	₱105,413,232	₱72,551,106
Interest income (Notes 5, 9 and 10)	<b>40,141,896</b>	39,171,045	37,719,971
Net foreign exchange gains	<b>32,814,059</b>	22,825,228	–
Rent income (Notes 12 and 21)	<b>14,028,672</b>	12,796,615	4,505,021
Fair value gains on financial assets at FVPL (Note 6)	<b>9,980,598</b>	–	–
Gains on disposal of:			
AFS financial assets (Note 9)	<b>4,292,090</b>	908,071	–
Financial assets at FVPL (Note 6)	<b>1,087,050</b>	617,848	–
HTM investments (Note 10)	–	–	235,949
Dividend income (Notes 6 and 9)	<b>1,906,263</b>	1,538,110	2,290,430
Others	<b>88,257</b>	180,027	564,518
	<b>177,267,899</b>	183,450,176	117,866,995
<b>EXPENSES</b>			
Personnel expenses:			
Salaries and wages	<b>10,301,024</b>	9,790,664	9,819,912
Retirement benefits (Note 15)	<b>1,269,716</b>	1,157,197	1,103,105
Other employee benefits	<b>2,112,027</b>	1,776,010	1,807,045
Depreciation (Notes 11 and 12)	<b>6,088,819</b>	6,108,081	3,549,572
Professional fees	<b>2,999,718</b>	2,886,197	2,976,152
Impairment losses on:			
Receivables and due from related parties (Notes 7 and 18)	<b>2,561,277</b>	–	–
AFS financial assets recognized in profit or loss (Note 9)	–	2,127,676	–
Condominium dues	<b>2,047,261</b>	1,788,619	2,241,724
Taxes and licenses	<b>1,854,803</b>	663,274	681,952
Utilities	<b>1,037,873</b>	397,636	454,720
Entertainment, amusement and recreation	<b>548,628</b>	603,277	597,417
Bank charges	<b>500,059</b>	557,812	291,315
Fair value losses on financial assets at FVPL (Note 6)	–	5,996,071	5,534,800
Loss on bank foreclosure (Note 7)	–	407,475	–
Net foreign exchange loss	–	–	2,837,688
Loss on disposal of AFS financial assets (Note 9)	–	–	1,110,399
Others	<b>1,852,763</b>	1,012,557	990,414
	<b>33,173,968</b>	35,272,546	33,996,215
<b>INCOME BEFORE INCOME TAX</b>	<b>144,093,931</b>	148,177,630	83,870,780
<b>PROVISION FOR INCOME TAX</b> (Note 16)			
Current	<b>10,200,945</b>	6,904,318	5,116,409
Deferred	<b>(2,629,581)</b>	1,632,010	–
	<b>7,571,364</b>	8,536,328	5,116,409
<b>NET INCOME</b>	<b>₱136,522,567</b>	₱139,641,302	₱78,754,371
<b>NET INCOME ATTRIBUTABLE TO</b>			
Equity holders of the parent	<b>₱133,940,563</b>	₱138,463,644	₱77,290,274
Noncontrolling interests	<b>2,582,004</b>	1,177,658	1,464,097
	<b>₱136,522,567</b>	₱139,641,302	₱78,754,371
<b>Basic/Diluted Earnings Per Share for Net Income</b>			
<b>Attributable to Equity Holders of the Parent</b>			
<b>Company</b> (Note 19)	<b>₱0.35</b>	₱0.36	₱0.20

See accompanying Notes to Consolidated Financial Statements.





**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>NET INCOME</b>	<b>₱136,522,567</b>	₱139,641,302	₱78,754,371
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will be reclassified to profit or loss:</i>			
Net unrealized valuation gains on AFS financial assets, net of tax effect (Notes 9 and 16)	1,223,233	8,963,303	29,980,275
Share in other comprehensive income (loss) of associates (Note 8)	12,002,164	8,625,647	(3,521,154)
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gains (losses) on retirement benefit obligation, net of tax effect (Notes 15 and 16)	1,323,799	(39,704)	(433,821)
Share in other comprehensive income (loss) of associates (Note 8)	28,820,472	2,123,043	(10,017,146)
	<b>43,369,668</b>	19,672,289	16,008,154
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱179,892,235</b>	₱159,313,591	₱94,762,525
<b>TOTAL COMPREHENSIVE INCOME</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the parent	₱175,388,169	₱155,907,586	₱91,759,075
Noncontrolling interests	4,504,066	3,406,005	3,003,450
	<b>₱179,892,235</b>	₱159,313,591	₱94,762,525

*See accompanying Notes to Consolidated Financial Statements.*



## F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 17)	Additional Paid-in Capital	Treasury Shares (Note 17)	Net Unrealized Valuation Gains (Losses) on AFS Financial Assets (Notes 9)	Actuarial Losses on Retirement Benefit Obligation (Note 15)	Share in Other Comprehensive Income of Associates (Note 8)	Retained Earnings (Note 17)	Total	Noncontrolling Interests	Total Equity
Balances at January 1, 2014	₱481,827,653	₱144,759,977	(₱98,942,697)	(₱15,891,249)	(₱1,902,158)	(₱13,171,541)	₱1,177,181,819	₱1,673,861,804	₱70,783,243	₱1,744,645,047
Net income for the year	-	-	-	-	-	-	77,290,274	77,290,274	1,464,097	78,754,371
<i>Other comprehensive income</i>										
Net unrealized valuation gains on changes in fair value of AFS financial assets (Note 9)	-	-	-	28,481,261	-	-	-	28,481,261	1,499,014	29,980,275
Actuarial loss on retirement benefit obligation (Note 15)	-	-	-	-	(474,160)	-	-	(474,160)	40,339	(433,821)
Share in other comprehensive income of associates (Note 8)	-	-	-	-	-	(13,538,300)	-	(13,538,300)	-	(13,538,300)
Total comprehensive income for the year	-	-	-	28,481,261	(474,160)	(13,538,300)	77,290,274	91,759,075	3,003,450	94,762,525
Dividends declared - ₱0.20 per share (Note 17)	-	-	-	-	-	-	(76,945,152)	(76,945,152)	-	(76,945,152)
Dividends declared by the subsidiary to noncontrolling interests	-	-	-	-	-	-	-	-	(4,398,120)	(4,398,120)
Balances at December 31, 2014	₱481,827,653	₱144,759,977	(₱98,942,697)	₱12,590,012	(₱2,376,318)	(₱26,709,841)	₱1,177,526,941	₱1,688,675,727	₱69,388,573	₱1,758,064,300

(Forward)



	Attributable to Equity Holders of the Parent Company									
	Common Stock (Note 17)	Additional Paid-in Capital	Treasury Shares (Note 17)	Net Unrealized Valuation Gains on AFS Financial Assets (Note 9)	Actuarial Losses on Retirement Benefit Obligation (Note 15)	Share in Other Comprehensive Income of Associates (Note 8)	Retained Earnings (Note 17)	Total	Noncontrolling Interests	Total Equity
Balances at January 1, 2015	₱481,827,653	₱144,759,977	(₱98,942,697)	₱12,590,012	(₱2,376,318)	(₱26,709,841)	₱1,177,526,941	₱1,688,675,727	₱69,388,573	₱1,758,064,300
Net income for the year	-	-	-	-	-	-	138,463,644	138,463,644	1,177,658	139,641,302
<i>Other comprehensive income</i>										
Net unrealized valuation gains on changes in fair value of AFS financial assets (Note 9)	-	-	-	6,731,096	-	-	-	6,731,096	2,232,207	8,963,303
Actuarial loss on retirement benefit obligation (Note 15)	-	-	-	-	(35,844)	-	-	(35,844)	(3,860)	(39,704)
Share in other comprehensive income of associates (Note 8)	-	-	-	-	-	10,748,690	-	10,748,690	-	10,748,690
Total comprehensive income for the year	-	-	-	6,731,096	(35,844)	10,748,690	138,463,644	155,907,586	3,406,005	159,313,591
Dividends declared - ₱0.20 per share (Note 17)	-	-	-	-	-	-	(76,996,258)	(76,996,258)	-	(76,996,258)
Acquisition of treasury shares (Note 17)	-	-	(726,780)	-	-	-	-	(726,780)	-	(726,780)
Balances at December 31, 2015	₱481,827,653	₱144,759,977	(₱99,669,477)	₱19,321,108	(₱2,412,162)	(₱15,961,151)	₱1,238,994,327	₱1,766,860,275	₱72,794,578	₱1,839,654,853

(Forward)



Attributable to Equity Holders of the Parent Company

	Common Stock (Note 17)	Additional Paid-in Capital	Treasury Shares (Note 17)	Net Unrealized Valuation Gains on AFS Financial Assets (Note 9)	Actuarial Losses on Retirement Benefit Obligation (Note 15)	Share in Other Comprehensive Income of Associates (Note 8)	Retained Earnings (Note 17)	Total	Noncontrolling Interests	Total Equity
<b>Balances at January 1, 2016</b>	<b>₱481,827,653</b>	<b>₱144,759,977</b>	<b>(₱99,669,477)</b>	<b>₱19,321,108</b>	<b>(₱2,412,162)</b>	<b>(₱15,961,151)</b>	<b>₱1,238,994,327</b>	<b>₱1,766,860,275</b>	<b>₱72,794,578</b>	<b>₱1,839,654,853</b>
Net income for the year	-	-	-	-	-	-	133,940,563	133,940,563	2,582,004	136,522,567
<i>Other comprehensive income</i>										
Net unrealized valuation gains on changes in fair value of AFS financial assets (Note 9)	-	-	-	(634,606)	-	-	-	(634,606)	1,857,839	1,223,233
Actuarial gain on retirement benefit obligation (Note 15)	-	-	-	-	1,259,576	-	-	1,259,576	64,223	1,323,799
Share in other comprehensive income of associates (Note 8)	-	-	-	-	-	40,822,636	-	40,822,636	-	40,822,636
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(634,606)</b>	<b>1,259,576</b>	<b>40,822,636</b>	<b>133,940,563</b>	<b>175,388,169</b>	<b>4,504,066</b>	<b>179,892,235</b>
Dividends declared - ₱0.20 per share (Note 17)	-	-	-	-	-	-	(76,840,795)	(76,840,795)	-	(76,840,795)
Dividends declared by the subsidiary to noncontrolling interests	-	-	-	-	-	-	-	-	(4,087,673)	(4,087,673)
<b>Balances at December 31, 2016</b>	<b>₱481,827,653</b>	<b>₱144,759,977</b>	<b>(₱99,669,477)</b>	<b>₱18,686,502</b>	<b>(₱1,152,586)</b>	<b>₱24,861,485</b>	<b>₱1,296,094,095</b>	<b>₱1,865,407,649</b>	<b>₱73,210,971</b>	<b>₱1,938,618,620</b>

See accompanying Notes to Consolidated Financial Statements



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱144,093,931</b>	₱148,177,630	₱83,870,780
Adjustments for:			
Equity in net earnings of associates (Note 8)	<b>(72,929,014)</b>	(105,413,232)	(72,551,106)
Interest income (Notes 5, 9 and 10)	<b>(40,141,896)</b>	(39,171,045)	(37,719,971)
Net unrealized foreign exchange gains	<b>(28,279,422)</b>	(23,362,015)	(1,870,226)
Fair value losses (gains) on financial assets at FVPL (Note 6)	<b>(9,980,598)</b>	5,996,071	5,534,800
Losses (gains) on disposal of:			
AFS financial assets (Note 9)	<b>(4,292,090)</b>	(908,071)	1,110,399
Financial assets at FVPL (Note 6)	<b>(1,087,050)</b>	(617,848)	-
HTM investments (Note 10)	-	-	(235,949)
Dividend income (Notes 6 and 9)	<b>(1,906,263)</b>	(1,538,110)	(2,290,430)
Depreciation (Notes 11 and 12)	<b>6,088,819</b>	6,108,081	3,549,572
Impairment losses on:		2,127,676	-
Receivables and due from related parties (Notes 7 and 18)	<b>2,561,277</b>	-	-
AFS financial assets (Note 9)	-	2,127,676	-
Loss on bank foreclosure (Note 7)	-	407,475	-
Operating losses before working capital changes	<b>(5,872,306)</b>	(8,193,388)	(20,602,131)
Decrease (increase) in:			
Receivables	<b>225,944</b>	(348,908)	837,680
Due from related parties	<b>(558,563)</b>	(36,237)	(21,250)
Prepayments and other current assets	<b>11,568,549</b>	(10,454,054)	(8,006,752)
Increase (decrease) in:			
Accounts payable and accrued expenses	<b>728,067</b>	(1,965,051)	425,372
Retirement benefit obligation (Note 15)	<b>1,269,716</b>	1,157,197	1,103,105
Proceeds from disposal of:			
Financial assets at FVPL (Note 6)	<b>4,703,538</b>	2,497,848	-
AFS financial assets (Note 9)	<b>91,635,132</b>	65,265,170	55,736,008
HTM investments	-	-	17,992,000
Additions to:			
Financial assets at FVPL (Note 6)	<b>(14,309,326)</b>	(4,623,460)	(8,831,978)
AFS financial assets (Note 9)	<b>(70,379,312)</b>	(84,646,959)	(67,457,497)
Net cash from (used) in operations	<b>19,011,439</b>	(41,347,842)	(28,825,443)
Dividends received	<b>23,005,186</b>	102,299,153	60,915,292
Interest received	<b>41,152,604</b>	35,856,108	40,819,972
Income taxes paid	<b>(7,990,108)</b>	(5,866,059)	(8,500,365)
Net cash flows from operating activities	<b>75,179,121</b>	90,941,360	64,409,456
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Increase in other noncurrent assets (Note 25)	<b>(23,075,362)</b>	(6,370,629)	(735,479)
Additions to:			
Property and equipment (Note 11)	<b>(71,429)</b>	(12,588)	(643,190)
Investments in associates (Note 8)	-	(5,625,000)	(1,875,000)
Investment properties (Notes 12 and 25)	-	(4,790,340)	(60,038,929)
Net cash flows used in investing activities	<b>(23,146,791)</b>	(16,798,557)	(63,292,598)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Dividends paid (Note 17)	(₱74,252,645)	(₱76,102,364)	(₱76,029,118)
Dividends to noncontrolling interest	(4,087,673)	-	(4,398,120)
Acquisition of treasury shares (Note 17)	-	(726,780)	-
Cash flows used in financing activities	<b>(78,340,318)</b>	(76,829,144)	(80,427,238)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	<b>15,244,898</b>	21,477,724	1,377,694
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	<b>(11,063,090)</b>	18,791,383	(77,932,686)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	<b>965,633,140</b>	946,841,757	1,024,774,443
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>			
	<b>₱954,570,050</b>	₱965,633,140	₱946,841,757

*See accompanying Notes to Consolidated Financial Statements.*



# **F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

F & J Prince Holdings Corporation (the Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 18, 1971. Its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including, but not limited to, land, building, condominium units, shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities, contracts or obligations of any corporation and associations, domestic or foreign. The Parent Company's shares of stock are listed in and traded through the Philippine Stock Exchange (PSE). The principal activities of its subsidiaries are described in Note 2.

