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
   Dec 31, 2017
2. SEC Identification Number
   147584
3. BIR Tax Identification No.
   002-727-376-000
4. Exact name of issuer as specified in its charter
   PREMIERE HORIZON ALLIANCE CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
   PHILIPPINES
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   Unit 1705, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City
   Postal Code
   1605
8. Issuer's telephone number, including area code
   (02) 632-7715
9. Former name or former address, and former fiscal year, if changed since last report
   Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON STOCK P 0.25 PAR VALUE	1,990,480,889

11. Are any or all of registrant's 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
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 aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

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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

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

-

(b) Any information statement filed pursuant to SRC Rule 20

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

PHA

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2017
Currency	PHP 000.00

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2017	Dec 31, 2016
Current Assets	2,634,819	2,176,606
Total Assets	4,096,553	3,723,636
Current Liabilities	1,699,544	1,592,855
Total Liabilities	3,094,377	2,790,006
Retained Earnings/(Deficit)	186,719	150,958
Stockholders' Equity	1,002,175	933,630
Stockholders' Equity - Parent	591,845	533,993
Book Value Per Share	0.34	0.31

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2017	Dec 31, 2016
Gross Revenue	762,593	1,101,158
Gross Expense	785,315	983,193
Non-Operating Income	33,939	190,019
Non-Operating Expense	96,242	133,270
Income/(Loss) Before Tax	-22,722	117,965
Income Tax Expense	-61,886	70,604
Net Income/(Loss) After Tax	39,163	47,361
Net Income/(Loss) Attributable to Parent Equity Holder	31,676	35,334
Earnings/(Loss) Per Share (Basic)	0.02	0.02
Earnings/(Loss) Per Share (Diluted)	0.02	0.02

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2017	Dec 31, 2016
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	1.55	1.37
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	1.54	1.36
Solvency Ratio	**Total Assets / Total Liabilities**	1.32	1.33
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.76	0.75

Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	3.09	2.99
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	0.76	1.91
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	4.09	3.99
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.3	0.3
Net Profit Margin	Net Profit / Sales	0.05	0.05
Return on Assets	Net Income / Total Assets	0.01	0.01
Return on Equity	Net Income / Total Stockholders' Equity	0.04	0.05
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	25.59	19.71

Other Relevant Information
-

Filed on behalf by:

Name	Raul Ma. Anonas
Designation	CIO/ COO

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
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1. For the fiscal year ended **December 31, 2017**.

2. SEC Identification Number **147584**.

3. BIR Tax Identification Number **043-002-727-376**.

4. Exact Name of Registrant as specified in its charter.

   PREMIERE HORIZON ALLIANCE CORPORATION.

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

6. __________ (SEC Use Only)
   Industry Classification Code

7. **Unit 1705, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City** — Address of Principal Office
   1605 — Postal Code

8. **(02) 632-7715**
   Registrant's Telephone Number, including Area Code

9. **N/A**
   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.

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	**1,990,480,889 common shares**

11. Are any of or all of these securities listed on the Philippine Stock Exchange.
    Yes [X] No [ ]

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

    Philippine Stock Exchange Common shares

12. Check whether the issuer:

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

    Yes [X] No [ ]

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

    Yes [ ] No [X]

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

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 [ ] Not Applicable [X]

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:
    (a) Any annual report to security holders;
    (b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1 (b);
    (c) Any Prospectus filed pursuant to SRC Rule 8.1-1.

    Not Applicable

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Description of Business

Premiere Horizon Alliance Corporation (formerly Premiere Entertainment Philippines, Inc.) ("PHA" or the "Company") was incorporated on 13 January 1988 and was then known as Premiere Films International, Inc. On 20 June 1996 the Corporation's name was amended to Premiere Entertainment Productions Inc.

On 5 May 1997, PHA was listed at the Philippine Stock Exchange ("PSE") and thus, became the first public company engaged in the production of motion pictures. The Company envisioned a two-pronged thrust: a major presence in the local and international entertainment industry and an initial venture into gaming to round up its total entertainment offer.

On 16 May 2008, the Company's shareholders and board of directors approved the change in the Company's name to "Premiere Entertainment Philippines, Inc.", increase in authorized capital stock, and the acquisition of Digiwave Solutions Inc. ("DSI"), a corporation engaged in the development of gaming software and the operation of internet casino stations.

On December 29, 2011, the company's name was changed to Premiere Horizon Alliance Corporation and added the business of mining, real estate, information technology and other related business. The company also lowered the par value of its shares from P1.00 to P0.25, thus decreasing its authorized capital stock from Php 1,800,000,000.00 to Php 563,556,000.00.

In April 24, 2012, the Company obtained the approval of the Board of Directors to acquire 66.9% of Redstone Construction and Development Corporation (RCDC). RCDC is engaged in the business of providing hauling and other services for construction works for mining, real estate development, environmental protection & remediation, dam, dikes, flood control and reclamation including quarrying, hauling, earthmoving and heavy equipment. The acquisition is implemented through subscription of 25.8 million shares of RCDC's outstanding capital stock at Php 1.50 per share.

On December 18, 2012, the Company obtained the approval of the Board of Directors to invest in 40% of the equity of First Ardent Development Corporation (FADC), a company engaged in real estate development. As of December 31, 2012, the Company owns 25.6 million shares for a total cost of Php 32.0 million.

On May 22, 2014 the Palawan property was transferred in the name of PHA.

Year 2015

On February 9, 2015, PHA completed the 51% acquisition of Concepts Unplugged Business Environment Solutions, Inc. (CUBES) amounting to Php 40.0 million.

In February 24, 2015, the PHA Board of Directors approved the increase of its ownership in RCDC from 66.9% to 80.0%. At the same time the Board approved the 2015 capital expenditure budget of RCDC amounting to Php 366.55 million for the acquisition of additional 44 trucks and 36 heavy equipment. These will be used for its new mining contract with Cagdianao Mining Corporation (CMC), Benguet Nickel Mining Corp. (BNMI) and

Marcventures Mining & Development Corp. (MMDC) to service the additional volume (WMT).

On May 11, 2015, the Securities and Exchange Commission (SEC) approved PHA's application for conversion of 133,511,111 at Php 0.36 per share or Php 48.064 million corresponding to PHA's convertible loan agreements issued on 2012.

In June 04, 2015, PHA bought 55% of Goshen Land Capital Inc. (GLCI) for Php 440.0 million, Php 140.0 million secondary and Php 300.0 million primary. GLCI is a premier real estate development company in Northern Luzon based in Baguio City. GLCI was incorporated in April, 2007 with an authorized capital stock of Php 250.0 million broken down into Php 100.0 million common shares and Php 150.0 million of preferred shares. An increase in authorized capital stock has already been filed with the SEC.

On June 24, 2015, PHA Board of Directors approved the issuance of Exchangeable Notes via private placement consisting of Php 350.0 million (Main Tranche for on going expansion plans and an Optional Tranche of Php 250.0 million to accelerate certain strategic development in the existing businesses as well as new acquisitions.

In July 29, 2015, the Board of Directors of PHA approved the stock rights offering with accompanying nil-paid detachable warrants. The proceeds will be used mainly for capital expenditures of CUBES and development expenses for the Palawan property. Each shareholder shall be entitled to one (1) right share for every ten (10) common shares held as of record date at offer price of Php 0.45 per share. The detachable warrants shall entitle the holder to subscribe to one (1) share at an exercise price of Php 1.20 per share exerciseable from January 1, 2018 to December 31, 2018. In addition to the stock rights offer, the Board also approved an additional 150 million warrants to be offered to existing investors in connection with the option to increase the offering of the Exchangeable Notes by Php 250.0 million or a top-up offering of up to same amount. It will have the same terms and conditions as the warrants issued from the stock rights offer.

On October 5, 2015, the placement of Php 400.0 million Exchangeable Notes was completed which included an oversubscription of Php 50.0 million on the Php 350.0 million Main Tranche. The excess of Php 50.0 million triggered the Optional Tranche and the proceeds will be used for the initial development initiative of its Palawan property.

In October 20, 2015, PHA announced the Stock Rights Offering tentatively scheduled for October has been moved to a later date pending approval by the SEC.

On December 11, 2015, the Board approved the increase in authorized capital stock from Php 564.556 million consisting of 2,254.224 million common shares with a par value of Php 0.25 per share to Php 750.00 million consisting of 3,000 million common shares at Php 0.25 per share to be implemented by way of stock rights offering previously approved.

In December 14, 2015, SEC approved the request for exemption from registration requirements of the 199,048,088 unclassified common shares with a par value of Php 0.25 per share to be issued out of the increase in authorized capital stock by way of a stock rights offering as previously approved.

Year 2016

In March 16, 2016, the Company sold its shareholdings in First Ardent Development Corporation (FADC) for Php 45.0 million.

On August 9, 2016 the Company established a 100% subsidiary West Palawan Premiere Development Corp. (WPPDC) to subsidiarize the land holdings PHA owned. WPPDC has an authorized capital stock of Php 700.0 million, subscribed capital of Php 175.0 million and a paid-up capital of Php 43.75 million. The primary purpose of WPPDC is a real estate development company initially focused on Puerto Princesa Palawan.