The registered office address of the Parent Company is 5th Floor, Citibank Center Building, 8741 Paseo de Roxas corner Villar Street, Salcedo Village, Makati City.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group") as of December 31, 2016, 2015 and 2014 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the Board of Directors (BOD) on April 11, 2017.

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### **2. Basis of Preparation, Statement of Compliance and Basis of Consolidation**

#### Basis of Preparation

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

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and certain available for sale (AFS) financial assets that have been measured at fair value (see Notes 6 and 9). The consolidated financial statements are presented in Philippine peso (₱), which is the Group's functional currency, and rounded off to the nearest peso, except when otherwise indicated.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2016 and 2015. Control is achieved when the Group has power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee), is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the noncontrolling interests, even if this results in



the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, noncontrolling interest and other components while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Transactions involving noncontrolling interest in a subsidiary without a change of control are accounted for as equity transactions. Any excess or deficit of consideration paid over the carrying amount of noncontrolling interest acquired is recognized in equity of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, including intercompany profits and losses, are eliminated.

Details on the subsidiaries as of December 31, 2016 and 2015 are as follows:

	Country of Incorporation	Percentage of Ownership
Magellan Capital Holdings Corporation (MCHC)*	Philippines	94.37%
Pinamucan Industrial Estates, Inc. (PIEI)	Philippines	100%
Malabrigo Corporation (MC)	Philippines	100%
Magellan Capital Realty Development Corporation (MCRDC)**	Philippines	100%
Magellan Capital Trading Corporation (MCTC)**	Philippines	100%

\*Intermediate Parent Company

\*\*Nonoperational since incorporation.

#### *MCHC*

MCHC is a holding company involved in investing real and personal properties of every kind, including, but not limited to, land, buildings, condominium units, shares of stock, bonds, and other securities of any corporation or association, domestic or foreign. MCHC was registered with SEC on November 6, 1990. MCHC has investments in subsidiaries mainly PIEI, MC, MCRDC and MCTC.

#### *PIEI*

PIEI was organized primarily as a real estate developer and was registered with the SEC on May 5, 1993.

#### *MC*

MC was organized primarily to purchase, operate, maintain and sell coal mines and their products and by-products. MC was registered with the SEC on August 31, 1993.

#### *MCRDC*

MCRDC was organized to purchase, subscribe for, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities, contracts and obligations of any





corporation or corporations, domestic or foreign. MCRDC was registered with the SEC on November 14, 1990 and has been nonoperational since incorporation.

#### *MCTC*

MCTC was organized to conduct and carry on the business of buying, selling, distributing and marketing at wholesale and retail all kinds of goods, commodities, wares and merchandise. MCTC was registered in the SEC on January 7, 1991 and has been nonoperational since incorporation.

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### 3. Summary of Significant Accounting Policies

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following standards as at January 1, 2016:

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

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

These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint venture.

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

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

These amendments do not have any impact to the Group as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral



account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

This new standard is not applicable to the Group as it is not subject to rate-regulation.

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*  
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:
  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any impact to the Group as there were no additional disclosures made in order to be compliant with these amendments.

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

These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate its property and equipment.

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

The amendments do not have any impact to the Group since the Group does not have any bearer plants.



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

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

This amendment has no impact to the Group since the Group opted to use cost method to account for investments in a subsidiary and associates in their separate financial statements.

*Improvements to PFRSs (2012 - 2014 Cycle)*

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

The amendment clarifies that changing from one of these disposal methods (either through sale or distribution to owners) to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5.

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

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively.

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

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

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

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

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

The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms and at the same time as the interim financial statements.

The Group has not early adopted any other standards, interpretations or amendments that has been issued but is not yet effective.



#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is classified as current when it is:

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

All other assets are classified as noncurrent.

A liability is classified as current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent.

#### Fair Value Measurement

Fair value is the estimated 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 by the Group.

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

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

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



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

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

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

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

#### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial Assets*

Financial assets are classified, at initial recognition, as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### *a. Financial Assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as fair value gains or losses on financial asset at FVPL in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVPL. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset that would otherwise be required or a reclassification of a financial asset out of FVPL.



The Group's investments in trading securities are classified under financial assets at FVPL as of December 31, 2016 and 2015 (see Note 6).

*b. Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR. The effective interest amortization is included as interest income in profit or loss. The losses arising from impairment are recognized in profit or loss.

The Group's cash and cash equivalents, short-term investments included under "Prepayments and other current assets" account, receivables and due from related parties are classified as loans and receivables as of December 31, 2016 and 2015 (see Notes 5, 7, and 18).

*c. HTM Investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM investments when the Group has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effective interest amortization is included as interest income in profit or loss. The losses arising from impairment are recognized in profit or loss as impairment loss on HTM investments.

As of December 31, 2016 and 2015, the Group has no HTM investments (see Note 10).

*d. AFS Financial Assets*

AFS financial assets include equity investments and debt investments. Equity investments classified as AFS financial assets are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that maybe sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss. When the investment is determined to be impaired, the cumulative loss in OCI is reclassified to profit or loss as impairment loss on AFS financial assets. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

Equity securities classified as AFS financial assets that do not have quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.



In the case financial asset with a fixed maturity, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in OCI is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in OCI is reclassified to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall remain in OCI until the financial asset is sold or otherwise disposed of, when it shall be recognized in profit or loss. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is recognized in profit or loss.

The Group's AFS financial assets consist of debt and equity securities as of December 31, 2016 and 2015 (see Note 9).

#### *Derecognition of 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; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

#### *Impairment of Financial Assets*

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *a. Financial Assets Carried at Amortized Cost*

For assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial



assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an 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 them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income recognized continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to reversal of impairment loss in profit or loss.

*b. AFS Financial Assets*

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS financial assets, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income is recognized as part of profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be





objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

#### *Financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in case of other financial liabilities, net of directly attributable transaction costs.

As of December 31, 2016 and 2015, the Group does not have financial liabilities designed at FVPL or as derivatives designated as hedging instruments in an effective hedge.

Issued financial instruments or their components, which are not designated as at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group 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 effective interest amortization is included as interest expense in profit or loss. This accounting policy applies primarily to accounts payable and accrued expenses and dividends payable (other than liabilities covered by other accounting standards, such as income tax payable) [see Note 14].

#### *Derecognition of Financial liabilities*

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

#### *Offsetting Financial Instruments*

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

#### Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash with banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.



Input Value-added Taxes (VAT)

Input VAT, included in “Prepayments and other current assets” represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is stated at its estimated net realizable value (NRV).

Creditable Withholding Taxes (CWTs)

CWTs, included in “Prepayments and other current assets”, are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Investment in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group’s investment in an associate is accounted for under the equity method.

Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The Group’s share of the results of operations of the associate is reflected in profit or loss. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. If the Group’s share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognizing its share of further losses.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognize the loss in profit or loss.

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



The Group has equity interest in the following associates as of December 31, 2016 and 2015:

	Country of Incorporation	Percentage of Ownership
Magellan Utilities Development Corporation (MUDC)	Philippines	43
Business Process Outsourcing, International (BPO)	Philippines	35
Pointwest Technologies Corporation (PTC)	Philippines	30

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment, including cost of major inspection, when that cost is incurred and if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

Category	Number of Years
Condominium	25
Condominium improvements	10
Transportation equipment	10
Office furniture, fixtures and equipment	5

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 difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The residual value and useful lives of property and equipment are reviewed periodically and adjusted prospectively, if appropriate.

Investment Properties

Investment properties, comprising a parcel of land and condominium units, is held either to earn rental income or for capital appreciation or both. Investment property pertaining to land is measured at cost, including transaction costs less any accumulated impairment in value.

Investment property pertaining to condominium is carried at cost less any accumulated depreciation and any impairment in value. Depreciation is computed using straight line method over the estimated useful life of 25 years.

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

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



#### Impairment of Nonfinancial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset maybe impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognized in profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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.

#### Common Stock and Additional Paid-in Capital

The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

Amount of contribution in excess of par value is accounted for as an additional paid-in capital. Additional paid-in capital also arises from additional capital contribution from the shareholders.

#### Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium.

#### Retained Earnings

The amount included in retained earnings includes income attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's BOD. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the relevant transitional provisions.



### Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when 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 Group has concluded that it is acting as principal in substantially all its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

#### *Interest Income*

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS financial assets, interest income is recorded using the effective interest method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is recognized in profit or loss.

#### *Dividend Income*

Revenue is recognized when the Group's right to receive payment is established, which is generally when the investee's BOD approve the dividend.

#### *Rental Income*

Rental income arising from operating lease on investment properties is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on a straight-line basis. Contingent rents are recognized as revenue in the period in which they are earned.

### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when goods are received by and services are rendered to the Group or when the expenses arise.

### Retirement Benefits

The Group operates a defined benefit plan in the Philippines. These benefits are unfunded.

The cost of providing benefits under defined benefit plan is determined using the projected unit credit method.

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

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs



Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under “Retirement benefits” in profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

#### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if the right is not explicitly specified in an arrangement. Leases in which risks and rewards of ownership of the asset are not substantially transferred to/from the Group are classified as operating lease.

#### Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Parent Company and its subsidiaries’ functional currency. Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated functional currency spot rates of exchange at the reporting date. Differences arising on settlement on translation of monetary items are recognized in profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values are determined. The gain or loss arising on translation of nonmonetary items measured at fair values is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

#### Income Taxes

##### *Current Income Tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

##### *Deferred income tax*

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits in the form of minimum corporate income tax (MCIT) and unused tax losses in the form of net operating loss carryover (NOLCO). Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences of MCIT and NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income 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 income tax asset to be utilized. Unrecognized deferred income 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 the deferred income tax asset to be recovered.

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustments is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.



### Contingencies

Contingent assets and liabilities are not recognized in the consolidated financial statements. Contingent assets are disclosed in the notes of consolidated financial statements when an inflow of economic benefits is probable and recognized in the consolidated statement of financial position and the related income in profit or loss when an inflow of economic benefits is virtually certain. On the other hand, contingent liabilities are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

### Earnings Per Share (EPS)

Basic earnings per share amounts are calculated by dividing net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

As of December 31, 2016, 2015 and 2014, the Group does not have any dilutive potential common shares. Hence, diluted EPS is the same as basic EPS.

### Segment Reporting

For purposes of Management reporting, the Group's operating businesses are organized and managed separately on a per Company basis, with each company representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Information on the operating segment is presented in Note 20.

### Events After the Reporting Period

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

### New Accounting Standards, Interpretation and Amendments to Existing Standards Effective Subsequent to December 31, 2016

Standards and interpretation issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group will adopt these standards and interpretation when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, improvements to PFRSs and new interpretation to have significant impact on its financial statements.

#### *Effective in 2017*

- PFRS 12 (Amendments), *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.





- **PAS 7 (Amendments), *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.
- **PAS 12 (Amendments), *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.

#### *Effective in 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 Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- **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 2 (Amendments), *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.

- PFRS 4 (Amendments), *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.

- PAS 28 (Amendments), *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.

- PAS 40 (Amendments), *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 of International Financial Reporting Interpretations Committee 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 in 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.

#### *Deferred Effectivity*

- PFRS 10 and PAS 28 (Amendments), *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 (FRSC) postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) 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.



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#### 4. Significant Accounting Judgments and Estimates

The consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following items are those matters which the Group assess to have significant risks arising from estimation uncertainties:

##### Judgments

###### *Determination of Significant Influence over an Investee Company*

The Group considers its investments in PTC, BPO and MUDC as an investment in an associate. The Group concluded that it has more than 20% ownership interest and has significant influence over the operating and financial policies of its investments in associates due to the following:

- representation on the BOD;
- participation in policy-making processes, including participation in decisions about dividends and other distributions;
- material transactions between the investor and investee;
- interchange of managerial personnel; and
- provision of essential technical information.

###### *Determining Noncontrolling Interest (NCI) that is Material to the Group*

The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of the activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in MCHC is not material to the Group.

###### *Classification of Financial Instruments*

The Group exercises judgments in classifying a financial instrument, or its component parts, upon initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether market transactions take place with sufficient frequency and volume.



## Estimates

### *Determination of Fair Values of Financial Instruments*

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., quoted prices, interest rates and foreign exchange rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Where the fair value of certain financial assets and financial liabilities recorded in the consolidated 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. The judgments include considerations of liquidity and model inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Group's financial instruments are disclosed in Note 23 to the consolidated financial statements.

### *Estimating Allowance for Impairment Losses on Financial Assets Carried at Amortized Cost*

The Group reviews financial assets carried at amortized cost at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The Group recognized provision for impairment loss on receivables and due from related parties amounting to ₱2.6 million in 2016. The Group has written-off from due from related parties amounting to ₱0.4 million in 2015. Moreover, the Group recognized loss on bank foreclosure amounting to ₱0.4 million in 2015 for its fixed income deposit (see Note 7). The allowance for impairment losses on receivables and due from related parties amounted to ₱189.7 million and ₱187.1 million as of December 31, 2016 and 2015, respectively (see Notes 7 and 18).

The aggregate carrying amounts of the Group's short-term investments included under "Prepayments and other current assets" account, receivables and due from related parties account amounted to ₱29.6 million and ₱43.0 million as of December 31, 2016 and 2015, respectively (see Notes 7 and 18).

### *Estimating Impairment of Equity Securities Classified as AFS Financial Assets*

The Group treats quoted equity securities classified as AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment.

The Group generally considers a decline in fair value of greater than 20% as significant and a decline in fair value for a period of more than six (6) months as prolonged. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Allowance for impairment losses on AFS quoted equity financial assets amounted to ₱3.1 million as of December 31, 2016 and 2015. The carrying amount of the Group's AFS quoted equity



financial assets as of December 31, 2016 and 2015 amounted to ₱32.4 million and ₱64.7 million, respectively (see Note 9).

For unquoted shares, the Group estimates the expected future cash flows from the investment and calculates the amount of impairment as the difference between the present value of expected future cash flows from the investment and its acquisition cost and recognizes the amount in the consolidated statements of comprehensive income.

No impairment on unquoted equity securities classified as AFS financial assets was recognized in 2016 and 2015. The carrying value of the Group's AFS unquoted equity financial assets amounted to ₱94.9 million and ₱95.1 million as of December 31, 2016 and 2015, respectively (see Note 9).

*Estimating Impairment of Investment in Shares of Stock*

The Group performs an impairment review on its investments in an associate whenever an impairment indicator exists. This requires an estimation of the value in use of the investments. Estimating the value in use requires the Group to make an estimate of the expected future cash flows of the investments and to make use of a suitable discount rate to calculate the present value of those future cash flows.

Management determined that there are no events or circumstances that may indicate that the carrying amounts of the investments in PTC and BPO are not recoverable for the three years then ended. As of December 31, 2016 and 2015, no allowance for impairment loss on investments in PTC and BPO was recognized. Management provided full provision for impairment loss on investment in MUDC. Allowance for impairment losses on the Group's investment in MUDC amounted to ₱94.8 million as of December 31, 2016 and 2015 (see Note 8).

*Estimating Impairment of Nonfinancial Assets*

The Group determines whether prepayments and other current assets, investments in associates, property and equipment, investment properties, and other noncurrent assets are impaired whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

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

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



The Group has not identified any events or changes in circumstances that would indicate an impairment loss on the following other nonfinancial assets as of December 31, 2016 and 2015:

	2016	2015
Prepayments and other current assets	<b>₱15,529,159</b>	₱16,042,896
Property and equipment (see Note 11)	<b>10,467,538</b>	12,027,977
Investment properties (see Note 12)	<b>158,547,912</b>	132,430,015
Other noncurrent assets (see Note 13)	<b>24,927,486</b>	32,426,972
	<b>₱209,472,095</b>	₱192,927,860

The balance excludes short-term investments included under “Prepayments and other current assets” account which is classified as financial assets, amounting to nil and ₱11.1 million as of December 31, 2016 and 2015, respectively.

*Estimating Useful Lives of Property and Equipment and Investment Properties*

The estimated useful lives used as bases for depreciating the Group’s property and equipment and investment properties were determined on the basis of management’s assessment of the period within which the benefits of these assets are expected to be realized taking into account actual historical information on the use of such assets as well as industry standards and averages applicable to the Group’s assets.

The net book value of the Group’s property and equipment and investment properties are disclosed in Notes 11 and 12 to the consolidated financial statements.

*Estimating Retirement Benefit Obligation*

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations. The assumptions and the carrying amount of the Group’s retirement benefit obligation as of December 31, 2016 and 2015 amounted to ₱11.3 million and ₱10.9 million, respectively (see Note 15).

*Estimating Realizability of Deferred Income Tax Assets*

Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Group did not recognize deferred income tax assets on its deductible temporary differences amounting to ₱251.1 million and ₱280.9 million as of December 31, 2016 and 2015, respectively, as management believes that sufficient future taxable income will not be available to allow all or part of the deferred income tax asset to be utilized (see Note 16).

*Estimating Provision for Legal Obligation*

The estimate of provision for legal obligation has been developed by management. The management currently does not believe the provision will have a material adverse effect on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates of provisions. In 2011, the



Group recognized provision for legal obligation amounting to ₱5.0 million for claims arising from lawsuit which are either awaiting decision by the courts or are subject to settlement obligations (see Note 21). No additional provisions were made in 2016, 2015 and 2014.

## 5. Cash and Cash Equivalents

	2016	2015
Cash on hand and with banks	<b>₱207,473,275</b>	₱164,395,383
Short-term placements	<b>747,096,775</b>	801,237,757
	<b>₱954,570,050</b>	₱965,633,140

Cash with banks earn interest at the respective bank deposit rates. Short-term placements are fixed rate time deposits denominated in United States (US) dollar and Philippine peso, made for varying periods of up to three months or less, depending on the immediate cash requirements of the Group, and earn interest at the respective bank rates ranging from 1.0% to 3.0% in 2016 and 2015.

Interest income earned from these bank deposits and short-term placements amounted to ₱17.2 million, ₱15.1 million and ₱12.7 million in 2016, 2015 and 2014, respectively.

## 6. Financial Assets at FVPL

Financial assets at FVPL consist of listed securities which are traded in the PSE, New York Stock Exchange (NYSE) and Hong Kong Stock Exchange (HKEx). Fair values of listed equity securities are based on quoted market prices in the PSE, NYSE and HKEx.

The carrying value of financial assets at FVPL includes net unrealized gains (losses) on fair value changes amounting to ₱10.0 million, (₱6.0 million) and (₱5.5 million) in 2016, 2015 and 2014, respectively. Net cumulative unrealized gains on financial assets at FVPL amounted to ₱28.8 million and ₱18.1 million as of December 31, 2016 and 2015, respectively.

The rollforward of the Group's investments in financial assets at FVPL is as follows:

	2016	2015
Cost:		
Balances at beginning of year	<b>₱44,214,962</b>	₱41,181,502
Additions	<b>14,309,326</b>	4,623,460
Disposals	<b>(4,337,335)</b>	(1,590,000)
Balances at end of year	<b>54,186,953</b>	44,214,962
Changes in fair value:		
Balances at beginning of year	<b>18,137,356</b>	24,423,427
Fair value gains (losses)	<b>9,980,598</b>	(5,996,071)
Disposals	<b>720,847</b>	(290,000)
Balances at end of year	<b>28,838,801</b>	18,137,356
	<b>₱83,025,754</b>	₱62,352,318

Dividend income earned on investments in financial assets at FVPL amounted to ₱1.2 million, ₱0.8 million and ₱0.5 million in 2016, 2015 and 2014, respectively, presented as "Dividend income" in profit or loss.





The Group recognized gain on disposal of financial asset at FVPL amounting to ₱1.1 million and ₱0.6 million in 2016 and 2015, respectively.

## 7. Receivables

	2016	2015
Accrued interest	₱7,626,291	₱7,568,959
Rent receivable (Note 21)	533,447	641,268
Others	914,458	1,032,581
	<b>9,074,196</b>	9,242,808
Less allowance for impairment losses	857,369	845,378
	<b>₱8,216,827</b>	₱8,397,430

Accrued interest from third parties pertain to interests earned on investments in short-term placements, short-term investments and debt securities classified as AFS financial assets that are expected to be collected within one year.

On August 24, 2015, the Monetary Board (MB) placed Xavier-Punla Rural Bank, Inc. under the management of the Philippine Depositary Insurance Corporation (PDIC). The Group recognized impairment loss on deposit amounting to ₱0.4 million in 2015. The Group believes that it would be able to recover ₱0.5 million from PDIC included as “Others” as of December 31, 2016 and 2015.

In 2016 and 2015, the Group recognized provision for impairment loss on receivables amounting to ₱0.01 million and nil, respectively, presented as part of “Impairment loss on receivables and due from related parties” in profit or loss.

## 8. Investments in Associates

	2016	2015
Costs:		
Acquisition costs	₱288,590,264	₱281,090,264
Conversion of deposit for stock subscription	–	7,500,000
	<b>288,590,264</b>	288,590,264
Accumulated equity in net earnings and OCI:		
Balances at beginning of year	8,657,612	(39,018,887)
Share in net income from associates	72,929,014	105,413,232
Share in OCI from associates	40,822,636	10,748,690
Dividends declared by associates	(21,020,846)	(68,485,423)
	<b>101,388,416</b>	8,657,612
Deposit for stock subscription:		
Balances at beginning of year	–	1,875,000
Deposit	–	5,625,000
Conversion of deposit for stock subscription	–	(7,500,000)
	–	–
Accumulated allowance for impairment loss	(94,830,129)	(94,830,129)
	<b>₱295,148,551</b>	₱202,417,747



The Group has equity interest and additional deposits for stock subscription to the following associates as of December 31:

	Country of Incorporation	Percentage of Ownership		Carrying Amount of Investments	
		2016	2015	2016	2015
PTC	Philippines	<b>30</b>	30	<b>₱243,795,499</b>	₱147,495,526
BPO	Philippines	<b>35</b>	35	<b>51,353,052</b>	54,922,221
MUDC	Philippines	<b>43</b>	43	–	–
				<b>₱295,148,551</b>	<b>₱202,417,747</b>

*PTC*

PTC is a global service company outsourcing information technology services from the Philippines. Among others, it offers software servicing, maintenance, testing and development to various clients, mostly in the US.

*Dividends*

On December 7, 2015, PTC declared cash dividends amounting to \$750,000 or \$0.0005 per share of the outstanding stocks as of record date of December 31, 2015. Dividends shall be payable on or before June 30, 2016.

On June 25, 2015, PTC declared cash dividends amounting to \$3,500,000 or \$0.00311 per share of the outstanding stocks as of record date of May 31, 2015. Dividends shall be payable as follows: August 31, 2015 - \$0.21 million and October 31, 2015 - \$0.84 million.

The Group's share in the dividends declared amounted to nil, ₱59.6 million and ₱45.1 million in 2016, 2015 and 2014 respectively. Dividend receivable amounted to ₱10.6 million as of December 31, 2015.

*Deposit for Stock Subscription*

On August 26, 2015, the Group deposited a total amount of ₱5.6 million, representing the remaining balance for subscription of capital increase.

On September 21, 2015, the SEC has approved PTC's application for increase in authorized capital stock. Accordingly, the deposit for stock subscription amounting to ₱7.5 million was converted to capital stock.

The summarized financial information of PTC is as follows ('000):

	2016	2015
Current assets	<b>₱798,134</b>	₱673,369
Noncurrent assets	<b>229,478</b>	222,721
Total assets	<b>1,027,612</b>	896,090
Current liabilities	<b>180,885</b>	263,706
Noncurrent liabilities	<b>52,825</b>	159,482
Total liabilities	<b>233,710</b>	423,188
Equity	<b>793,902</b>	472,902
Gross revenue	<b>1,777,309</b>	1,782,703
Operating profit	<b>195,844</b>	326,751
Net income	<b>184,899</b>	310,232
Group's share in net income	<b>55,470</b>	93,069



The difference between the carrying value of the investment in PTC against the share in net assets of PTC represents goodwill at acquisition date.

*BPO*

BPO is a provider of accounting and finance related services such as payroll, internal audit, payables processing and others. It is involved in outsourcing business process services in the Philippines, servicing many of the multinational and large corporations operating in the country.

*Dividends*

On December 12, 2016, BPO declared cash dividend amounting to ₱60.1 million or ₱77.00 per share of the outstanding stocks as of record date December 12, 2016. Dividends shall be payable on or before June 30, 2017.

The share in the dividends which is outstanding as of December 31, 2016 amounted to ₱21.0 million.

On December 18, 2015, BPO declared of cash dividend amounting to ₱30.0 million or ₱38.50 per share of the outstanding stocks as of record date December 15, 2015. Dividends shall be payable on or before May 30, 2016.

Dividend income in 2015 and dividend receivable as of December 31, 2015 amounted to ₱10.5 million. The outstanding balance was paid in 2016.

The summarized financial information of BPO is as follows ('000):

	<b>2016</b>	2015
Current assets	<b>₱150,726</b>	₱152,865
Noncurrent assets	<b>75,354</b>	68,942
Total assets	<b>226,080</b>	221,807
Current liabilities	<b>126,657</b>	114,078
Noncurrent liabilities	<b>12,541</b>	11,391
Total liabilities	<b>139,198</b>	125,469
Equity	<b>86,882</b>	96,338
Gross revenue	<b>384,667</b>	358,401
Operating profit	<b>68,886</b>	49,076
Net income	<b>49,884</b>	35,268
Group's share in net income	<b>17,459</b>	12,344

The difference between the carrying value of the investment in BPO against the share in net assets of BPO represents goodwill at acquisition date.

*MUDC*

The Group has a 43% interest in MUDC. As of December 31, 2016, MUDC has been nonoperational since its incorporation. However, it has obtained the necessary requirements for the signing of a supply agreement with a public utility firm and a purchase agreement with certain oil companies. As of December 31, 2016 and 2015, MUDC has project development costs of ₱207.1 million. The recoverability of these assets and the ultimate success of MUDC's future operations are dependent upon the signing of these agreements. The foregoing conditions indicate the existence of a material uncertainty which may cast significant doubt on MUDC's ability to continue as a going concern and the recoverability of the Group's significant investment in MUDC.



As of December 31, 2016 and 2015, MUDC has incurred significant losses, which resulted in capital deficiency amounting to ₱257.2 million.

The cumulative unrecognized share of losses in MUDC amounted to ₱15.8 million as of December 31, 2016 and 2015.

Moreover, the Group's share in the losses of MUDC exceeded the carrying amount of its investment. Consequently, the Company has discontinued recognizing its share of further losses in excess of the investment cost of ₱94.8 million as of December 31, 2016 and 2015.

The Group has assessed that its investment in MUDC amounting to ₱94.8 million as of December 31, 2016 and 2015 and its advances to MUDC amounting to ₱130.2 million and ₱127.7 million in 2016 and 2015, respectively, are impaired since management believes that it will no longer recover from such investment and advances. Management is not required to infuse more capital to MUDC and that losses are limited to the invested additional advances as of December 31, 2016.