Year 2017

In January, 2017, WPPDC acquired an additional 5-hectare beachfront property in Nagtabon to complement its landmark beachfront development attraction. On August 3, 2018, in line with its planned development in Nagtabon, WPPDC has signed a Memorandum of Agreement with the Dusit Group for potential participation and partnership for the development of the tourism estate project.

PHA has the following subsidiaries and affiliates:

a) Redstone Construction and Development Corporation (RCDC) – primarily engaged in the business of construction works for mining, real estate development, environmental protection & remediation, dam, dikes, flood control and reclamation including quarrying, hauling, earthmoving and heavy equipment rentals and all other earthmoving works.

b) West Palawan Premiere Development Corp (WPPDC) – its primary purpose is to acquire by purchase, lease, donation, or otherwise and own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise real estate of all kinds, whether improve, mange or otherwise dispose of buildings, houses, equipment, and other structures of whatever kind, together with their maintenances.

c) Goshen Land Capital Inc. (GLCI) – GLCI is engaged in real estate development in Northern Luzon based in Baguio City. Incorporated in 2007, Goshen focused initially on residential subdivisions in prime locations all over the city. To further provide affordable yet quality homes for the ordinary Filipino, Goshen added master planned condominium communities in its home offerings. These maximized land use and better living for residents because Goshen's master-planned communities provide security, commercial convenience access and property management.

d) Concepts Unplugged Business Environment Solutions, Inc. (CUBES) - CUBES is engaged in the business of providing refrigeration to established cold storage facilities through a patented ThermoChiller system developed in the United States. The technology will be deployed as off-grid installations that will utilize alternative fuel sources, specifically biomass, thereby contributing to environmental sustainability by diminishing the dependence on fossil fuels and the electricity grid.

e) Digiwave Solutions Inc.- DSI (formerly Digigames Inc.-DSI) – primarily engaged in information technology which includes production, development, wholesale and distribution of computer software intended for gaming and production, importation, or exportation for sale on wholesale basis of computer parts, peripherals, other external devices, and communication devices.

f) PH Big Bounty Entertainment, Inc., Premiere Horizon Business Services, Inc. (Formerly La Prima Hotel Imperiale, Inc.), PH Agriforest Corporation, PH Mining and Development Corporation– the foregoing subsidiaries are still in their pre-operating stages.

g) Premiere e-Teleservices – This subsidiary is in the process of liquidation.

The Group revenues in 2017 came from the activities of the subsidiaries Redstone Construction and Development Corporation, Goshen Land Capital, Inc. (GLCI), and Concepts Unplugged Business Environment Solutions, Inc. (CUBEs) and West Palawan Premiere Development Corp. The Group revenue breakdown are follows:

Revenues	**2017** (In Php Millions)	**Percent %**
Sale of Real Estate	479.48	65.80%
Hauling and Mineral Extraction	247.14	33.92%
Service Income	1.65	0.23%
Film Rights	0.38	0.05%
Total Revenues	728.65	100%

Competitive Situation in 2017

PHA continued to pursue its vision and mission of invigorating the countryside in 2017 by strategically focusing on infrastructure and tourism.

Its subsidiary West Palawan Premiere Development Corp. (WPPDC) completed the final planning stages for an integrated township development that brings together serene nountaiside and beachfront resorts and residential projects. It has also acquired a five (5) hectare beachfront property in Nagtabon, Puerto Princesa and is finalizing a comprehensive beachfront development plan.

RCDC continued its extraction and hauling contracts with the two (2) clients, Cagdianao Mining Corp. (CMC), and Marcventures Mining and Development Corp. (MMDC)..

Goshen Land Capital Inc. (GLCI) expects to complete four of its biggest vertical projects.

PHA is likewise looking at new projects in renewables and infrastructure that is aligned with the Build Build Build thrust of the government.

Risk Factors

The price of securities can and does fluctuate and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses rather than profit may be incurred as a result of buying and selling securities. Past performance is not a guide to future performance. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying and selling price of these securities. An investor deals in a range of investments each of which may carry a different level of risk.

Prior to making an investment decision, interested stockholders may carefully consider, along with other matters set out in this report, the following investment considerations or risk factors listed in order of importance, and which are not intended to be exclusive.

The risks of the Company's businesses are the following:

Hauling and Mining

The prospects of the hauling and mining business of RCDC remain very profitable. The weather in Surigao continues to be the primary concern of RCDC operation in CMC and MMDC sites in the aforementioned province. However with the El Nino, RCDC was able to start its operations in Surigao in latter part of March 2016. Although there is a big decrease in Nickel prices in the world market, this does not directly affect RCDC because it is a service firm and gets paid for the hauling services. The same rate applies.

Real Estate

The 17 projects will be completed based on the revised schedule dates. In 2017, 5 projects will be completed and another 7 projects by 2018. The ability to match the funding requirements to complete the projects is crucial as well as the ability of the contractors to deliver the stage of completion of each project based on projected completion targets.

Cold Storage/ThermoChiller

The technology significantly reduces operating costs arising from high electricity bills and recurring equipment repair expenses. This modular system is scalable, easily replicable and has been deployed in numerous sites in the US for the past 15 years.

The technology will be deployed as off-grid installations that will utilize alternative fuel sources, specifically biomass, thereby contributing to environmental sustainability by diminishing the dependence on fossil fuels and the electricity grid. Inherent risk for this business is if electricity cost suddenly dives down. But with the current electricity supply in the country, this is still a far-fetched possibility.

Inherent Business Risk

The Company's revenue from the hauling business is dependent on its client's ability to continuously maintain substantial stockpile for shipment to their buyers. This is largely dependent on the weather conditions on the site.

On the real estate business, the ability to sell and deliver the units to its buyers is a big factor in generating its revenues. The company's objective is to complete its existing 17 projects and look at the expansion to new projects in 2017.

The thermo chiller/cold storage business revenue is subject to fluctuation in the cost of electricity since the revenue is based on the savings the client generates in relation to is cost of electricity on a monthly basis. But in addition to the electricity savings, the client will also save in monthly maintenance cost as well as in the MCR equipment maintenance and replacement.

Political and Economic Conditions

In general, the profitability of the Company depends on a large extent on the overall level of business and economic activity in the country, which in turn, is affected by political and economic factors. Any political or economic instability in the future may have a negative effect on the industries served by the Company.

Taxation

Laws may be enacted increasing existing tax rates or creating new taxes that would affect the Company. On the other hand, laws may also be enacted decreasing existing tax rates or rendering certain taxes inapplicable to the Company.

Foreign Currency Fluctuation

Future changes in the value of the peso against the US dollar or other currencies will affect the foreign currency equivalent of the value of the shares of the Company and any dividends. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in pesos by the Company on, and the peso proceeds received from any sales of, the shares.

Any potential restrictions which may be imposed by the Bangko Sentral ng Pilipinas ("BSP"), with the approval of the President of the Philippines, on the availability of foreign exchange may unduly affect the trading of the Company's shares and any dividend distribution. As a result, although foreign investors will be able to sell their shares on the PSE, the repatriation of proceeds of sale or dividends, if coursed through the Philippine banking system, cannot be effected until registration with the BSP has been implemented. The Company is not responsible for the registration with the BSP or custodian banks of such non-residents' subscriptions or purchases of Shares.

Development in other emerging market countries may adversely affect the Philippine economy and the market price of the Shares

In the past, the Philippine economy and the securities of companies in the country, in different degrees, have been influenced by the economic and other relevant events in other emerging markets, particularly countries in Southeast Asia. Although economic conditions vary from country to country, the reactions of investors to adverse global developments may have a negative impact on the market price of securities in other countries, including stocks listed in the Philippine Stock Exchange ("PSE").

Most of the Company's shareholders are Filipinos and to the best of the Company's knowledge, no foreign institutional funds have invested in its shares. Thus, the Company's share price is not expected to be sensitive to capital flight by foreign institutional investors in case of an economic crisis abroad.

Indirect Foreign Ownership Limitations

The percentage of foreign-owned voting stocks in a corporation is determined by the citizenship of its stockholders. The citizenship of corporation that is a stockholder in a corporation follows the citizenship of the controlling stockholders of the corporation irrespective of its place of incorporation. Under the present rulings of the SEC, shares belonging to corporations or partnerships at least sixty percent (60%) of the capital of which is owned by Filipino citizens shall be considered as a Philippine nationality, but if the percentage of Filipino ownership in the corporation or partnership is less than sixty percent (60%), only the number of shares corresponding to such percentage shall be counted as Philippine nationality.

Accordingly, the Company cannot allow the issuance or the transfer of shares, and cannot record any issuance or transfers in the books of the Company, if such issuance or transfer would result in the Company breaching applicable foreign ownership restrictions. It must be noted, however, that the Company is currently not subject to any foreign ownership restrictions.

With all these inherent and business risks, the Company maintains a strong internal control environment, to mitigate, if not eliminate, some of the risks. It is the end goal of the management to minimize these risks and achieve operating profitability.

Transactions with and/or dependence on related parties

Other significant transactions with related parties are as follows:

1.) On December 15, 2011 the majority of the board of directors authorized the subscription by three (3) of its regular directors to one hundred seventy five million (175,000,000) of the Company's unissued common shares at a subscription price of Php 0.30 per share or at Php 0.05 premium above the proposed reduced par value of Php 0.25.. The three (3) subscribing regular directors are: Mr. Augusto Antonio C. Serafica, Jr., Mr. Siso M. Lao and Mr. Teofilo A. Henson. The subscribing directors did not vote during the meeting when their offer to subscribe to the unissued shares was discussed.