## 9. AFS Financial Assets

	2016	2015
Quoted:		
Debt securities	₱274,485,471	₱246,312,795
Equity securities - at fair value, net of allowance for impairment loss of ₱3.1 million	94,925,210	95,140,085
Unquoted equity securities	32,464,311	64,685,296
	<b>401,874,992</b>	406,138,176
Less current portion	66,753,263	4,902,099
	<b>₱335,121,729</b>	₱401,236,077

Movements in AFS financial assets are as follows:

	2016	2015
Balances at beginning of year	₱406,138,176	₱372,422,144
Additions	70,379,312	84,646,959
Changes recognized in profit or loss	13,426,342	6,085,759
Movements in net unrealized valuation gains	1,223,233	8,963,303
Disposals	(89,292,071)	(65,979,989)
Balances at end of year	<b>₱401,874,992</b>	₱406,138,176

Investments in debt securities are denominated in various foreign currencies and are stated at fair value based on quoted prices. Changes in market values are included in the consolidated statement of comprehensive income. The debt securities bear fixed interest rates ranging from 4.34% to 13.63% in 2016 and 2015, respectively. Maturity dates of the investments range from 2017 to 2024. Interests on investments are received and settled semi-annually in its denominated currency.

Investments in equity securities carried at fair value consist of perpetual bonds and investments in quoted shares of stock which the Group has neither control nor significant influence. The fair market values of these listed shares are determined by reference to published quotations in an active market as of December 31, 2016 and 2015.



Investments in equity securities carried at cost consist of unquoted shares and investments in the shares of stock which the Group has neither control nor significant influence.

Movements in the net unrealized valuation gains on AFS financial assets under OCI are as follow:

	2016	2015
Balances at beginning of year	₱22,079,028	₱13,115,725
Changes in fair value of AFS financial assets	5,515,323	7,743,698
Impairment loss on AFS financial assets recognized in profit or loss	–	2,127,676
Disposals of AFS financial assets	(4,292,090)	(908,071)
<b>Balances at end of year</b>	<b>₱23,302,261</b>	<b>₱22,079,028</b>

Details of the allowance for impairment losses as of December 31, 2016 and 2015 are as follows:

	2016	2015
Balances at beginning of year	₱3,127,676	₱1,000,000
Provision	–	2,127,676
<b>Balances at end of year</b>	<b>₱3,127,676</b>	<b>₱3,127,676</b>

Net unrealized valuation gains on AFS financial assets attributable to equity holders of the Parent Company amounted to ₱18.7 million and ₱19.3 million as of December 31, 2016 and 2015, respectively.

On April 4, 2014, the Group sold more than an insignificant portion of its HTM investments before maturity. The Group subsequently reclassified its HTM investments to AFS financial assets in accordance with the requirements of PAS 39 (see Note 10).

Interest earned on debt securities classified as AFS financial assets amounted to ₱23.0 million, ₱24.1 million and ₱22.7 million in 2016, 2015 and 2014 respectively, presented as “Interest income” in profit or loss.

Dividend income earned on equity securities classified as AFS financial assets amounted to ₱0.7 million, ₱0.7 million and ₱1.8 million in 2016, 2015 and 2014, respectively.

The Group disposed certain AFS financial assets and recognized gains (losses) from disposal amounting to ₱4.3 million, ₱0.9 million and (₱1.1 million) in 2016, 2015 and 2014, respectively.

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## 10. HTM Investments

On April 4, 2014, the Group sold HTM investments with a carrying value of ₱17.8 million resulting to a gain from disposal amounting to ₱0.2 million. Consequently, the remaining portfolio of HTM investments with a carrying amount of ₱213.9 million was reclassified to AFS financial assets and was remeasured at fair value. The fair value gain from remeasurement amounting to ₱4.5 million was recognized in OCI (see Note 9).

Interest income on these HTM investments amounted to ₱2.3 million in 2014, presented as “Interest income” in profit or loss.



## 11. Property and Equipment

### 2016

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost:</b>					
Balances at beginning of year	₱20,755,943	₱8,692,633	₱8,395,222	₱2,843,660	₱40,687,458
Additions	–	71,429	–	–	71,429
Balances at end of year	20,755,943	8,764,062	8,395,222	2,843,660	40,758,887
<b>Accumulated depreciation:</b>					
Balances at beginning of year	12,661,440	8,165,998	5,105,651	2,726,392	28,659,481
Depreciation	830,238	80,187	660,973	60,470	1,631,868
Balances at end of year	13,491,678	8,246,185	5,766,624	2,786,862	30,291,349
<b>Net book values</b>	<b>₱7,264,265</b>	<b>₱517,877</b>	<b>₱2,628,598</b>	<b>₱56,798</b>	<b>₱10,467,538</b>

### 2015

	Condominium	Condominium Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
<b>Cost:</b>					
Balances at beginning of year	₱20,755,943	₱8,692,633	₱8,395,222	₱2,831,072	₱40,674,870
Additions	–	–	–	12,588	12,588
Balances at end of year	20,755,943	8,692,633	8,395,222	2,843,660	40,687,458
<b>Accumulated depreciation:</b>					
Balances at beginning of year	11,831,202	7,870,994	4,444,676	2,652,079	26,798,951
Depreciation	830,238	295,004	660,975	74,313	1,860,530
Balances at end of year	12,661,440	8,165,998	5,105,651	2,726,392	28,659,481
<b>Net book values</b>	<b>₱8,094,503</b>	<b>₱526,635</b>	<b>₱3,289,571</b>	<b>₱117,268</b>	<b>₱12,027,977</b>

Fully depreciated property and equipment that are still in use amounted to ₱15.3 million and ₱13.2 million in 2016 and 2015, respectively.

## 12. Investment Properties

### 2016

	Land	Condominium	Total
<b>Cost:</b>			
Balances at beginning of year	₱46,319,625	₱106,188,952	₱152,508,577
Reclassifications (see Note 13)	–	30,574,848	30,574,848
Balances at end of year	46,319,625	136,763,800	183,083,425
<b>Accumulated depreciation:</b>			
Balances at beginning of year	–	20,078,562	20,078,562
Depreciation	–	4,456,951	4,456,951
Balances at end of year	–	24,535,513	24,535,513
<b>Net book values</b>	<b>₱46,319,625</b>	<b>₱112,228,287</b>	<b>₱158,547,912</b>



2015

	Land	Condominium	Total
Cost:			
Balances at beginning and end of year	₱46,319,625	₱106,188,952	₱152,508,577
Accumulated depreciation:			
Balances at beginning of year	–	15,831,011	15,831,011
Depreciation	–	4,247,551	4,247,551
Balances at end of year	–	20,078,562	20,078,562
Net book values	₱46,319,625	₱86,110,390	₱132,430,015

Condominium units are being leased to third parties and other related parties as office space. The investment properties generated revenue amounting to ₱14.0 million, ₱12.8 million and ₱4.5 million in 2016, 2015 and 2014, respectively.

An investigation and appraisal was conducted by a third party appraiser, to provide information about the market values of the real estate properties. The fair value was estimated using the market approach which considered sales of similar or substitute properties and related market data. The assessed fair value of the investment properties amounted to ₱266.0 million and ₱194.5 million as of December 31, 2016 and 2015, respectively. The fair value is categorized under Level 2 fair value hierarchy.

There are no restrictions on realizability of investment properties and there were no significant repairs and maintenance made to maintain the investment properties.

**13. Other Noncurrent Assets**

	2016	2015
Deposit on contracts (see Note 12)	₱24,183,905	₱31,642,840
Deposits	743,581	784,132
	₱24,927,486	₱32,426,972

As of December 31, 2016, deposits on contracts pertains to payments for the acquisition of condominium units available for turnover in 2017.

As of December 31, 2015, deposits on contracts pertains to payments for condominium units that are still under construction. The condominium units are expected to be completed and available for turnover in 2016 (see Note 12).

**14. Accounts Payable and Accrued Expenses**

	2016	2015
Deposits payable (see Note 21)	₱1,507,524	₱1,584,805
Accounts payable	1,451,973	1,001,888
Accrued professional fees	863,538	766,152
Government payables	860,433	602,556
	₱4,683,468	₱3,955,401

Accounts payable are generally noninterest-bearing payables to third party contractors.



Deposits payable pertain to deposits made by tenants for the lease of an insignificant portion of the Parent Company's condominium spaces and will be refunded to the lessee after the lease term.

## 15. Retirement Benefit Obligation

The Group has an unfunded, defined benefit pension plan covering substantially all its regular employees. Retirement benefits under the plan are based on a percentage of latest monthly salary and years of credited service.

Composition of retirement benefit expense recognized in profit or loss (included in the personnel expenses account) and changes in the present value of unfunded defined benefit obligation are as follows:

	2016	2015	2014
Balances at beginning of year	<b>₱10,918,293</b>	₱9,679,932	₱8,143,006
Retirement benefit expense in profit or loss:			
Current service costs	<b>800,230</b>	761,181	745,456
Interest costs	<b>469,486</b>	396,016	357,649
	<b>1,269,716</b>	1,157,197	1,103,105
Remeasurements in other comprehensive income:			
Experience adjustment	<b>(778,473)</b>	(16,496)	385,152
Changes in financial assumptions	<b>(77,452)</b>	97,660	48,669
Changes in demographic assumptions	<b>(26,353)</b>	-	-
	<b>(882,278)</b>	81,164	433,821
Balances at end of year	<b>₱11,305,731</b>	₱10,918,293	₱9,679,932

Actuarial losses on retirement benefit obligation attributable to the equity holders of the Parent Company amounted to ₱1.2 million and ₱2.4 million as of December 31, 2016 and 2015, respectively.

The principal actuarial assumptions used in determining retirement benefit obligation for the Group's retirement plan are as follows:

	2016	2015	2014
Discount rates	<b>4.90%</b>	4.30%	4.20%
Salary increase rates	<b>5.00%</b>	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2016 and 2015, assuming if all other assumptions were held constant:

		Effect on defined benefit obligation		
		2016	2015	2014
Discount rates	+50 basis points	<b>(₱1,058,141)</b>	(₱921,839)	(₱915,570)
	-50 basis points	<b>1,106,511</b>	926,910	975,030
Future salary increases	+50 basis points	<b>1,083,472</b>	909,831	954,733
	-50 basis points	<b>(1,040,772)</b>	(905,403)	(900,994)





The average duration of the retirement benefit obligation as of December 31, 2016 and 2015 is 5 and 6 years, respectively.

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

	2016	2015	2014
Less than 1 year	P-	P8,851,801	P7,842,226
More than 1 year to 5 years	10,687,999	4,051,664	3,965,868
More than 5 years to 10 years	6,500,675	3,847,675	3,517,693
	<b>P17,188,674</b>	<b>P16,751,140</b>	<b>P15,325,787</b>

## 16. Income Taxes

The Group's provision for current income tax in 2016, 2015 and 2014 are as follows:

	2016	2015	2014
RCIT	P7,213,243	P4,051,089	P2,353,362
Final tax on interest income	2,987,702	2,766,639	2,708,642
MCIT	-	74,163	54,405
Stock transaction tax (STT) on disposal of financial assets at FVPL	-	12,427	-
	<b>P10,200,945</b>	<b>P6,904,318</b>	<b>P5,116,409</b>

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

	2016	2015	2014
At statutory tax rate of 30%:	P43,228,179	P44,453,289	P25,161,234
Additions to (reductions in) income tax resulting from:			
Equity in net earnings of associates	(21,878,704)	(31,623,970)	(21,765,332)
Movement in unrecognized net deferred income tax asset	(8,246,298)	(2,593,867)	1,008,370
Benefit from income subjected to final tax	(4,680,384)	(4,103,661)	(1,110,935)
Nondeductible expenses	(673,620)	2,439,260	1,718,808
Nontaxable dividend income	(177,809)	(296,545)	(276,350)
Expired NOLCO	-	226,205	355,703
Expired MCIT	-	35,617	24,911
	<b>P7,571,364</b>	<b>P8,536,328</b>	<b>P5,116,409</b>



The Group's net deferred income taxes as of December 31, 2016 and 2015 are as follows:

	2016	2015
<i>Recognized in profit or loss</i>		
Deferred income tax assets on:		
Allowance for impairment losses on receivables, due from related parties and AFS financial assets	<b>₱7,680,798</b>	₱5,473,313
Retirement benefit obligation	<b>2,908,739</b>	246,380
NOLCO	-	287,660
MCIT	-	170,652
Deferred income tax liabilities on:		
Unrealized foreign exchange gains	<b>(6,389,579)</b>	(7,008,605)
Gains on fair value changes of foreign financial assets at FVPL	<b>(3,202,387)</b>	(801,410)
	<b>997,571</b>	(1,632,010)
<i>Recognized in OCI</i>		
Deferred income tax asset on actuarial loss on retirement obligation	<b>482,981</b>	41,460
Deferred income tax liability on net unrealized valuation gains on AFS financial assets	<b>(4,217,083)</b>	(4,706,254)
	<b>(3,734,102)</b>	(4,664,794)
<b>Net deferred income tax liability</b>	<b>(₱2,736,531)</b>	<b>(₱6,296,804)</b>

No deferred income tax assets were recognized for the following deductible temporary differences as it is not probable that sufficient taxable profits will be available to allow the benefit of the deferred income tax assets to be utilized:

	2016	2015
Deferred income tax assets recognized in profit or loss:		
Allowance for impairment losses on receivables, due from related parties and AFS financial assets	<b>₱151,248,689</b>	₱171,131,537
Allowance for impairment losses on investment in an associate	<b>94,830,130</b>	94,830,130
Provision for legal obligation	<b>5,000,000</b>	5,000,000
Retirement benefit obligation	-	7,604,813
Deferred income tax asset recognized in OCI on retirement benefit obligation	-	2,354,013
	<b>₱251,078,819</b>	<b>₱280,920,493</b>

As of December 31, 2016, the Parent Company claimed the NOLCO as deduction from regular taxable income and MCIT against payment of regular income tax as follows:

NOLCO:

Year of Recognition	Availment Period	Beginning Balance	Application	Ending Balance
2013	2014-2016	₱586,604	(₱586,604)	₱-
2015	2016-2018	372,261	(372,261)	-
		<b>₱958,865</b>	<b>(₱958,865)</b>	<b>₱-</b>



MCIT:

Year of Recognition	Availment Period	Beginning Balance	Application	Ending Balance
2013	2014-2016	₱42,084	(₱42,084)	₱-
2014	2015-2017	54,405	(54,405)	-
2015	2016-2018	74,163	(74,163)	-
		₱170,652	(₱170,652)	₱-

## 17. Equity

### a. Common Stock

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Group's track record of registration of securities.

	Number of shares registered	Issue/offer price	Date of approval
Common shares	1,000,000,000	₱0.01	December 8, 1982
Common shares	9,000,000,000	₱0.01	July 28, 1997

The details of the Group's capital stock (number of shares and amounts) are as follows:

	2016	2015
Common stock - ₱1 par value		
Class A		
Authorized - 600 million shares		
Issued - 292,610,118 shares	₱292,610,118	₱292,610,118
Class B		
Authorized - 400 million shares		
Issued - 189,217,535 shares	189,217,535	189,217,535
	₱481,827,653	₱481,827,653

Class A and B common stockholders enjoy the same rights and privileges, except that Class A shares may be owned by, transferred to and subscribed only by Filipino citizens or corporations, partnerships and associations organized under the laws of the Philippines, of which 60% of the common stock outstanding is owned by citizens of the Philippines. Class B shares may be issued, transferred or sold to any person, corporation, partnership or association regardless of nationality.

In 1979, the registrant listed with the PSE (or its predecessor, Manila Stock Exchange) its common stock under its previous name, Ultrana Energy and Resource Corporation, where it offered 1,000,000,000 shares to the public at the issue price of ₱0.01 per share.

On July 28, 1997, the SEC approved the increase in the Group's authorized capital stock from 10,000,000,000, divided into 6,000,000,000 Class A common shares with par value of ₱0.01 per share and 4,000,000,000 Class B common shares with par value of ₱0.01 per share to 1,000,000,000 common shares, divided into 600,000,000 Class A common shares with par value of ₱1 per share and 400,000,000 Class B common share with par value of ₱1 per share.

On November 26, 2000, the BOD approved the issuance, out of the authorized common stock, of 192,413,090 shares at ₱1 par value which will be offered through a pre-emptive stock rights issue and detachable stock warrants, as follows: (a) 96,206,545 shares consisting of



58,377,278 Class A shares and 37,829,267 Class B shares, to be offered in two tranches, the First Tranche consisting of 48,103,272 shares of stock and the Second Tranche consisting of 48,103,273 shares of stock, to which each stockholder may subscribe on a pre-emptive rights basis, and (b) the balance of 96,206,545 shares to be offered through detachable stock warrants, which shall entitle each stockholder to subscribe to one share of stock for every one share of stock of the same class that such stockholder subscribe to out of this stock rights issue.

The Group's application to list additional 192,413,090 common shares with a par value of ₱1 per share through pre-emptive rights issue and detachable subscription warrants was approved by the PSE on February 27, 2002 and by the SEC on April 5, 2002.

The exercise periods and expiration dates of the Group's subscription warrants are as follows:

	Number of Shares	Exercise Periods	Expiration Dates
First Tranche:			
Class A common shares	29,188,639	June 4, 2002 to	
Class B common shares	18,914,633	June 3, 2007	June 3, 2007
	<u>48,103,272</u>		
(Forward)			
Second Tranche:			
Class A common shares	29,188,639	May 9, 2003 to	
Class B common shares	18,914,634	May 8, 2008	May 8, 2008
	<u>48,103,273</u>		
	<u>96,206,545</u>		

Full payment of each subscription under the First Tranche was made within the offer period approved by the PSE and the SEC, and the full payment of each subscription under the second tranche shall be due and payable one year from the last day of the offer period. With the full subscription of the Pre-Emptive Rights Stock Offering, the Group's outstanding common stock increased to 481,032,728 common shares of stock, consisting of 291,886,391 Class A common shares and 189,146,337 Class B common shares, all with par value of ₱1 per share.

With the complete exercise of all Detachable Stock Warrants, the Group will have an outstanding common stock of 577,239,273 shares, consisting of 350,263,669 Class A common shares and 226,975,604 Class B common shares, all with par value of ₱1 per share. However, as of December 31, 2007, 723,727 Class A common stock warrants and 71,198 Class B common stock warrants were exercised and 28,464,912 Class A common stock warrants and 18,843,435 Class B common stock warrants expired. As of December 31, 2008, 29,188,639 Class A common stock warrants and 18,914,634 Class B common stock warrants expired due to non-exercise of stock warrants before expiration date. After the expiration of the said warrants, the Group's outstanding common stock amounted to ₱481,827,653 with additional paid-in capital of ₱144,759,977. There have been no movements since 2008.

The Parent Company has 483, 485 and 487 stockholders as of December 31, 2016, 2015 and 2014, respectively.



b. Treasury Shares

The Group's treasury shares pertains to shares of the Parent Company acquired or held by its subsidiaries. For consolidation purposes, the costs of these shares are presented under the "Treasury shares" account in the equity section of the consolidated statements of financial position. In 2015, PIEI purchased additional shares of the Parent Company. The cost to acquire 223,000 of Class A shares amounted to ₱0.7 million.

As of December 31, 2016 and 2015, the Group's treasury shares are as follows:

	Shares		Amount	
	2016	2015	2016	2015
Balance at beginning of year	<b>97,634,827</b>	97,411,827	<b>₱99,669,477</b>	₱98,942,697
Additions	–	223,000	–	726,780
Balance at end of year	<b>97,634,827</b>	97,634,827	<b>₱99,669,477</b>	₱99,669,477

c. Retained Earnings

Retained earnings is restricted to the extent of the acquisition price of the treasury shares amounting to ₱99.7 million as of December 31, 2016 and 2015. Retained earnings is also restricted to the extent of equity in net earnings of the associates not declared as dividends as of reporting date.

Following are the dividends declared and paid by the Parent Company in 2016 and 2015:

**2016**

Declaration date	Record date	Payment date	Description	Dividend per share	Total amount
July 28, 2016	Aug. 22, 2016	Sept. 16, 2016	Regular	₱0.10	₱48,182,765
July 28, 2016	Sept. 21, 2016	Oct. 17, 2016	Regular	0.10	48,182,766
					<b>₱96,365,531</b>

**2015**

Declaration date	Record date	Payment date	Description	Dividend per share	Total amount
May 7, 2015	June 3, 2015	June 30, 2015	Regular	₱0.10	₱48,182,765
May 7, 2015	Aug. 3, 2015	Aug. 30, 2015	Regular	0.10	48,182,766
					<b>₱96,365,531</b>

**2014**

Declaration date	Record date	Payment date	Description	Dividend per share	Total amount
May 28, 2014	June 20, 2014	June 16, 2014	Regular	₱0.10	₱48,182,765
May 28, 2014	July 21, 2014	Aug. 11, 2014	Regular	0.10	48,182,765
					<b>₱96,365,530</b>

In 2016, 2015 and 2014, the dividends attributable to treasury shares amounted to ₱19.5 million, ₱19.4 million and ₱19.4 million, respectively.

Dividends payable amounted to ₱6.0 million and ₱3.4 million as of December 31, 2016 and 2015, respectively.

Equity share in the net earnings of subsidiaries are not available for dividend declaration.



## 18. Related Party Transactions

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

A summary of outstanding balances and transactions with related parties, net of allowance for impairment loss and presented under “Due from related parties” account, are as follows:

		Transactions during the year	Outstanding balances	Terms	Conditions
<i>Associates:</i>					
<b>BPO</b>					
Rent income	<b>2016</b>	<b>₱1,212,831</b>	<b>₱137,907</b>	30 days;	Unsecured;
	2015	1,212,831	18,338	noninterest-bearing	Unimpaired
Payroll services expense	<b>2016</b>	<b>51,195</b>	–	30 days;	Unsecured;
	2015	34,540	–	noninterest-bearing	Unimpaired
Dividends (see Note 8)	<b>2016</b>	<b>21,020,846</b>	<b>21,020,846</b>	30 days;	Unsecured;
	2015	10,510,423	10,510,423	noninterest-bearing	Unimpaired
<b>PTC</b>					
Dividends (see Note 8)	<b>2016</b>	–	–	30 days;	Unsecured;
	2015	57,975,000	10,588,500	noninterest-bearing	Unimpaired
<b>MUDC</b>					
Advances	<b>2016</b>	–	–	30 days;	Unsecured;
	2015	1,400	2,111,891	noninterest-bearing	Impaired
<i>Under common control:</i>					
<b>Other related parties</b>					
Advances	<b>2016</b>	<b>1,599</b>	<b>286,242</b>	30 days;	Unsecured;
	2015	2,834	284,643	noninterest-bearing	Impaired
	<b>2016</b>		<b>₱21,444,995</b>		
	2015		23,513,795		

Movement in the allowance for impairment losses on due from related parties are as follows:

	2016	2015
Due from related parties - at gross	<b>₱210,242,519</b>	₱209,762,033
Less Allowance for impairment loss:		
Balances at beginning of year	<b>186,248,238</b>	186,637,885
Provision	<b>2,549,286</b>	–
Write-off	–	(389,647)
Balances at end of year	<b>188,797,524</b>	186,248,238
	<b>₱21,444,995</b>	₱23,513,795

Allowance for impairment loss is mainly attributable to advances to MUDC, among others.

Compensation of the key management personnel are as follows:

	2016	2015	2014
Salaries and wages	<b>₱7,675,079</b>	₱7,353,369	₱7,388,106
Other benefits	<b>1,331,840</b>	1,277,283	1,303,196
	<b>₱9,006,919</b>	₱8,630,652	₱8,691,302



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## 19. Earnings per Share

The following table presents information necessary to compute the basic/dilutive EPS:

	2016	2015	2014
Net income attributable to equity holders of the parent	<b>₱133,940,563</b>	₱138,463,644	₱77,290,274
Weighted average number of ordinary shares outstanding for basic and diluted EPS	<b>384,192,826</b>	384,346,076	385,315,826
Basic and diluted earnings per share	<b>₱0.35</b>	₱0.36	₱0.20

The Group has no potential dilutive instruments issued as of December 31, 2016, 2015 and 2014.

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## 20. Segment Information

The primary purpose of the Group is to invest in real and personal properties. The Group operates mainly in one reportable business segment which is investing and one reportable geographical segment which is the Philippines.

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## 21. Commitments and Contingencies

- a. The Group leases a portion of its condominium spaces. The Group recognized rental income amounting to ₱14.0 million, ₱12.8 million and ₱4.5 million in 2016, 2015 and 2014, respectively (see Note 12). As of December 31, 2016 and 2015, rent receivable amounted to ₱0.5 million and ₱0.6 million, respectively (see Note 7). The lease agreements have terms of one to two years and can be renewed upon the written agreement of the Group and the lessees. Deposit payable made by the tenants amounting to ₱1.5 million ₱1.6 million as of December 31, 2016 and 2015, respectively, will be returned to the lessees after the lease term (see Note 14).
- b. As of December 31, 2016 and 2015, the Group has a provision for legal obligation amounting to ₱5.0 million, for claims arising from lawsuit filed by a third party, which is awaiting decision by the courts. Probable cost has been estimated in consultation with the Group's legal counsel. Management and its legal counsels believe that the Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have material adverse impact on the Company's financial position and results of operations.

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## 22. Financial Risk Management Objectives and Policies

### Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.



### Financial Risk Management Objectives and Policies

The principal financial instruments of the Group consist of cash and cash equivalents, short-term investments included under “Prepayments and other current assets”, financial assets at FVPL and AFS financial assets. The main purpose of these financial instruments is to place excess cash in income-earning investments. The Group has various other financial assets and liabilities such as receivables, due from related parties, accounts payable and accrued expenses and dividends payable which arise directly from its operations.

The main risks arising from the Group’s financial instruments are credit risk, liquidity risk and market risk (i.e., interest rate risk, foreign currency risk and equity price risk). The Group’s management reviews and approves policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

The magnitudes of these risks that have arisen over the year are discussed below.

#### *Credit Risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation.

The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties (i.e., foreign currency denominated debt instruments, short-term investments, fixed income deposit and receivables) to its financial assets.

#### *Credit risk management*

In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized and creditworthy third parties. For investments in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in equity securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed regularly by the Group’s President and Treasurer.

With respect to credit risk arising from other financial assets of the Group, which consist of cash and cash equivalents, short-term investments, receivables, due from related parties and fixed income deposits, the Group’s President and Treasurer monitor these financial assets on an ongoing basis with the result that the Group’s exposure to impairment losses is not significant.

#### *Credit risk exposures*

At reporting date, the Group’s maximum exposure to credit risk is equal to the carrying amount of cash and cash equivalents, short-term investments included under “Prepayments and other current assets”, receivables, due from related parties, financial assets at FVPL and AFS financial assets recognized in the consolidated statements of financial position. The Group’s financial assets are not covered by collateral from counterparties.

#### *Credit risk concentration profile*

The Group has no significant concentrations of credit risk.





*Credit quality*

As of December 31, 2016 and 2015, the credit qualities per class of financial assets are as follows:

**2016**

	Neither past due nor impaired		Past due but not impaired	Individually impaired	Total
	High Grade	Standard Grade			
<b>Loans and receivables:</b>					
Cash and cash equivalents*	₱954,561,050	₱-	₱-	₱-	₱954,561,050
Receivables	8,216,827	-	-	857,369	9,074,196
Due from related parties	21,020,846	-	424,149	188,797,524	210,242,519
Financial assets at FVPL	83,025,754	-	-	-	83,025,754
AFS financial assets	401,874,992	-	-	3,127,676	405,002,668
	<b>₱1,468,699,469</b>	<b>₱-</b>	<b>₱424,149</b>	<b>₱192,782,569</b>	<b>₱1,661,906,187</b>

\*Excluding cash on hand

**2015**

	Neither past due nor impaired		Past due but not impaired	Individually impaired	Total
	High Grade	Standard Grade			
<b>Loans and receivables:</b>					
Cash and cash equivalents*	₱965,624,140	₱-	₱-	₱-	₱965,624,140
Short-term investments	11,054,812	-	-	-	11,054,812
Receivables	8,397,430	-	-	845,378	9,242,808
Due from related parties	21,098,923	-	2,414,872	186,248,238	209,762,033
Financial assets at FVPL	62,352,318	-	-	-	62,352,318
AFS financial assets	406,138,176	-	-	3,127,676	409,265,852
	<b>₱1,474,665,799</b>	<b>₱-</b>	<b>₱2,414,872</b>	<b>₱190,221,292</b>	<b>₱1,667,301,963</b>

\*Excluding cash on hand

*High grade financial assets*

High grade receivables pertain to due from related parties and customers with good payment history. These receivables are considered to be of good quality and expected to be collectible without incurring any credit losses. Other high grade financial assets reflect the investment grade quality of the investments and/or counterparty and realizability is thus assured.