2.) On February 24, 2012, the Board of Directors approved a fund raising program via Convertible Loan amounting to Php 100.0 million at 8% interest with a term of three (3) years. Lender shall have the option to convert at Php 0.36/share with a detachable warrant of one (1) share for every four (4) Converted Share at an exercise price of Php 0.38/share. By end of 2012, total Convertible Loan outstanding amounted to Php 78.0 million. The fund raising program was to support the E-Games expansion among others.

3.) Other transactions with related parties pertain to non-interest bearing advances from related parties.

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

The Company has copyrighted sixty-five (65) of its titles with the National Library. The Certificate of Copyright Registration shall remain in force for fifty (50) years from publication, and if unpublished, from the date of making of the work. The Company receives royalties from the exhibition of its films.

The Company has no registered patent or trademark.

Development activities and Future Prospects

“Invigorating the Countryside”

Premiere Horizon Alliance Corporation is an investment holding company that maximizes corporate value by seeking to focus on projects that invigorate countryside development in preparation for the ASEAN Economic Community (AEC) integration beginning 2015.

The Philippines, being composed of more than 7,000 islands, presents major obstacles to the development of the country as a whole. The countryside is left behind with much inefficiencies and gaps.

“Where there are gaps, there are opportunities.”

Addressing these unfilled requirements through profitable, recurring, replicable and scalable businesses will not only help the locals in a sustainable way, but will also facilitate in the development of the nation as a whole while driving up PHA shareholder value.

On the tourism and infrastructure side, WPPDC shall embark on the development of its beachfront property and tourism estate while on the infrastructure side, it shall invest in 85% of two MPSA companies covering 10,384 hectares of commercial quantity limestone for cement production. On the hauling and extraction business, RCDC will continue to excel and provide high quality service.

Employees

As of December 31, 2017, PHA has 9 employees while RCDC has 40 regular employees. RCDC employs contractual or project personnel during the mining season.

Item 2. Description of Property

PHA purchased its present office headquarters at Unit 1705 East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City on August 14, 2014.

The Company has accumulated a total of four hundred thirty-eight (438) titles in its Film Library since December 31, 2003, with a total production and acquisition cost of Php235.8 million.

On May 22, 2014, PHA completed the transfer of the foreclosed 500 hectare property in Brgy. Bacungan, Puerto Princesa, Palawan in its name. The land is currently valued at Php 399.95million. The land in Palawan are carried at fair value. The Company through its subsidiary WPPDC has acquired a 5-hectare beachfront property in Nagtabon Puerto Princesa.

As of December 2017, the hauling and mineral extraction operation of RCDC has 39 heavy equipment, 89 dump trucks and 6 service vehicles.

Item 3. Legal Proceedings

Digiwave Solutions Inc. is currently involved in two (2) cases pending before the courts, these are:.
1) Digiwave Solutions Inc. is the defendant in a civil case for damages filed by E-MPA Fires docketed as E-MPA Fires vs. DSI, Q-10-68354, QC RTC 88
a. The defense is scheduled to present its next witness, Atty. Stephen E. Cascolan, on the next hearing date.

2) Digiwave Solutions Inc. is the defendant in a civil case before Pasig MTC Branch 68 docketed as Lipana vs. DSI. civil case no. 19315.
a. The proceedings before the MTC has been suspended due to the filing of a Petition for Review before the RTC of Pasig City.

b. The Petition for Review questions the Court's order disallowing DSI to present its witnesses because of its failure to file the Judicial Affidavits of its witnesses.

c. The respondents have repeatedly failed to file their comment/answer to the Petition.

d. At the last hearing on 19 April 2018, the respondent, again, failed to appear.

e. The next scheduled hearing is on 07 June 2018.

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

No matter was submitted during the fourth quarter of the fiscal year covered by this Report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II – OPERATION AND FINANCIAL INFORMATION

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

(1) Market Information

The common shares of the Company are traded on the Philippine Stock Exchange ("PSE") under the symbol "PHA". The Company's price information as of December 29, 2017 is Php 0.365.

The following table indicates the quarterly high and low sale price of the Company's common shares as reported on the PSE for the years 2015–2017.

	HIGH			LOW		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
1st Quarter	0.44	0.44	0.60	0.43	0.42	0.56
2nd Quarter	0.40	0.43	0.65	0.39	0.42	0.57
3rd Quarter	0.39	0.42	0.69	0.39	0.41	0.56
4th Quarter	0.36	0.47	0.58	0.35	0.44	0.46

(2) Holders

As of 31 December 2017, there were 123 shareholders of record of PHA's common shares and listed below are the top twenty (20) common shareholders, including their nationalities, number of shares held, and the approximate percentages of their respective shareholdings to PHA's total outstanding common stocks:

SHAREHOLDERS' NAME	NATIONALITY	HOLDINGS	RANK
PCD Nominee Corporation	Filipino	1,481,036,689	74.41%
PCD Nominee Corporation (non-Filipino)	Foreign	123,464,101	6.20%
Siso M. Lao	Filipino	71,666,666	3.60%
Augusto C. Serafica, Jr.	Filipino	70,000.001	3.52%
Teofilo Henson	Filipino	50,000,000	2.51%
TLC Manna Consulting Inc.	Filipino	40,000,000	2.01%
S CAPITAL CORP.	Filipino	36,000,000	1.81%
ASIAN ALLIANCE INVESTMENT CORP	Filipino	34,722,223	1.74%
MYKA ADVISORY AND CONS. SERV. INC.	Filipino	27,500,000	1.38%
RAUL MA F. ANONAS	Filipino	21,250,000	1.07%
ALFREDO LOZANO, JR.	Filipino	16,666,666	0.84%
RAFAEL YAPTINCHAY	Filipino	8,333,334	0.42%
KENNETH KEE YAO SEE	Filipino	1,750,000	0.09%
ANTONIO ONG	Filipino	1,500,000	0.08%
RENATO Y. CHUA	Filipino	1,050,000	0.05%
ERNESTO B. LIM	Filipino	1,000,000	0.05%
RAUL A. ALON	Filipino	500,000	0.03%
LILY ROSE DE LEON	Filipino	475,000	0.03%
SHIRLEY Y. SEE	Filipino	300,000	0.02%
PHILIP Z. DABAO	Filipino	200,000	0.01%
TOTAL TOP 20 SHAREHOLDERS		1,987,414,680	99.85%
TOTAL OUTSTANDING SHARES		1,990,480,889	

(3) Dividends

PHA has not declared any cash dividends for the past three (3) years and any subsequent interim period.

Under the By-Laws of the Company, dividends shall be declared only from surplus profits and shall be payable at such time and in such amounts as the Board of Directors shall determine as they deem proper; Provided, however, that no stock dividends shall be issued without the approval of the stockholders representing not less than two-thirds (2/3) of all stock then outstanding and entitled to vote at a general meeting of the Company or at a special meeting called for the purpose. No dividends shall be declared that impair the capital of the Company. Other than the aforesaid, there are no other restrictions that would limit or would likely to limit in the future the ability of the company to pay dividends on common equity.

(4) Recent Sales of Unregistered or Exempt Securities, Including recent Issuance of Securities Constituting an Exempt Transaction

I. Conversion of Notes

On May 11, 2015, the SEC approved the application of PHA for the issuance of 133,511,111 common shares with a value of Php 0.36 per share by way of conversion of loans amounting to Php 48.064 million as exempt from the registration requirements of SEC.

II. Stock Rights

In December 14, 2015, the SEC Markets and Securities Regulation Department approved the request of PHA for exemption from registration of the 199,048,088 shares unclassified common shares with a par value of Php 0.25 per share. This will be issued out of the increase in authorized capital stock by way of stock rights offering.

III. Subscription by Regular Directors

On December 15, 2011 the majority of the board of directors authorized the subscription by three (3) of its regular directors to one hundred seventy five million (175,000,000) of the Company's unissued common shares at a subscription price of P0.30 per share or at P0.05 above par value. The three (3) subscribing directors are: Mr. Augusto Serafica, Jr., Mr. Siso M. Lao and Mr. Teofilo A. Henson. The subscribing directors did not vote during the meeting when their offer to subscribe to the unissued shares was approved.

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

MANAGEMENT REPORT

(A) Management's Discussion and Analysis and Plan of Operation

Our discussions in the foregoing sections of this report may contain forward-looking statements that reflect our current views with respect to the Group's future plans, events, operational performance, and desired results. These statements, by their very nature, contain substantial elements of risks and uncertainties. Actual results may be different from our forecasts.

Furthermore, the information contained herein should be read in conjunction with the accompanying audited consolidated financial statements and related notes. Our financial statements, and the financial discussions below, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Plan of Operations for Year 2018

West Palawan Premiere Development Corp. (WPPDC)

WPPDC was incorporated in August 9, 2016 as a 100% owned subsidiary of PHA. It shall own the 500 hectares in Brgy. Bacungan Puerto Princesa plus the other properties transferred by the other subsidiaries. In 2018, WPPDC will embark on the development of its 5-hectare Nagtabon property

Redstone Construction and Development Corporation (RCDC).

RCDC will continue to service its two (2) principal clients in Surigao. It shall maintain its existing fleet of 39 heavy equipment, 89 dump trucks and about 15 service vehicles to service the requirement of its clients.

Concepts Unplugged Business Environment Solutions, Inc. (CUBES)

The 51% investment in CUBES was completed in January 2015. The projected volume of business for 2016 is around 720 tons of refrigeration (TR) in Nine (9) sites around the country..

Other Developmental Business Activities/ Subsequent Events.
In March 2018, the Board of Directors of the Company has approved the equity investment in 2 Mineral Production Sharing Agreements (MPSAs) companies in Palawan covering approximately 10,384 hectars of probable commercial quality limestone deposits.

The Group continues to identify other businesses that will generate more revenues. It is now looking at various business opportunities in energy and other tourism-related industries.

Discussion and analysis of the Group and its majority-owned subsidiaries' top five (5) key performance indicators, including the manner by which the Group calculates or identify the indicators on a comparative basis.

The Group, with its subsidiaries, uses the following key performance indicators:

1) Revenues
2) Net Income (Loss) From Continuing Operation
3) Debt- to- Equity Ratio
4) Current Ratio
5) Return on Assets

Using the Debt-to-Equity Ratio as indicator, the Group computes the following in the manner presented below:

$$\text{Debt-to-Equity} = \frac{\text{Total Liabilities}}{\text{Total Stockholders' Equity}}$$

Using Current Ratio as indicator, the Group computes the following in the manner presented below:

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

Using Return on Investments as indicator, the Group computes the following in the manner presented below:

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Book Value of Assets}}$$

Presented below is the comparative table of the Group's performance for the years 2016 and 2015, 2014, respectively.

		December 31		YoY Change
		Audited 2017	Audited 2016	
1	Revenues	728,653,757	911,139,516	(182,485,759)
2	Net Income	39,163,499	47,360,874	(8,197,375)
3	Debt -to- Equity Ratio	3.09:1	2.99:1	0.10
4	Current Ratio	1.55:1	1.37:1	0.18
5	Return On Assets	0.01:1	0.01:1	-

		December 31		YoY Change
		Audited 2016	Audited 2015	
1	Revenues	911,139,516	882,466,723	28,672,793
2	Net Income	47,360,875	71,584,170	(24,223,295)
3	Debt -to- Equity Ratio	2.99:1	2.99:1	-
4	Current Ratio	1.37:1	0.91:1	0.46
5	Return On Assets	0.01:1	0.02:1	(.01)

I. **Revenues**

The Group revenues in 2017 amounted to Php 728.65 million which is Php 182.49 million or 20.03% lower than the 2016 Group revenue of P 911.14 million.

The Group revenues in 2016 amounted to P 911.14 million which is Php 28.67 million or 3.25% higher than the 2015 Group revenue of 882.47 million.

II. **Net Income**

The Group net income in 2017 amounted to Php 39.16 million which is Php 8.20 million or 17.31% lower than the 2016 Group net income of 47.36 million.

The Group net income in 2016 amounted to Php 47.36 million which is Php 24.22 million or 33.84% lower than the 2015 Group net income of 71.58 million.

III. **Debt to Equity Ratio**

The Group debt to equity ratio in 2017, 2016, and 2015 amounted to 3.09:1, 2.99:1, and 2.99:1, respectively.

IV. **Current Ratio**

The Group current ratio in 2017, 2016, and 2015 amounted to 1.55:1, 1.37:1, and 0.91:1, respectively.

V. **Return on Assets (ROA)**

The Group return on assets for 2017, 2016, and 2015 amounted to 0.01:1, 0.01:1, and 0.02:1, respectively.

Results of Operations for the last three (3) years

2017

During the years 2017, 2016, and 2015, the Group recorded a net income of Php 39.16 million, Php 47.36 million, and Php 71.58 million, respectively. Presented in the subsequent sections are the details of the Company's income statement accounts:

- The Group real estate sales in 2017 and 2016 amounted to Php 479.48 million and Php 605.42 million, respectively, which shows a decrease of Php 125.94 million or 20.80%. In 2017, there was a slowdown in GLCI's real estate constructions which resulted in the aforesaid decrease.

- The Group mining service revenue in 2017 and 2016 amounted to Php 247.14 million and Php 297.83 million, respectively, which shows a decrease of Php 50.69 million or 17.02%. In 2017, there was a slowdown in RCDC's mining operations which resulted in the aforesaid decrease.

- The Group service income in 2017 and 2016 amounted to Php 1.65 million and Php 7.88 million, respectively, which shows a decrease of Php 6.23 million or 79.08%. In 2017, the operations of CUBES were suspended which resulted in the aforesaid decrease.

- The Group film rights in 2017 and 2016 amounted to Php 0.39 million and -nil-, respectively. In 2017, the Company sold one of its film rights which resulted in the aforesaid revenue. There were no film rights sold for 2016.

- The Group cost of real estate sales in 2017 and 2016 amounted to Php 289.05 million and Php 380.42 million, respectively, which shows a decrease of Php 91.37 million or 24.02%. As previously stated, there was a slowdown in GLCI's real estate constructions which resulted in the aforesaid decrease.

- The Group costs of services in 2017 and 2016 amounted Php 221.33 million and Php 259.88 million, respectively, which shows a decrease of Php 38.55 million or 14.84%. As previously stated, there was a slowdown in RCDC's operations and a suspension of CUBES' operations which resulted in the aforesaid decrease.

- The Group depreciation and amortization in 2017 and 2016 amounted to Php 85.11 million and Php 112.47 million, respectively, which shows a decrease of Php 27.36 million or 24.33%. The decrease primarily came from the change in useful life of certain depreciable assets. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 57.52 million, and General and Administrative Expense – Php 27.59 million.

- The Group personnel costs in 2017 and 2016 amounted to Php 108.64 million and Php 112.73 million, respectively, which shows a decrease of Php 4.09 million or 3.63%. The decrease primarily came from the suspension of operations CUBES. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 57.00 million, and General and Administrative Expense – Php 51.64 million.

- The Group fuel and oil in 2017 and 2016 amounted to Php 37.75 million and Php 50.65 million, respectively, which shows a decrease of Php 12.90 million or 25.47%. The decrease primarily came from the slowdown in RCDC's operations. The said account is presented in the financial statements for 2017 under Cost of Services.

- The Group repairs and maintenance in 2017 and 2016 amounted to Php 37.09 million and Php 33.36 million, respectively, which shows an increase of Php 3.73 million or 11.18%. The increase primarily came from the extensive repairs and maintenance performed during the year. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 36.59 million, and General and Administrative Expense – Php 0.50 million.

- The Group taxes and licenses in 2017 and 2016 amounted to Php 16.75 million and Php 12.38 million, respectively, which shows an increase of Php 4.37 million or 35.30%. The increase primarily came from the higher taxable base and bracket used to compute taxes and licenses for the year 2017. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 10.98 million, and General and Administrative Expense – Php 5.77 million.

- The Group transportation and travel in 2017 and 2016 amounted to Php 6.51 million and Php 14.87 million, respectively, which shows a decrease of Php 8.36 million or 56.22%. The decrease primarily came from the reduced transportation and travel requirements for the year 2017. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 1.71 million, and General and Administrative Expense – Php 4.80 million.

- The Group professional and legal fees in 2017 and 2016 amounted to Php 25.16 million and Php 43.29 million, respectively, which shows a decrease of Php 18.13 million or 41.88%. The decrease primarily came from the reduced services availed from professionals for the year 2017. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 4.50 million, and General and Administrative Expense – Php 20.66 million.

- The Group rentals and utilities in 2017 and 2016 amounted to Php 12.28 million and Php 19.32 million, respectively, which shows a decrease of Php 7.04 million or 36.44%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 3.83 million, and General and Administrative Expense – Php 8.45 million.

- The Group entertainment, amusement, and recreation in 2017 and 2016 amounted to Php 3.07 million and Php 6.68 million, respectively, which shows a decrease of Php 3.61 million or 54.04%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 2.47 million, and General and Administrative Expense – Php 0.60 million.

- The Group Commissions in 2017 and 2016 amounted to Php 27.24 million and Php 37.50 million, respectively, which shows a decrease of Php 10.26 million or 27.36%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group outside services in 2017 and 2016 amounted to Php 2.10 million and Php 3.25 million, respectively, which shows a decrease of Php 1.15 million or 35.38%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group supplies and materials in 2017 and 2016 amounted to Php 2.06 million and Php 0.67 million, respectively, which shows an increase of Php 1.39 million or 207.46%. The increase primarily came from the increased operational requirements. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group advertising and promotions in 2017 and 2016 amounted to Php 1.77 million and Php 4.77 million, respectively, which shows a decrease of Php 3.00 million or 62.89%. The decrease primarily came from the slowdown and suspension of operations. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group freight and handling in 2017 and 2016 amounted to Php 1.69 million and Php 0.88 million, respectively, which shows an increase of Php 0.81 million or 92.05%. The increase primarily came from the increased operational requirements. The said account is presented in the financial statements for 2017 under General and Administrative Expenses.