*Standard grade financial assets*

Receivables from customers that slide beyond the credit terms are classified under standard grade. Other standard grade financial assets are considered moderately realizable. There are no standard grade financial assets as of December 31, 2016 and 2015.

*Impairment assessment*

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are nonmoving accounts receivable, accounts of defaulted companies and accounts from closed companies.

*Liquidity Risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds.



The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due and this is done by primarily investing in highly liquid investments and maintaining a significant amount of cash and cash equivalents and pre-terminable investments in its portfolio.

The following table summarizes the maturity profile of the Group's financial liabilities as of December 31, 2016 and 2015 based on contractual undiscounted cash flows. The table also analyzes the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

## 2016

	On demand	Within 1 year	More than 1 year	Total
<b>Financial Assets:</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	₱207,473,275	₱748,907,066	₱	₱956,380,341
Receivables	8,216,827	–	–	8,216,827
Due from related parties	21,444,995	–	–	21,444,995
Financial assets at FVPL	83,025,754	–	–	83,025,754
AFS financial assets	401,874,992	21,969,464	–	423,844,456
<b>Total financial assets</b>	<b>₱722,035,843</b>	<b>₱770,876,530</b>	<b>₱–</b>	<b>₱1,492,912,373</b>
<b>Financial Liabilities:</b>				
Accounts payable and accrued expenses*	₱3,823,035	–	–	₱3,823,035
Dividends payable	6,006,566	–	–	6,006,566
<b>Total financial liabilities</b>	<b>₱9,829,601</b>	<b>₱–</b>	<b>₱–</b>	<b>₱9,829,603</b>

\*Excluding statutory payables

## 2015

	On demand	Within 1 year	More than 1 year	Total
<b>Financial Assets:</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	₱164,395,383	₱802,977,068	₱–	₱967,372,451
Short-term investments	–	11,201,574	–	11,201,574
Receivables	8,397,430	–	–	8,397,430
Receivable from related parties	23,513,795	–	–	23,513,795
Financial assets at FVPL	62,352,318	–	–	62,352,318
AFS financial assets	406,138,176	–	–	432,325,596
<b>Total financial assets</b>	<b>₱690,984,522</b>	<b>₱814,178,642</b>	<b>₱–</b>	<b>₱1,505,163,164</b>
<b>Financial Liabilities:</b>				
Accounts payable and accrued expenses*	₱3,352,845	₱–	₱–	₱3,352,845
Dividends payable	3,418,416	–	–	3,418,416
<b>Total financial liabilities</b>	<b>₱6,771,261</b>	<b>₱–</b>	<b>₱–</b>	<b>₱6,771,261</b>

\*Excluding statutory payables

## Market Risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk.



a. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group derives majority of its revenue from interest-bearing placements and bonds. Accordingly, the Group is subject to financial risk arising from changes in interest rates. The Group manages interest rate risk by investing mainly on fixed coupon bonds and other investments. By doing so, the Group is assured of future interest revenues from such investments.

Since the Group invests on fixed coupon interest bonds and other investments, the Group is not exposed significantly to cash flow interest rate risk.

The following table demonstrates management's best estimate of the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax due to changes in fair values of AFS financial assets in debt securities (see Note 9):

	2016	2015
Change in interest rate (percentage)		
+10%	<b>₱27,448,547</b>	₱24,631,280
-10%	<b>(27,448,547)</b>	(24,631,280)

There is no other impact on equity other than those already affecting the income before income tax in profit or loss.

b. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign currencies.

In the normal course of business, the Group enters into transactions denominated in US dollar and other foreign currencies. As a result, the Group is subject to transaction and translation exposures resulting from currency exchange rate fluctuations. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets.

Information on the Group's foreign currency denominated monetary assets and their Philippine peso equivalent as of December 31 are as follows:

Currency	2016			2015			
	Exchange Rate	Original Currency	Peso Equivalent	Exchange Rate	Original Currency	Peso Equivalent	
Cash							
	<b>USD</b>	<b>49.72</b>	<b>7,110,617</b>	<b>₱353,539,877</b>	47.06	5,726,001	₱269,465,607
	<b>HKD</b>	<b>6.420</b>	<b>89,075</b>	<b>571,862</b>	6.09	138,497	843,447
	<b>SGD</b>	<b>34.350</b>	<b>2,704</b>	<b>92,882</b>	-	-	-

(Forward)



	Currency	2016			2015		
		Exchange Rate	Original Currency	Peso Equivalent	Exchange Rate	Original Currency	Peso Equivalent
Receivables	USD	49.720	112,164	₱5,576,794	47.06	116,008	₱5,459,336
	TRY	14.060	20,720	291,323	16.02	20,810	333,376
	BRL	15.190	8,148	123,768	12.12	8,148	98,754
Financial assets at FVPL	USD	49.720	680,777	33,848,232	47.06	471,728	22,199,520
	HKD	6.420	1,215,500	7,803,510	6.09	1,112,260	6,773,663
	EUR	51.840	76,100	3,945,024	51.74	79,710	4,124,195
AFS financial assets	USD	49.72	6,033,473	299,984,278	47.06	5,337,027	251,160,491
	BRL	15.190	503,625	7,650,064	12.12	480,675	5,825,781
	TRY	14.060	260,304	3,659,874	16.02	243,612	3,902,664
	HKD	6.420	2,779,434	17,843,966	-	-	-
	SGD	34.350	159,216	5,469,070	-	-	-
				<b>₱740,400,524</b>			<b>₱570,186,834</b>

The Group has no foreign currency denominated monetary liabilities as of December 31, 2016 and 2015.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currencies exchange rates based on past foreign currencies exchange rates and macroeconomic forecasts for 2016, with all other variables held constant, of the Group's 2016 and 2015 income before income tax.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the following percentage change in foreign currency rates:

### 2016

Original Currency	Percentage	Effect on income before tax	
		Strengthened	Weakened
US dollar	5%	₱34,647,458	(₱34,647,458)
Hong Kong dollar (HKD)	5%	1,310,967	(1,310,967)
Brazil real (BRL)	5%	388,692	(388,692)
Singaporean (SGD)	5%	278,098	(278,098)
Turkish lira (TRY)	5%	197,560	(197,560)
E.M.U. euro (EUR)	5%	197,251	(197,251)

### 2015

Original Currency	Percentage	Effect on income before tax	
		Strengthened	Weakened
US dollar	5%	₱27,414,248	(₱27,414,248)
Hong Kong dollar (HKD)	5%	380,856	(380,856)
Brazil real (BRL)	5%	296,227	(296,227)
Turkish lira (TRY)	5%	211,802	(211,802)
E.M.U. euro (EUR)	5%	206,210	(206,210)

There is no other impact on the Group's equity other than those already affecting the profit or loss.



c. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's financial assets at FVPL and investments in AFS equity securities. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Group measures the sensitivity of its equity securities by using PSE, NYSE and HKEx indices fluctuations and its effect to respective share prices.

The following table demonstrates the sensitivity to a reasonably possible change in the equity price based on past price performance and macroeconomic forecast for 2016 and 2015, with all other variables held constant, of the Group's income before income tax and equity:

*Effect on income before income tax:*

	2016	2015
<i>Financial assets at FVPL:</i>		
Change in stock market index (%)		
+10%	₱8,302,575	₱6,235,232
-10%	(8,302,575)	(6,235,232)

There is no other impact on the Group's equity other than those already affecting the income before income tax.

*Effect on equity:*

	2016	2015
<i>Investment in equity securities (AFS):</i>		
Change in club share prices (%)		
+10%	₱3,246,431	₱6,468,530
-10%	(3,246,431)	(6,468,530)

## 23. Fair Value of Financial Instruments

Set out below is a comparison, by class, of the carrying amount, and fair value of the Group's financial instrument, other than those with carrying amount that are reasonable approximation of fair values:

	2016		2015	
	Carrying Amount	Fair Values	Carrying Amount	Fair Values
Financial Assets				
Current:				
Financial assets at FVPL	₱83,025,754	₱83,025,754	₱62,352,318	₱62,352,318
AFS financial assets	66,753,263	66,753,263	4,902,099	4,902,099
Noncurrent:				
AFS financial assets	240,196,519	240,196,519	306,095,992	306,095,992
	<b>₱389,975,536</b>	<b>₱389,975,536</b>	<b>₱373,350,409</b>	<b>₱373,350,409</b>

The Group has determined that the carrying amounts of cash and cash equivalents, short-term investments, receivables, due from related parties and accrued expenses and other liabilities and dividends payable, based on their notional amounts, reasonably approximate their fair values because these are short-term in nature.



Fair values of financial assets at FVPL and quoted AFS financial assets are based on price quotations at the reporting date. These financial instruments are classified as Level 1 in the fair value hierarchy.

As of December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements. Also, there were no transfers into and out of Level 3 fair value measurements.

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## 24. Capital Management

The primary objective of the Group'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 Group manages its capital structure, which pertains to its equity, and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The total core capital considered by the Group as of December 31, 2016 and 2015 are as follows:

	2016	2015
Common stock	<b>₱481,827,653</b>	₱481,827,653
Additional paid-in capital	<b>144,759,977</b>	144,759,977
Retained earnings	<b>1,296,094,095</b>	1,238,994,327
Treasury shares	<b>(99,669,477)</b>	(99,669,477)
<b>Total core capital</b>	<b>₱1,823,012,248</b>	₱1,765,912,480

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## 25. Note to Consolidated Statements of Cash Flows

In 2016 and 2015 the Parent Company paid deposits on contracts amounting to ₱23.5 million and ₱30.9 million, respectively, for purchase of condominium units to be used as investment property. Deposits on contracts is presented as part of "Other noncurrent assets" in the statement of financial position.



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

The Board of Directors and the Stockholders  
F & J Prince Holdings Corporation  
5th Floor, Citibank Center  
8741 Paseo de Roxas  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of F & J Prince Holdings Corporation and its subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A and have issued our report thereon dated April 11, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go  
Partner  
CPA Certificate No. 0114122  
SEC Accreditation No. 1414-AR-1 (Group A),  
March 2, 2017, valid until March 1, 2020  
Tax Identification No. 219-674-288  
BIR Accreditation No. 08-001998-103-2017,  
January 31, 2017, valid until January 30, 2020  
PTR No. 5908703, January 3, 2017, Makati City

April 11, 2017



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
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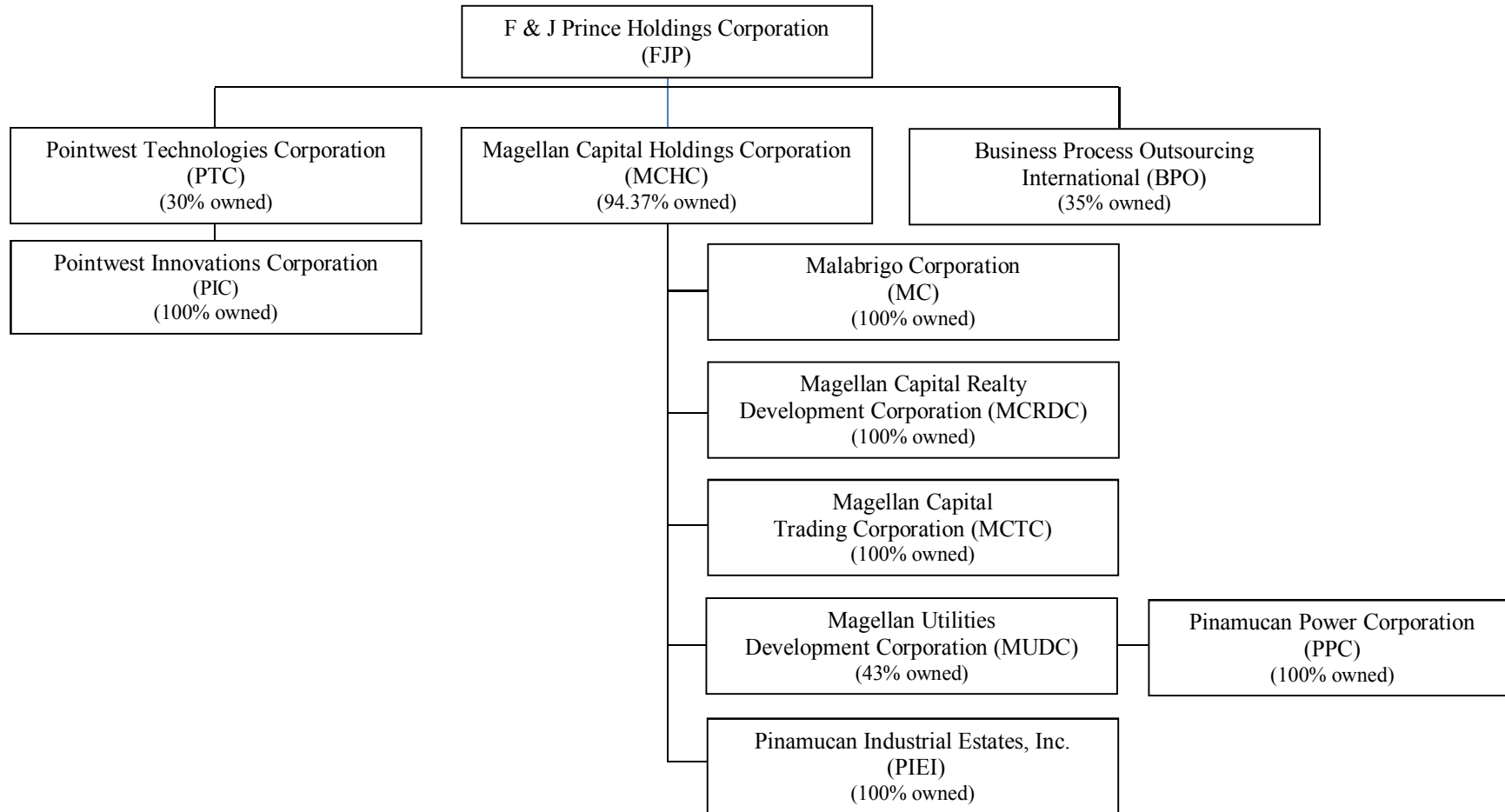




# F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

## CONGLOMERATE MAP

December 31, 2016



# F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES

## FINANCIAL SOUNDNESS INDICATOR

December 31, 2016

	2016	2015
<b>LIQUIDITY ANALYSIS RATIO:</b>		
Current assets	P1,149,540,048	P1,091,896,490
Current liabilities	21,092,382	15,565,328
<b>Current Ratio</b>	<b>54.50</b>	<b>70.15</b>
Current assets less prepayments and other current assets	P1,134,010,889	P1,064,798,782
Current liabilities	21,092,382	15,565,328
<b>Quick Ratio</b>	<b>53.76</b>	<b>68.41</b>
Total assets	P1,973,753,264	P1,872,435,278
Total liabilities	35,134,644	32,780,425
<b>Solvency Ratio</b>	<b>56.18</b>	<b>57.12</b>
<b>FINANCIAL LEVERAGE RATIO:</b>		
Total liabilities	P35,134,644	P32,780,425
Total assets	1,973,753,264	1,872,435,278
<b>Debt Ratio</b>	<b>0.02</b>	<b>0.02</b>
Total liabilities	P35,134,644	P32,780,425
Total equity	1,938,618,620	1,839,654,853
<b>Debt-to-Equity Ratio</b>	<b>0.02</b>	<b>0.02</b>
<b>Interest Coverage</b>	N/A	N/A
Total assets	P1,973,753,264	P1,872,435,278
Total equity	1,938,618,620	1,839,654,853
<b>Asset to Equity Ratio</b>	<b>1.02</b>	<b>1.02</b>
<b>PROFITABILITY RATIO:</b>		
<b>Gross Profit Margin</b>	N/A	N/A
Net income	P136,522,567	P139,641,302
Revenues and income	177,267,899	183,450,176
<b>Net Profit Margin</b>	<b>0.77</b>	<b>0.76</b>
Net income	P136,522,567	P139,641,302
Total assets	1,973,753,264	1,872,435,278
<b>Return on Assets</b>	<b>0.07</b>	<b>0.07</b>
Net income	P136,522,567	P139,641,302
Total equity	1,938,618,620	1,839,654,853
<b>Return on Equity</b>	<b>0.07</b>	<b>0.08</b>
Current share price	P5.40	P5.705
Earnings per share	0.35	0.36
<b>Price/Earnings Ratio</b>	<b>15.43</b>	<b>15.85</b>



**F & J PRINCE HOLDINGS CORPORATION**  
**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND**  
**DECLARATION**  
**December 31, 2016**

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<b>Unappropriated retained earnings, beginning</b>		₱319,672,111
Net income during the year closed to retained earnings	₱69,707,555	
<i>Less: Non-actual/unrealized income net of tax</i>		
Fair value gain on financial assets at FVPL	(2,161,647)	
Net unrealized foreign exchange gains other than cash and cash equivalents	(858,372)	
<b>Net income actual/realized</b>	66,687,536	
<i>Less: Dividend declaration</i>	(96,365,531)	(29,677,995)
<b>Unappropriated retained earnings, as adjusted, ending</b>		289,994,116
<b>Less capital stock</b>		481,827,653
<b>Excess of capital stock retained earnings available for dividend declaration</b>		(₱191,833,537)

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**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS**  
**December 31, 2016**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Sharebased Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9*			✓
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
	Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9			✓
	Amendment to PFRS 9, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition*			✓
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, 12 and PAS 27: Consolidation for investment entities			✓
	Amendments regarding the sale or contribution of assets between investor and its associate or joint venture			✓
	Amendments regarding the application of the consolidation exception			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments regarding the accounting for acquisitions of an interest in a joint operation			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments regarding the application of the consolidation exception	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers*			✓
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments resulting from the disclosure initiative	✓		
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
<b>PAS 16</b>	Property, Plant and Equipment	✓		



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments regarding the clarification of acceptable methods of depreciation and amortization			✓
	Amendments bringing bearer plants into the scope of PAS 16			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
<b>PAS 19 (Amended)</b>	Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service*			✓
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Amended)</b>	Separate Financial Statements			✓
<b>PAS 28</b>	Investments in Associates	✓		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures			✓
	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture*			✓
<b>PAS 28 (Amended)</b>	Amendments regarding the application of the consolidation exception*			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PAS 32: Financial Instruments Assets and Liability Offsetting			✓
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of assets Recoverable amount disclosures	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets			✓
	Amendments regarding the clarification of acceptable methods of depreciation and amortization			✓
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓





<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 39</b>	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Hedge Accounting			✓
	Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in PAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when PFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception*			✓
<b>PAS 40</b>	Investment Property	✓		
<b>PAS 41</b>	Agriculture			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease			✓
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 8</b>	Scope of PFRS 2			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2016		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

\*Standards and interpretations which will become effective subsequent to December 31, 2016.



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE A – FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Name of Issuing Entity and Association of Each Issue	No. of Shares or Principal Amount of Bonds & Notes	Amount Shown in Statement of Financial Position	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial Asset at FVPL:				
Berkshire Hathaway	2,250 shares	₱18,232,573	₱18,232,573	₱–
Oriental Petroleum B	1,260,888,642 shares	13,869,775	13,869,775	–
Goldman Sachs Group	605 shares	7,202,800	7,202,800	52,690
Ayala Land	144,000 shares	4,593,600	4,593,600	34,272
Sanofi	1,000 shares	3,945,054	3,945,054	109,324
HSBC Holdings	1,723 shares	3,442,122	3,442,122	163,273
Ayala Corporation	4,078 shares	2,978,979	2,978,979	23,490
Philex Mining Corporation	335,323 shares	2,867,012	2,867,012	10,060
Meralco	10,154 shares	2,686,748	2,686,748	254,530
Dongfeng Motor Group	50,000 shares	2,430,424	2,430,424	63,395
Calata Corporation	560,000 shares	1,265,600	1,265,600	–
Ayala Land - preferred shares	14,400 shares	14,400	14,400	684
Ayala Corporation - preferred shares	2,110 shares	2,110	2,110	40
Others	344,908 shares	19,494,557	19,494,557	465,343
<b>TOTAL</b>		<b>₱83,025,754</b>	<b>₱83,025,754</b>	<b>1,177,101</b>
AFS Financial Assets:				
Yuzhou Properties	\$700,000	₱36,224,003	₱36,224,003	₱3,032,907
Petron Corporation	₱35,000,000	35,839,457	35,839,457	2,254,266
Shui On Dev Holding (5192020)	\$486,000	24,468,511	24,468,511	2,227,307
Country Garden Holding	\$400,000	20,888,168	20,888,168	1,443,426
ABJA	\$400,000	19,753,673	19,753,673	646,196
ESKOM Holdings	\$400,000	18,847,530	18,847,530	619,844
Shui On Dev Holding (5192018)	\$350,000	18,315,605	18,315,605	1,476,398
Petrobas GBL Finance	\$350,000	15,436,360	15,436,360	239,713
Alfa Bank	\$300,000	14,930,916	14,930,916	749,620
CK Hutchison Holdings Ltd	20,520 shares	11,581,970	11,581,970	321,228
Melrose Park	–	11,242,625	11,242,625	–
Vimpelcom	\$200,000	10,973,204	10,972,204	795,945
Fixed-rate treasury notes	₱8,000,000	10,799,319	10,799,319	–
1 <sup>st</sup> Pacific France	\$200,000	10,647,637	10,647,637	467,731
Agile Property	\$200,000	10,064,123	10,064,123	756,468
CEMEX Finance	\$200,000	10,180,170	10,180,170	327,763
Emirate NBD Tier 1	\$200,000	10,031,507	10,031,507	556,923
Central China Real Estate	RMB200,000	9,338,348	9,338,348	787,887
Elektrobass	\$200,000	9,176,700	9,176,700	202,804
Morgan Stanley	BRL510,000	7,648,503	7,648,503	600,200
Toyota Motors Corporation	1,290 shares	7,347,741	7,347,741	195,137
Cheung Kong Properties Holding	20,520 shares	6,265,331	6,265,331	177,618



<b>Name of Issuing Entity and Association of Each Issue</b>	<b>No. of Shares or Principal Amount of Bonds &amp; Notes</b>	<b>Amount Shown in Statement of Financial Position</b>	<b>Value Based on Market Quotations at Balance Sheet Date</b>	<b>Income Received and Accrued</b>
Venezuela	\$100,000	6,145,549	6,145,549	405,630
PBCE Reg	\$200,000	6,072,055	6,072,055	599,434
Bank of East Asia	\$100,000	5,589,870	5,589,870	409,334
EMTN World Bank	\$237,000	3,362,120	3,362,120	238,791
Others		50,703,997	50,703,997	4,098,956
<b>TOTAL</b>		<b>₱401,874,992</b>	<b>₱401,874,992</b>	<b>₱23,631,526</b>



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,**  
**EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**  
**(OTHER THAN AFFILIATES) FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Name and Designation</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Current</b>	<b>Non-current</b>	<b>Ending Balance</b>
Pointwest Technologies Corporation (PTC)	₱10,588,500	₱-	₱10,588,500	₱-	₱-	₱-
Business Process Outsourcing, International (BPO)	10,528,761	22,233,677	11,603,685	21,158,753	-	21,158,753
Magellan Utilities Development Corporation (MUDC)	2,111,891	-	2,111,891	-	-	-
Other related parties	284,643	1,599	-	286,242	-	286,242
	<b>₱23,513,795</b>	<b>₱22,235,276</b>	<b>₱24,304,076</b>	<b>₱21,444,995</b>	<b>₱-</b>	<b>₱21,444,995</b>



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE**  
**ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Name and Designation</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Current</b>	<b>Non-Current</b>	<b>Ending Balance</b>
Pinamucan Industrial Estates, Inc. (PIEI)	₱2,223,705	₱-	₱2,223,705	₱-	₱-	₱-
Other related parties	-	-	-	-	-	-
	₱2,223,705	₱-	₱2,223,705	₱-	₱-	₱-



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE D- INTANGIBLE ASSETS-OTHER ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Description	Beginning Balance	Additions	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions) Non-Current	Ending Balance
		NOT APPLICABLE				



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE E- LONG-TERM DEBT**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-Term	Remarks
		NOT APPLICABLE		





**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE F – INDEBTEDNESS TO AFFILIATES AND RELATED PARTIES**  
**(LONG-TERM LOANS FROM RELATED COMPANIES)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Name of Affiliate</b>	<b>Beginning Balance</b>	<b>Ending Balance</b>
	<b>NOT APPLICABLE</b>	



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is FILED</b>	<b>Title of Issue of Each Class of Securities Guaranteed</b>	<b>Total Amount Guaranteed and Outstanding</b>	<b>Amount Owned by the Company for which this Statement is FILED</b>	<b>Nature of Guarantee</b>
	<b>NOT APPLICABLE</b>			



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE H- CAPITAL STOCK**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and other Rights	Number of Shares Held By		
				Related Parties and Affiliates	Directors Officers and Employees	Others
Common Stock P 1 par value						
Class "A"	600,000,000	292,610,118	–	137,209,099	42,336,833	113,064,186
Class "B"	400,000,000	189,217,535	–	177,523,049	104,681	11,589,805
<b>No. of Shares Outstanding</b>		<b>481,827,653</b>	–	<b>314,732,148</b>	<b>42,441,514</b>	<b>124,653,991</b>



**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016 AND DECEMBER 31, 2015**  
**WITH VERTICAL PERCENTAGE ANALYSIS**

EXHIBIT "4"

	AUDITED DEC. 31, 2016	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2016	AUDITED DEC. 31, 2015	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2015
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	954,570,050	48.35%	965,633,140	51.57%
Financial assets at fair value thru profit or loss	83,025,754	4.21%	62,352,318	3.33%
Due from related parties	21,444,995	1.09%	23,513,795	1.26%
Receivables-net	8,216,827	0.42%	8,397,430	0.45%
Current portion of available for sale (AFS) investments	66,753,263	3.38%	4,902,099	0.26%
Current portion of HTM investments	-	-	-	-
Prepayment and other current assets	15,529,159	0.79%	27,097,708	1.45%
<b>Total Current Assets</b>	<b>1,149,540,048</b>	<b>58.24%</b>	<b>1,091,896,490</b>	<b>58.32%</b>
<b>Noncurrent Assets</b>				
Receivables from related parties-net	-	0.00%	-	0.00%
Investments in associates	295,148,551	14.95%	202,417,747	10.81%
HTM investments-net of current portion	-	-	-	0.00%
Available-for-sale (AFS) investments-net of current portion	335,121,729	16.99%	401,236,077	21.43%
Property and Equipment-net	10,467,538	0.53%	12,027,977	0.64%
Investment properties	158,547,912	8.03%	132,430,015	7.07%
Fixed income deposits	-	-	-	-
Other Noncurrent Assets	24,927,486	1.26%	32,426,972	1.73%
<b>Total Non-Current Assets</b>	<b>824,213,216</b>	<b>41.76%</b>	<b>780,538,788</b>	<b>41.68%</b>
<b>TOTAL ASSETS</b>	<b>1,973,753,264</b>	<b>100.00%</b>	<b>1,872,435,278</b>	<b>100.00%</b>