- The Group other expenses in 2017 and 2016 amounted to Php 32.80 million and Php 16.68 million, respectively, which shows an increase of Php 16.12 million or 96.64%. The increase primarily came from the increased operational requirements. The said account is presented in the financial statements for 2017 as follows: Cost of Services – Php 11.10 million, and General and Administrative Expense – Php 21.70 million.

- The Group interest income in 2017 and 2016 amounted to Php 7.16 million and Php 13.94 million, respectively, which shows a decrease of Php 6.78 million or 48.64%. The decrease primarily came from the reduced cash in bank balances. The said account under Other Income (Charges).

- The Group change in fair value of investment property in 2017 and 2016 amounted to Php –nil- and Php 158.94 million, respectively. There were no changes in fair value of investment property in 2017. The said account is presented under Other Income (Charges).

- The Group sale of asset held for sale in 2017 and 2016 amounted to Php –nil- and Php 10.26 million, respectively. There were no sale of asset held for sale in 2017. The said account is presented under Other Income (Charges).

- The Group impairment losses in 2017 and 2016 amounted to Php 0.58 million and Php 3.48 million, respectively, which shows a decrease of Php 2.90 million or 83.33%. There were fewer and lower assessments for impaired assets in 2017. The said account is presented under Other Income (Charges).

- The Group interest expense in 2017 and 2016 amounted to Php 95.66 million and Php 129.79 million, respectively, which shows a decrease of Php 34.13 million or 26.30%. The decrease primarily came from the increased capitalization of borrowing costs in 2017. The said account is presented under Other Income (Charges).

- The Group other income in 2017 and 2016 amounted to Php 26.78 million and Php 6.88 million, respectively, which shows an increase of Php 19.90 million or 289.24%. The increase primarily came from additional income earned from other sources. The said account is presented under Other Income (Charges).

2016

Redstone Construction And Development Corporation (RCDC), a mining service subsidiary, gave 12-month-revenues in 2016 as well as in 2015. Concepts Unplugged Business Environment Solutions, Inc. (CUBES) gave twelve (12) and three (3) months revenues to the group in years 2016 and 2015, respectively. Goshen Land Capital, Inc (GLCI), a real estate subsidiary, gave twelve (12) and seven (7) months revenue to the group in 2016 and 2015, respectively. In 2016, West Palawan Premiere Development Corporation, a wholly owned subsidiary, gave five (5) months revenue to the Group. The Group posted a net income of Php47.36million in 2016 from Php71.58million of 2015 showing a 51%. The following were the major changes in the Company's income statements accounts from continuing operations:

- The Group mining service revenue in 2016 amounted to Php297.83million. This posted Php8.12million increase from 289.71million of 2015 or 2% increment. There was no material change in the Group 2016 mining service revenue compared to last year.

- The Group real estate sales in 2016 amounted to Php605.42million. This posted Php15.05million increase from Php590.37million in 2015 or 3% increment. There was no material change in the Group 2016 real estate sales compared to last year.

- The Group costs of services in 2016 amounted Php380.42million. This posted Php10.50million increase from Php369.92million costs of services in 2015 or 3% increment. There was no material movement in the costs of services.

- The Group personnel costs in 2016 amounted to Php53.29million. This posted Php13.39million increase from Php39.90million in 2015 or a 33.56% increase. The increase was mainly due to the salaries and wages of Goshen Land Capital, Inc. which the Group charged 12 months and 7 months salaries and wages in 2016 and 2015, respectively.

- The Group professional fees in 2016 amounted to Php36.50million. This posted Php9.70million decrease from Php46.20million in 2015 or 20% decrease. The decrease was mainly due to charging to land rights the professional fees incurred thereto.

- The Group depreciation and amortization in 2016 amounted to Php107.96million. This posted Php41.70million increase from Php66.26million in 2015 or 63% increase. The increase was mainly due to Php10.53million impairment of exclusive rights and the depreciation of heavy equipment acquired in the second half of 2015.

- The Group transportation and travel in 2016 amounted to Php5.13milliion. This posted Php1.08million increase from Php4.05million of 2015 or 27% increase. The increase was mainly due additional transportation and travel requirements of the Group in 2016.

- The Group rentals and utilities in 2016 amounted to Php11.91million. This posted Php3.10million increase from Php8.81million of 2015 or 35% increase. The increase was mainly due to the rental and utilities of Goshen Land Capital, Inc. which the Group charged 12 months and 7 months rentals and utilities expenses in 2016 and 2015, respectively.

- The Group taxes and licenses in 2016 amounted to Php6.23million. This posted Php8.64 decrease from Php14.87 of 2015 or a 58% increase. The decrease was mainly due to documentary stamp tax which the Group incurred more in 2015 on its promissory notes as compared to this year.

- The Group supplies and materials in 2016 amounted to Php.67million. There was no material change in the Group supplies and materials of this year compared to the previous year.

- The Group entertainment, amusement and recreation in 2016 amounted to Php3.85million. This posted of Php2.64million decrease from Php6.49million of 2015 or a 59% decrease. The decrease was mainly due to the decline in the Group requirement of entertainment, amusement and recreation in 2016 as compared to 2015.

- The Group did not have equity in net earnings on investment in associate in 2016 because the investment in associate was classified by the management into Assets Held for Sale as of December 31, 2015. In 2015, the Group equity in the net earnings on the investment in associate amounted to Php1.18million.

- The Group interest income from bank deposits amounted to Php2.08million. This posted an increase of Php1.61million from Php.47million of 2015 or a 247% increase. The increase was mainly due to huge amount of bank deposits in the 1st half of 2016.

- The Group impairment losses in 2016 amounted to Php3.48million. This posted a decrease of Php3.42million from Php6.90million of 2015 or a 98% decrease. The decrease was due to the lesser amount assets to be impaired found by the management in 2016 as compared to last year.

- The Group interest expenses in 2016 amounted to Php129.79million. This posted an increase of Php72.75million increase from Php57.34 of 2015 or a 44% increase. The increase was due to the increase in interest on the loans which the Group availed more in the middle second half of 2015.

2015

Redstone Construction And Development Corp. (RCDC), a mining service subsidiary, gave 12-month-revenues in 2015 as well as in 2014. Concepts Unplugged Business Environment Solutions, Inc. (CUBES) gave three (3) months revenue to the group. Goshen Land Capital, Inc (GLCI), a real estate subsidiary, contributed a seven (7) months from June to December 2015. The Group posted a net income of Php100.92million in 2015 from Php147.49million in 2014 showing a 46% decrease. The following were the major changes in the Company's income statement accounts from continuing operations:

- The Group mining service revenue in 2015 amounted to Php289.71million. This posted a Php142.73million increase from Php146.98million of 2014 or a 97.11% increase. The increase was due to the increase in the production service of the Group mining service subsidiary.

- TH

- The Group real estate sales in 2015 amounted to Php590.37million. This is a 100% increase in the Group real estate sales in 2015 as the subsidiary formed part of the Group in the second half of 2015.

- The Group costs of mining services amounted to Php199.91million. This posted Php100.84million increase from Php199.17million of 2014 or a 102% increase. The increase was mainly due to the increase in depreciation as the new equipment were acquired in 2015 and the additional requirement of the service production costs from 2014.

- The Group personnel costs in 2015 amounted to Php39.90million. This posted an increase of Php34.10million from Php5.80million of 2014 or 588% increase. The increase was mainly due to the inclusion of salaries and wages of subsidiaries Goshen Land Capital, Inc. (GLCI) and Concepts: Unplugged Business Environment Solutions, Inc. (CUBES) which formed part of the Group in 2015.The Group professional fees in 2015 amounted to Php46.20million. This posted an increase of Php27.02million from Php29.18million of 2014 or a 141% increase. The increase was mainly due to the Group support for the expanding operation.

- The Group depreciation and amortization in 2015 amounted to Php66.26million. This posted Php48.63million increase from Php17.63milion of 2014 or a 276% increase. The increase was mainly due to the acquisition of heavy equipment of the mining service subsidiary RCDC and the inclusion of Goshen Land Capital, Inc. (GLCI), which formed part of the Group beginning May of 2015 and Concepts:Unplugged Business Environment Solutions, Inc. (CUBEs) which came into a group in February of 2015.

- The Group transportation and travel in 2015 amounted to Php4.05million. This posted a Php2.13million increase from Php1.92million of 2014 or a 110% increase. The increase was mainly due to the inclusion of transportation and travel of subsidiaries Goshen Land Capital, Inc. and Concepts: Unplugged Business Solutions, Inc. (CUBEs) which just came into the Group in 2015.

- The Group rent and utilities expenses in 2015 amounted to Php881million. This posted Php7.28million increase from Php1.53million of 2015 or a 476% increase. The increase was mainly due to the inclusion of rent and utilities of subsidiaries Goshen Land Capital, Inc. and Concepts: Unplugged Business Solutions, Inc. (CUBEs) which just came into the Group in 2015 and the transfer of the Parent head office to Tektite from Maybunga, Pasig.

- The Group taxes and licenses in 2015 amounted to Php14.687million. This posted Php9.61milion increase from Php5.26million of 2014 or 183% increase. The increase was mainly due to the inclusion of taxes and licenses of subsidiaries Goshen Land Capital, Inc. and Concepts: Unplugged Business Solutions, Inc. (CUBEs) which just came into the Group in 2015 and the increase in documentary stamp tax on the borrowing that the Group incurred more in 2015.