	AUDITED DEC. 31, 2016	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2016	AUDITED DEC. 31, 2015	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2015
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts Payable and accrued expenses	4,683,468	0.24%	3,955,401	0.21%
Dividends payable	6,006,566	0.31%	3,418,416	0.18%
Income Tax Payable	5,402,348	0.27%	3,191,511	0.17%
Provision for legal obligation	5,000,000	0.25%	5,000,000	0.27%
<b>Total Current Liabilities</b>	<b>21,092,382</b>	<b>1.07%</b>	<b>15,565,328</b>	<b>0.83%</b>
<b>Non-Current Liabilities</b>				
Deferred income tax liabilities-net	2,736,531	0.14%	6,296,804	0.34%
Payable to related parties	-	-	-	-
Retirement benefit obligation	11,305,731	0.57%	10,918,293	0.58%
<b>Total Non-Current Liabilities</b>	<b>14,042,262</b>	<b>0.71%</b>	<b>17,215,097</b>	<b>0.92%</b>
<b>Noncurrent Liabilities</b>				
<b>Stockholders' Equity</b>				
Capital stock	481,827,653	24.41%	481,827,653	25.73%
Additional paid in capital	144,759,977	7.33%	144,759,977	7.73%
Treasury shares	(99,669,477)	-5.05%	(99,669,477)	-5.32%
Unrealized gains on changes in fair value of AFS investments	18,686,502	0.95%	19,321,108	1.03%
Actuarial loss on retirement benefit obligation	(1,152,586)	-0.06%	(2,412,162)	-0.13%
Accumulated share in other comprehensive income of assoc.	24,861,485	1.26%	(15,961,151)	-0.85%
Retained earnings	1,296,094,095	65.68%	1,238,994,327	66.17%
Total Equity Attributable to Stockholders of the Company	1,865,407,649	94.52%	1,766,860,275	94.36%
Minority Interests	73,210,971	3.70%	72,794,578	3.89%
<b>Total Stockholders' Equity</b>	<b>1,938,618,620</b>	<b>98.22%</b>	<b>1,839,654,853</b>	<b>98.25%</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>1,973,753,264</b>	<b>100.00%</b>	<b>1,872,435,278</b>	<b>100.00%</b>

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016 AND DECEMBER 31, 2015**  
**WITH VERTICAL PERCENTAGE ANALYSIS**

	AUDITED DEC. 31,2016	VERTICAL PERCENTAGE ANALYSIS DEC. 31,2016	AUDITED DEC. 31,2015	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2015
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	954,570,050	48.35%	965,633,140	51.57%
Financial assets at fair value thru profit or loss	83,025,754	4.21%	62,352,318	3.33%
Due from related parties	21,444,995	1.09%	23,513,795	1.26%
Receivables-net	8,216,827	0.42%	8,397,430	0.45%
Current portion of available for sale (AFS) investments	66,753,263	3.38%	4,902,099	0.26%
Current portion of HTM investments	-	-	-	-
Prepayment and other current assets	15,529,159	0.79%	27,097,708	1.45%
<b>Total Current Assets</b>	<b>1,149,540,048</b>	<b>58.24%</b>	<b>1,091,896,490</b>	<b>58.32%</b>
<b>Noncurrent Assets</b>				
Receivables from related parties-net	-	0.00%	-	0.00%
Investments in associates	295,148,551	14.95%	202,417,747	10.81%
HTM investments-net of current portion	-	-	-	0.00%
Available-for-sale (AFS) investments-net of current portion	335,121,729	16.99%	401,236,077	21.43%
Property and Equipment-net	10,467,538	0.53%	12,027,977	0.64%
Investment properties	158,547,912	8.03%	132,430,015	7.07%
Fixed income deposits	-	-	-	-
Other Noncurrent Assets	24,927,486	1.26%	32,426,972	1.73%
<b>Total Non-Current Assets</b>	<b>824,213,216</b>	<b>41.76%</b>	<b>780,538,788</b>	<b>41.68%</b>
<b>TOTAL ASSETS</b>	<b>1,973,753,264</b>	<b>100.00%</b>	<b>1,872,435,278</b>	<b>100.00%</b>

	AUDITED DEC. 31,2016	VERTICAL PERCENTAGE ANALYSIS DEC. 31,2016	AUDITED DEC. 31,2015	VERTICAL PERCENTAGE ANALYSIS DEC. 31, 2015
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts Payable and accrued expenses	4,683,468	0.24%	3,955,401	0.21%
Dividends payable	6,006,566	0.31%	3,418,416	0.18%
Income Tax Payable	5,402,348	0.27%	3,191,511	0.17%
Provision for legal obligation	5,000,000	0.25%	5,000,000	0.27%
<b>Total Current Liabilities</b>	<b>21,092,382</b>	<b>1.07%</b>	<b>15,565,328</b>	<b>0.83%</b>
<b>Non-Current Liabilities</b>				
Deferred income tax liabilities-net	2,736,531	0.14%	6,296,804	0.34%
Payable to related parties	-	-	-	-
Retirement benefit obligation	11,305,731	0.57%	10,918,293	0.58%
<b>Total Non-Current Liabilities</b>	<b>14,042,262</b>	<b>0.71%</b>	<b>17,215,097</b>	<b>0.92%</b>
<b>Noncurrent Liabilities</b>				
<b>Stockholders' Equity</b>				
Capital stock	481,827,653	24.41%	481,827,653	25.73%
Additional paid in capital	144,759,977	7.33%	144,759,977	7.73%
Treasury shares	(99,669,477)	-5.05%	(99,669,477)	-5.32%
Unrealized gains on changes in fair value of AFS investments	18,686,502	0.95%	19,321,108	1.03%
Actuarial loss on retirement benefit obligation	(1,152,586)	-0.06%	(2,412,162)	-0.13%
Accumulated share in other comprehensive income of assoc.	24,861,485	1.26%	(15,961,151)	-0.85%
Retained earnings	1,296,094,095	65.68%	1,238,994,327	66.17%
<b>Total Equity Attributable to Stockholders of the Company</b>	<b>1,865,407,649</b>	<b>94.52%</b>	<b>1,766,860,275</b>	<b>94.36%</b>
Minority Interests	73,210,971	3.70%	72,794,578	3.89%
<b>Total Stockholders' Equity</b>	<b>1,938,618,620</b>	<b>98.22%</b>	<b>1,839,654,853</b>	<b>98.25%</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>1,973,753,264</b>	<b>100.00%</b>	<b>1,872,435,278</b>	<b>100.00%</b>

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016 AND DECEMBER 31, 2015**  
**WITH VERTICAL PERCENTAGE ANALYSIS**

	VERTICAL PERCENTAGE ANALYSIS		VERTICAL PERCENTAGE ANALYSIS	
	AUDITED DEC. 31, 2016	DEC. 31, 2016	AUDITED DEC. 31, 2015	DEC. 31, 2015
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	954,570,050	48.35%	965,633,140	51.57%
Financial assets at fair value thru profit or loss	83,025,754	4.21%	62,352,318	3.33%
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<b>Total Current Assets</b>	<b>1,149,540,048</b>	<b>58.24%</b>	<b>1,091,896,490</b>	<b>58.32%</b>
<b>Noncurrent Assets</b>				
Receivables from related parties-net	-	0.00%	-	0.00%
Investments in associates	295,148,551	14.95%	202,417,747	10.81%
HTM investments-net of current portion	-	-	-	0.00%
Available-for-sale (AFS) investments-net of current portion	335,121,729	16.99%	401,236,077	21.43%
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Investment properties	158,547,912	8.03%	132,430,015	7.07%
Fixed income deposits	-	-	-	-
Other Noncurrent Assets	24,927,486	1.26%	32,426,972	1.73%
<b>Total Non-Current Assets</b>	<b>824,213,216</b>	<b>41.76%</b>	<b>780,538,788</b>	<b>41.68%</b>
<b>TOTAL ASSETS</b>	<b>1,973,753,264</b>	<b>100.00%</b>	<b>1,872,435,278</b>	<b>100.00%</b>

	VERTICAL PERCENTAGE ANALYSIS		VERTICAL PERCENTAGE ANALYSIS	
	AUDITED DEC. 31, 2016	DEC. 31, 2016	AUDITED DEC. 31, 2015	DEC. 31, 2015
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Accounts Payable and accrued expenses	4,683,468	0.24%	3,955,401	0.21%
Dividends payable	6,006,566	0.31%	3,418,416	0.18%
Income Tax Payable	5,402,348	0.27%	3,191,511	0.17%
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<b>Total Current Liabilities</b>	<b>21,092,382</b>	<b>1.07%</b>	<b>15,565,328</b>	<b>0.83%</b>
<b>Non-Current Liabilities</b>				
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Payable to related parties	-	-	-	-
Retirement benefit obligation	11,305,731	0.57%	10,918,293	0.58%
<b>Total Non-Current Liabilities</b>	<b>14,042,262</b>	<b>0.71%</b>	<b>17,215,097</b>	<b>0.92%</b>
<b>Noncurrent Liabilities</b>				
<b>Stockholders' Equity</b>				
Capital stock	481,827,653	24.41%	481,827,653	25.73%
Additional paid in capital	144,759,977	7.33%	144,759,977	7.73%
Treasury shares	(99,669,477)	-5.05%	(99,669,477)	-5.32%
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Accumulated share in other comprehensive income of assoc.	24,861,485	1.26%	(15,961,151)	-0.85%
Retained earnings	1,296,094,095	65.68%	1,238,994,327	66.17%
Total Equity Attributable to Stockholders of the Company	1,865,407,649	94.52%	1,766,860,275	94.36%
Minority Interests	73,210,971	3.70%	72,794,578	3.89%
<b>Total Stockholders' Equity</b>	<b>1,938,618,620</b>	<b>98.22%</b>	<b>1,839,654,853</b>	<b>98.25%</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>1,973,753,264</b>	<b>100.00%</b>	<b>1,872,435,278</b>	<b>100.00%</b>

**EXHIBIT “5”**  
**Schedule 1**

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**BREAKDOWN OF RECEIVABLES**  
**AS OF DECEMBER 31, 2016, 2015 AND 2014**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Receivables:</b>			
Receivable from Related Parties:			
Business Process Outsourcing, International	₱21,158,753	₱10,528,761	₱10,525,109
Magellan Utilities Development Corporation	–	2,111,891	2,119,991
Pointwest Technologies Corporation	–	10,588,500	42,864,120
Others	286,242	284,643	243,958
<b>Total Receivables from Related Parties</b>	<b>₱21,444,995</b>	<b>₱23,513,795</b>	<b>₱55,753,178</b>
Interest Receivable	7,626,291	7,568,959	4,254,022
Receivable from Philippine Depositary Insurance Corporation (PDIC)	500,000	500,000	–
Others	90,536	328,471	136,539
<b>Total Receivables from Third Parties</b>	<b>₱8,216,827</b>	<b>₱8,397,430</b>	<b>₱4,390,561</b>

**EXHIBIT "5"**  
**Schedule 2**

**F & J PRINCE HOLDINGS CORPORATION AND SUBSIDIARY**  
**BREAKDOWN OF ACCOUNTS PAYABLE AND ACCRUED EXPENSES**  
**AS OF DECEMBER 31, 2016, 2015 AND 2014**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Accounts payable	₱1,451,973	₱1,001,888	₱7,890,509
Deposit payable	1,507,524	1,584,805	1,555,859
Government payable	860,433	602,556	586,033
Accrued expenses			
Professional fees (legal and audit fees)	531,962	664,294	669,738
Other operating expenses	331,576	101,858	8,653
<b>Total Accounts Payable and Accrued Expenses</b>	<b>₱4,683,468</b>	<b>₱3,955,401</b>	<b>₱10,710,792</b>



# COVER SHEET

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SEC Registration Number

						F	&	J		P	R	I	N	C	E				
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(Company's Full Name)

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

**Atty. Fina Bernadette D.C. Tantuico**

Contact Person

**8927133 • 8927137**

Company Telephone Numbers

1	2
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Month

3	1
---	---

Day

Fiscal Year

0	4
---	---

Month

1	2
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Day

Annual Meeting

## Advisement Letter

(Directors' Attendance to Board Meetings in 2016)

Form Type

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Number of Stockholders

Total Amount of Borrowings

Domestic

Foreign

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

# *F & J Prince Holdings Corporation*

03 January 2017

## **THE SECURITIES & EXCHANGE COMMISSION**

Secretariat Building, Vicente Sotto Street, PICC Complex, Pasay City

**Attention : ATTY. JUSTINA F. CALLANGAN**  
Director, Corporate Governance & Finance Department

## **THE PHILIPPINE STOCK EXCHANGE, INC.**

PSE Plaza, Ayala Triangle, Ayala Avenue, Makati City

**Attention : MR. JOSE VALERIANO B. ZUÑO III**  
OIC - Head, Disclosure Department

**Subject : Board of Directors' Attendance in Board Meetings for the year 2016**

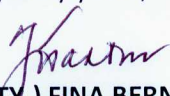
**Gentlemen:**

In compliance with SEC Memorandum Circular No. 1 Series of 2014, we respectfully submit below our report on the attendance of Directors to the Company's Board meetings for the year 2016. The same is also included in the Consolidated Changes in the ACGR 2016 posted in our company's website.

<b>BOARD</b>	<b>NAME</b>	<b>REGULAR BOARD MEETING MARCH 18, 2016</b>	<b>ORGANIZATIONAL BOARD MEETING JULY 28, 2016</b>	<b>REGULAR BOARD MEETING OCTOBER 17, 2016</b>
Chairman	Robert Y. Cokeng	Present	Present	Present
Member	Francisco Y. Cokeng, Jr.	Present	Present	Present
Member	Emeterio L. Barcelon, SJ	Present	Present	Absent
Member	Johnson U. Co	Present	Present	Present
Member	Mark Ryan K. Cokeng	Present	Absent	Present
Member	Johnson Tan Gui Yee	Present	Present	Present
Member	Rufino B. Tiangco	Present	Present	Absent
Member	Mary K. Cokeng	Present	Present	Present
Member	Johnny O. Cobankiat	Present	Present	Present
Independent	Robert Y. Ynson	Present	Absent	Present
Independent	Francis L. Chua	Present	Present	Present

We trust you will find the foregoing in order.

Very truly yours,

  
**(ATTY.) FINA BERNADETTE D.C. TANTUICO**  
Corporate Secretary

5/F Citibank Center, 8741 Paseo de Roxas, Makati City 1226  
Tel. Nos. 892-7133; 892-7137; 892-9443 \* Fax: 892-7127; 892-7150  
E-mail Address: [prinznet@compass.com.ph](mailto:prinznet@compass.com.ph)