- The Group supplies and materials in 2015 amounted to Php.65million. This posted Php.38milion increase from Php.27million of 2014 or a 139% increase. The increase was mainly due to the inclusion of supplies and materials of subsidiaries Goshen Land Capital, Inc. and Concepts: Unplugged Business Solutions, Inc. (CUBEs) which just came into the Group in 2015

- The Group entertainment, amusement and recreation in 2015 amounted to Php6.49million. This posted an increase of Php4.67million from Php1.82million of 2014 or a 257% increase. The increase was mainly due to the inclusion of entertainment, amusement and recreation of subsidiaries Goshen Land Capital, Inc. and Concepts: Unplugged Business Solutions, Inc. (CUBEs) which just came into the Group in 2015

- The Group equity in the net earnings on the investment in associate in 2015 amounted to Php1.82million. This posted an increase of Php.92million from Php.90million of 2014 or a 64% increase. The increase was due to improvement of the FirstArdent Development Corporation in which the investment in associated is invested.

- The Group interest income from bank deposits in 2015 amounted to Php.45million. This posted a Php.05million decrease from .50million of 2015 or a 10% decrease. The decrease was due to the decrease in cash deposits with the bank during the year 2015 as compared to 2014./

- The Group impairment losses in 2015 amounted to Php6.90million. This posted a Php.60million decrease from Php7.50million of 2015 or a 8% decrease. The decrease was due to the management assessment of lesser impairment of assets as compared to the 2014.

- The Group interest expense in 2015 amounted to Php57.53million. This posted a Php48.19million increase from Php9.34million of 2014 or 516% increase. The increase was mainly due to the inclusion of interest expense of Goshen Land Capital, Inc. (GLCI) which formed part of the Group in May of 2015.

FINANCIAL POSITION

2017

The Company's total assets as of December 31, 2017 and 2016 amounted to Php 4,096.55 million and Php 3,723.64 million, respectively, which shows an increase of Php 372.90 million or 10.01%. The Company's total liabilities as of December 31, 2017 and 2016 amounted to Php 3,094.38 million and Php 2,790.00 million, respectively, which shows an increase of Php 304.38 million or 10.91%. The Company's equity as of December 31, 2017 and 2016 amounted to Php 591.84 million and Php 533.99 million, respectively, which shows an increase of Php 57.85 million or 10.83%. The Company's equity attributable to non-controlling interests as of December 31, 2017 and 2016 amounted to Php 410.33 million and Php 399.64 million, respectively, which shows an increase of Php 10.69 million or 2.67%.

The following are the balance sheet items with changes amounting to five percent (5%) from the previous year:

- Cash as of December 31, 2017 and 2016 amounted to Php 70.16 million and Php 90.31 million, respectively, which shows a decrease of Php 20.15 million or 22.31%. Cash used in operations amounted to Php 71.65 million; cash used in investing activities amounted to Php 163.56 million; while cash provided by financing activities amounted to Php 215.07 million; the sum of which represents the aforementioned decrease.

- Receivables - net as of December 31, 2017 and 2016 amounted to Php 1,424.67 million and Php 1,145.32 million, respectively, which shows an increase of

Php 279.35 million or 24.39%. The increase primarily came from the uncollected contract receivables.

- Real estate held for sale as of December 31, 2017 and 2016 amounted to Php 824.99 million and Php 723.28 million, respectively, which shows an increase of Php 101.71 million or 14.06%. The increase primarily came from the additional construction and development costs of the Company's real estate assets.

- Inventories as of December 31, 2017 and 2016 amounted to Php 13.00 million and Php 12.20 million, respectively, which shows an increase of Php 0.80 million or 6.56%. The increase primarily came from the additional costs of inventories.

- Other current assets as of December 31, 2017 and 2016 amounted to Php 302.00 million and Php 205.50 million, respectively, which shows an increase of Php 96.50 million or 46.96%. The increase primarily came from additional advances made to suppliers and contractors; and input VAT claimed during the year.

- Non-current portion of contracts receivable as of December 31, 2017 and 2016 amounted to Php 220.98 million and Php 387.19 million, respectively, which shows a decrease of Php 166.21 million or 42.93%. The decrease came from reclassification of non-current to current contract receivables.

- Goodwill and intangible assets as of December 31, 2017 and 2016 amounted to Php 143.71 million and Php 159.33 million, respectively, which shows a decrease of Php 15.62 million or 9.80%. The decrease primarily came from the amortization of intangible assets.

- Property and equipment - net as of December 31, 2017 and 2016 amounted to Php 330.39 million and Php 393.09 million, respectively, which shows a decrease of Php 62.70 million or 15.95%. The decrease primarily came from the depreciation during the year.

- Land and land development as of December 31, 2017 and 2016 amounted to Php 578.79 million and Php 123.28 million, respectively, which shows an increase of Php 455.51 million or 369.49%. The increase primarily came from the reclassification of investment property which was sold by PHA to WPP during the year.

- Investment property as of December 31, 2017 and 2016 amounted to Php –nil- million and Php 399.95 million, respectively, which shows a decrease of Php 399.95 million or 100%. The decrease primarily came from the reclassification of investment property which was sold by PHA to WPP during the year.

- Other noncurrent assets as of December 31, 2017 and 2016 amounted to Php 187.86 million and Php 84.19 million, respectively, which shows an increase of Php 103.67 million or 123.14%. The increase primarily came from the input VAT claimed during the year.

- Trade and other payables as of December 31, 2017 and 2016 amounted to Php 907.37 million and Php 644.03 million, respectively, which shows an increase of

Php 263.34 million or 40.89%. The increase primarily came from the payables made to third parties and advances during the year.

- Short-term loans as of December 31, 2017 and 2016 amounted to Php 209.10 million and Php 211.05 million, respectively, which shows a decrease of Php 1.95 million or 0.92%. There were no significant changes during the previous year.

- Income tax payable as of December 31, 2017 and 2016 amounted to Php 0.34 million and Php 0.88 million, respectively, which shows a decrease of Php 0.54 million or 61.36%. The decrease primarily came from the decreased taxable income during the year.

- Purchased land payable – current portion as of December 31, 2017 and 2016 amounted to Php 148.90 million and Php 240.37 million, respectively, which shows a decrease of Php 91.47 million or 38.05%. The decrease primarily came from the payments made during the year.

- Loans payable – current portion as of December 31, 2017 and 2016 amounted to Php 407.70 million and Php 421.27 million, respectively, which shows a decrease of Php 13.57 million or 3.22%. The decrease primarily came from higher payments made during the year.

- Obligations under finance lease – current portion as of December 31, 2017 and 2016 amounted to Php 26.12 million and Php 47.25 million, respectively, which shows a decrease of Php 21.13 million or 44.72%. The decrease primarily came from payments made during the year.

- Installment payable – current portion as of December 31, 2017 and 2016 amounted to Php –nil- million and Php 27.99 million, respectively, which shows a decrease of Php 27.99 million or 100%. The decrease primarily came from payments made during the year.

- Pension liabilities as of December 31, 2017 and 2016 amounted to Php 13.18 million and Php 19.12 million, respectively, which shows a decrease of Php 5.94 million or 31.07%. The decrease primarily came from suspension of operations of CUBES which resulted in the termination of its employees.

- Convertible loans as of December 31, 2017 and 2016 amounted to Php 522.92 million and Php 423.41 million, respectively, which shows an increase of Php 99.51 million or 23.50%. The increase primarily came from the additional convertible loans during the year.

- Purchased land payable – noncurrent portion as of December 31, 2017 and 2016 amounted to Php 20.37 million and Php 11.94 million, respectively, which shows an increase of Php 8.43 million or 70.60%. The increase primarily came from the reclassification of non-current to current.

- Loans payable – noncurrent portion as of December 31, 2017 and 2016 amounted to Php 566.76 million and Php 405.59 million, respectively, which shows an increase of

Php 161.17 million or 39.74%. The increase primarily came from the additional loans during the year.

- Obligations under finance lease – noncurrent portion as of December 31, 2017 and 2016 amounted to Php 8.62 million and Php 9.84 million, respectively, which shows a decrease of Php 1.22 million or 12.40%. The decrease primarily came from the reclassification of non-current to current obligations under finance lease.

- Deferred tax liabilities as of December 31, 2017 and 2016 amounted to Php 262.98 million and Php 327.25 million, respectively, which shows a decrease of Php 64.27 million or 19.64%. The decrease primarily came from the reversal of certain deferred tax liabilities during the year.

2016

At the end of **2016**, the Company's total assets were valued at Php3.68billion from Php3.38billion of 2015 or 9% growth from last 2015; total liabilities were valued at Php2.75billion from Php2.53billion of 2015 or 9% increase from 2015; and total equity was valued at Php933.71million from Php861.19million of 2015 or 8% higher than 2015. The equity attributable to non-controlling interest was valued at Php534.03million in 2016 from Php500.81million of 2015 or a 6% growth from last year.

The following are the causes for the material changes, i.e. those amounting to five percent (5%) of the relevant accounts:

- Cash – Cash decreased to Php90.31million in 2016 from Php143.78million of 2015 showing 4% decrement from 2015. The cash provided by financing activities amounted to Php23.61million in 2016. While, the cash used in the operating and investing activities amounted to Php56.46million and Php20.63million, respectively, in 2016.

- Receivables - As at December 2016, the Group receivables amounted to Php1.53billion from Php1.31billion of 2015. The majority of which came from the sale of the real estate of Goshen Land Capital, Inc. (GLCI) a subsidiary engaged in real estate business. The balance of the receivables as at December 31, 2016 was 18% higher than that of 2015.

- Real Estate Held For Sale – As of December 31, 2016, the Group real estate held for sale had a carrying amount of Php723.28million from Php673.39million of 2015 or 7% growth.

- Other current assets – As of December 31, 2016, the Group other current assets had a carrying amount of Php206.23million or a 5% growth from 2015 with balance of Php196.36million.

- Intangible assets – As at December 31, 2016, the Group intangible assets had a carrying amount of Php159.33million from Php175.17million of 2015. There was 9% or Php15.84million decrease in intangible assets. The decrease was due to the impairment of exclusive rights to distribute of Concepts Unplugged Business Environment Solutions, Inc. (CUBES) engaged in refrigeration business and the film rights of the Group.

- Investment property – As at December 31, 2016 and 2015, the investments property had carrying value of Php399.95million and Php273.00million, respectively or an increase of Php126.75million or 46% higher than that of 2015. The increase in carrying value were from the appraisal increase of the land amounted to Php158.94million or 58% increase from 2015. Investment in property were carried at fair market value of the investment property as at reporting date.

- Property and equipment – As at December 31, 2016 and 2015, the Group Property and Equipment had carrying amount of Php391.10million and Php479.06million, respectively. There was no major addition to the property and equipment, and the decrease in value were from the depreciation recognized in 2016.

- Trade and other payables – As at December 31, 2016, the Group trade and payables amounted to Php1.09billion or 17% higher than that of 2015. The increase were mainly due to the increase in accrued expenses of the Group.

- Short-term loans – As at December 31, 2016, the Group short-term loans amounted to Php211.05million or 16% higher than that of 2015. In 2016 the Company availed of short-term loans amounted to Php29.52million due to the financing requirements of the Group for additional working capital requirements of subsidiaries.

- Income tax payable – The Group recorded Php.88million corporate income tax payable of 2016 a 196% higher than that of 2015.

- Obligations under finance lease – As at December 31, 2016, the Group finance lease obligations had a carrying amount of Php57.09million an increase of Php57.09million or 100% higher than that of 2015. The increase was due to the availment of the Group of the loans through the finance lease.

- Installment payable – As of December 31, 2016, the Group installment payable had carrying amount of Php28.00million from Php179.00million or 84% decrease. The decrease due to amortization payment of the loan in 2016.

- Loans payable – As at December 31, 2016 the Group loan payable amounted to Php631.45million a 99% higher than 2015. The increase was due to the availment of additional loan.

- Pension liabilities – As at December 31, 2016 and 2015 the balance of the pension liabilities was Php19.12million and Php15.44million, respectively, or an increase of Php3.68million or 24% higher from the 2015. The increase was due to re-measurement of pension costs.

2015

At the end of **2015**, the Company's audited total assets were valued at Php3.35billion from Php748.17million in 2014 or 348%; total liabilities were valued at Php2.51billion from Php314.55million in 2014 or 698%; and total equity was valued at Php837.55million from

Php433.62million in 2015 or 93% higher than 2014. The equity attributable to non-controlling interest was valued at Php352.02million in 2015 from Php22.79million in 2014.

The following are the causes for the material changes, i.e. those amounting to five percent (5%) of the relevant accounts:

- Cash – Cash decreased to Php143.78million in 2015 from Php190.32million in 2013 showing 32% decrement in 2015. The operating and financing activities provided Php633.12million in 2014 and Php101.22million in 2014. While, the investing activities provided Php680.66million in 2015 and provided Php163.23million in 2014.

- Receivables - As at December 2015, the balance of receivables were Php1.44billion, Php1.23billion of which were from the sale of the real estate of Goshen Land Capital, Inc. (GLCI) a subsidiary engaged in real estate business. The balance of the receivables as at December 31, 2015 is 1,378% higher than that of 2014.

- Real Estate Held For Sale – As of December 31, 2015, the Group real estate held for sale had carrying amount of Php673.39million. This posted a 100% increase since the Group real estate subsidiary just came in starting May of 2015.

- Other current assets – The balance of the other current assets as at December 31, 2015 is Php70.09million or 231% higher than 2014 with balance of Php21.16million.

  Intangible assets – As at December 31, 2015, the Group intangible assets had carrying amount of Php175.17million as compared to Php16.64million of 2014. There was Php158.53million or a 853% growth. The increase were due to the recognition of the exclusive right to distribute for the Concepts: Unplugged Business Solutions, Inc. (CUBEs) and the resulting goodwill in the acquisition of the majority shares of Goshen Land Capital, Inc. (GLCI).

- Investment property – As at December 31, 2015 and 2014, the Group investments property had carrying value of Php279.90million and Php159.98million, respectively or an increase of Php119.92million or 75% higher than that of 2014. The increase in carrying value were from the appraisal increase of the land amounted to Php102.42million and additional acquisition of land classified as investment property and the additional costs incurred in the amount of Php17.50million or 75% increase from 2014. Investment in property were carried at fair market value of the investment property as at reporting date.

  Investment in associate - In the 1st quarter of 2015, the Parent Company put an additional investment in Concepts: Unplugged Business Environment System (CUBEs), Inc. amounted to Php40.00milliongiving the company control to classify the same as subsidiary. This gave 119% decremental in 2015 from 2014 investments in associated amounted to Php73.44million.

- Property and equipment – As at December 31, 2015 and 2014, the Group property and equipment had carrying amount of Php479.06million and P163.89million, respectively. During the year 2015 there were additions to property and equipment amounted to

Php454.08million. Heavy equipment acquired in 2015 amounted to Php399million or about 88% of the total additions made.

- Trade and other payables – As at December 31, 2015, of the Group trade and other payables had carrying amount of Php927.83million or 585% higher than that of 2014. The significant increase in the trade and other payables were from the inclusion of Goshen Land Capital, Inc. Trade and other payables.

- Short-term loans – As at December 31, 2015, the Group short-term loans had carrying amount of Php182.23million or 130% higher than that of 2014. In 2015 the Company availed of short-term loans amounted to Php182.23million due to the financing requirements of the Group for the acquisition of heavy equipment and for additional working capital requirements of subsidiaries.

- Income tax payable – The Group recorded Php.40million corporate income tax payable in 2015 a 855% lower than that of 2014. Though the current provision for income tax is higher than 2014 by 291% or Php3.39million income tax payable is still lower because the group were able to pay more than half of the provision for current income tax due in the group quarterly income tax returns.

- Loans payable – As at December 31, 2015 the Group loan payable amounted to Php793.71million a 3,982% higher than 2014. The increase was mainly due to the inclusion of the Goshen Land Capital, Inc. (GLCI) loan a new subsidiary joined in the group in 2015. The GLCI loan as at December 31, 2015 was Php582.21 representing 73% of the total loans payable.

- Pension liabilities – As at December 31, 2015 and 2014, the Group pension liabilities had carrying amount of Php15.44million and Php3.46million, respectively, or an increase of Php11.98million or 346% higher from the 2014. The increase was due to re-measurement of pension costs.

Item 7. Financial Statements

The Company's consolidated Financial Statements containing 79 pages are duly filed and annexed as part of this Annual Report.

Item 8. Information on Independent Auditor and Other Related Matters

(1) **External Auditor's Fees and Services**

a) Audit Fees

The Company has engaged SGV & Company as its external auditor for the last three (3) fiscal years. SGV has conducted the financial audit of the group including the parent company and its various operating subsidiaries. For this service, the total billing of SGV (VAT exclusive) were Php 1,770,000.00 Php 1,541,000.00 and Php770,000.00, for 2017, 2016 and 2015 respectively.

b) Tax Fees

Aside from the aforementioned activities, the Company or any of its subsidiaries has not engaged SGV for any other services.

c) All Other Fees

Aside from the audit fees disclosed under letter (a) above, the Company has engaged the services of SGV for the Due Diligence Audit of Goshen Land Capital Inc. for it acquisition of 55% in the company in about April to May 2015.

(2) **Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure**

During the course of the audit, the Company and SGV did not have any material disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Officers

(1) **Directors:**

Name	Age	Citizenship	Positions held	Term of Office
Teofilo A. Henson	71	Filipino	Chairman	January 1, 2015
Augusto Antonio C. Serafica. Jr.	56	Filipino	President & CEO	January 2013 to present
Siso M. Lao	52	Filipino	Vice Chairman Director	March 2011 to present January 1, 2015 (Vice Chairman)
Raul F. Anonas	55	Filipino	Director EVP & COO	September 2012 to present January 1, 2015 (EVP & COO)
Ignatius F. Yenko	65	Filipino	Independent Director	June 2012 to present
Ramon A. Recto	85	Filipino	Director	December 2012
Samuel O. Occeña, Jr.	54	Filipino	Independent Director	June 2012 to present
Victor Y. Lim, Jr.	72	Filipino	Director	July 28, 2015 to present
Roberto V. San Jose	76	Filipino	Corporate Secretary	1996 to present

Mr. Teofilo A. Henson (Chairman)

Mr. Henson has been elected as Chairman of the Board beginning January 1, 2015. Mr. Henson has been a Director of Premiere Horizon for 17 years. He has held the position of President (until December 2014) of Puregold Realty Leasing and Management, Inc., a COSCO Capital company where he supervised the operations, acquisition and development of the group's commercial malls business. He has also held the position of President and Chief Executive Officer of Gem Communications Holdings Corp. and Southern Broadcasting Network Inc. which operated the first UHF-frequency television station in Metro Manila. Mr. Henson graduated with a degree in AB General Engineering from the Ateneo de Manila University and holds a Master's Degree in Business Management from the Asian Institute of Management.

Mr. Siso M. Lao (Vice Chairman)

Mr. Lao was elected as the Vice Chairman of the Board effective January 1, 2015. He became a Director of Premiere Horizon in 2011. Mr. Lao is the President and CEO of Milestone Garments Manufacturing and a director of One Megaworld Ventures, Skyfoods Corp. and 3L Properties & Alpha Devt Corp. Mr. Lao is also the Vice President of Blackstone Properties and Development Corp. and FirstCapitol Inc. Mr. Lao's expertise in real estate development is a perfect match to Premiere Horizon's plan of tourism and property development. Mr. Lao graduated from Patts College of Aeronautics with a degree of Aeronautical Engineering.

Mr. Augusto Antonio C. Serafica, Jr. (President & CEO, Director)

Mr. Serafica was elected as a Regular Director during the Board meeting on May 2010 and became Chairman in March 2011 to December 2014. Mr. Serafica is also the current Managing Director of Asian Alliance Investment Corporation and Asian Alliance Holdings & Development Corporation. He is also a Regular Director of Marventures Holdings Inc. and Bright Kindle Resources Inc. Mr. Serafica is a veteran investment banker with expertise in mergers and acquisitions, fundraising and placement and business development. Industries that he is quite versed with are mining, real estate and technology. Mr. Serafica is also the past Chairman of the AIM Alumni Association and is the current National Treasurer of the Brotherhood of Christian Businessmen & Professionals. A CPA, Mr. Serafica earned his BA in Accountancy in San Beda College and acquired his MA in Business Management from the Asian Institute of Management.

Mr. Raul F. Anonas (Executive Vice President & Chief Operating Officer, Director)

Mr. Anonas was elected as Regular Director of Premiere Horizon in September 2012. Mr. Anonas is the Chairman of Rosabaya Distributors Inc. and Humabon Distributors. He is also the Vice Chairman of First Ardent Property Development Corporation and President & CEO of Rajawali Resources and Holdings Inc. Mr. Anonas is a corporate finance veteran with expertise in investment banking, mergers & acquisitions and project financing. He also has extensive experience as an entrepreneur and has successfully managed start-up companies. Mr. Anonas holds a B.S. Management Degree from the Ateneo de Manila University and an MBA in Finance from Fordham University.

Mr. Victor Y. Lim, Jr. (Regular Director)

Mr. Lim was elected as Regular Director on July 28, 2015. He is currently the Chairman of V2S Property Developers,Inc., President of Yuchengco Lim Development Corporation, Chairman of National Affairs Committee of the Financial Executives Institute of the Philippines (FINEX), Trustee of the Ateneo Scholarships Foundation, Secretary of the International Association of the Financial Executives Istitute, Director of the Ateneo Alumni Association and member of the Management Association of the Philippines. Mr. Lim holds a Bachelor of Science in Economics degree from the Ateneo de Manila University and a Masters in Business Management degree from the Asian Institute of Management.

Ramon A. Recto (Regular Director)

Mr. Recto was elected as Regular Director last December 18, 2012. He is the Chairman & President of C.M.E. Technology Philippines, Inc., Director of Crown Equities, Inc. and was President of Marcventures Holdings, Inc. He has been involved in several business entities largely in the field of mining and exploration of iron, copper, gold and other minerals. A graduate of Master of Industrial Management and a holder of Bachelor of

Science in Mechanical Engineering and Electrical Engineering at the University of the Philippines.

Atty. Roberto San Jose (Director and Corporate Secretary)

Atty. San Jose was elected as Director on May 27, 2015 and has been the Corporate Secretary of the Company since 1996. He is a member of the Philippine Bar and is a Partner of the Castillo Laman Tan Pantaleon and San Jose Law Offices. He is Chairman and Director of Mabuhay Holdings Corp., and Director and/or Corporate Secretary of CP Group of Companies, CP Equities Corp., Atlas Resources Management Group and MAA Consultants, Inc. He is also currently the Corporate Secretary of Alsons Consolidated Resources, Inc., Solid Group, Inc., Philweb Corporation, FMF Development Corp. and Anglo Philippines Holdings Corp. Atty. San Jose holds a Law Degree from the University of the Philippines.

Ignatius F. Yenko (Independent Director)

Mr. Yenko was elected as Independent Director last June 2012. He is currently Vice Chairman of TKC Steel Corporation, Director of Sterling Bank of Asia and Management Consultant for Cyan Management Corp. A holder of Masters in Business Management at the Asian Institute of Management and a degree holder of Bachelor of Arts Major in Economics from the Ateneo de Manila University.

Samuel O. Occeña, Jr. (Independent Director)

Mr. Occeña, Jr. was elected as Independent Director last June 2012. He is a financial consultant for various companies and has acquired his MA in Business Management from the Asian Institute of Management (AIM)

Key Corporate Officers

Atty. Ana Maria Katigbak- Lim (Asst. Corporate Secretary)

Atty. Katigbak assumed the position of Asst. Corporate Secretary since 1997. A member of the Integrated Bar of the Philippines and a graduate of Bachelor of Laws and Bachelor of Arts in Comparative Literature (Cum Laude) at the University of the Philippines, she is currently a partner at the Castillo Laman Tan Pantaleon San Jose Law Offices. She is also a Director or Officer of publicly-listed companies and registered membership clubs such as: Boulevard Holdings, Inc., Mabuhay Holdings, Inc., Solid Group, Inc., The Metropolitan Club, Inc., AJO.net Holdings, Inc. and PhilWeb Corporation.

Atty. Stephen E. Cascolan (Asst. Corporate Secretary)

Atty. Cascolan assumed the position of asst. Corporate Secretary last 2013. A member of the Integrated Bar of the Philippines and a graduate of Bachelor of Arts in Philippine Studies, Major in Journalism and Creative Writing at the University of the Philippines, he is currently a managing partner at the Benipayo and Partners Law Firm.

(2) **EXECUTIVE OFFICERS and SIGNIFICANT EMPLOYEES**

The officers of the company are as follows:

1. Augusto Antonio C. Serafica, Jr. - President & CEO
2. Raul Ma. F. Anonas - Executive Vice President & COO
3. Ricardo S. Consunji III - Senior Vice President - Operations
4. Andres A. del Rosario - Senior Vice President & Treasurer
5. Manolo B. Tuason - Senior Vice President & CFO
6. Stephen E. Cascolan - Vice President & CLO
7. Ana Liza G. Aquino - Vice President
8. Joseph Jeeben R. Segui - Assistant Vice President

(3) **Family Relationship**

There is no family relationship up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons nominated or chosen to become directors or executive officers of the Company.

(4) **Involvement in Certain Legal Proceedings**

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, promoter, or control person of the Company was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other offenses of any director, person nominated to become a director, executive officer, promoter, or control person; (3) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities a director, person nominated to become a director, executive officer, promoter or control person of the Company; and (4) judgment against a director, person nominated to become a director, executive officer, promoter, or control person of the Company found by a domestic or foreign court of competent jurisdiction (in civil action), the Philippine Securities and Exchange Commission (SEC) or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

The following table is a summary of all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly, the Chief Executive Officer ("CEO"), the three (3) most highly compensated executive officers other than the CEO who served as executive officers, and all officers and directors as a Group as of 31 December 2017 (including the preceding two fiscal years, and current fiscal year – estimated only):

Name / Principal Position	Year	Salary	Bonus	Other Annual Compensation
Teofilo A. Henson Chairman	2015 2016 2017	2,470,000.00 2,660,000.00 2,660,000.00		
Augusto C. Serafica President & CEO	2015 2016 2017	4,810,000.00 5,180,000.00 5,180,000.00		
Raul Ma. F. Anonas EVP & COO	2016 2017	3,510,000.00 3,600,000.00		
Manolo B. Tuason SVP & CFO	2016 2017	2,470,000.00 2,500,000.00		
Andres A. del Rosario SVP & Treasurer	2016 2017	2,470,000.00 2,500,000.00		
Ana Liza G. Aquino Vice President	2016 2017	1,560,000.00 1,600,000.00		
Executive Officers Aggregate amount (Unnamed)	2016 2017	4,992,000.00 5,542,000.00		
Directors	2015 2016 2017	1,350,000.00 1,350,000.00 599,998.00		

Item 11. Security Ownership of Certain Beneficial Owners and Management

(2) Security Ownership of Management

The following are the security ownership of the directors and executive officers of the Corporation as of 31 December 2017:

Title of Class	Name of Beneficial Owner; Relationship with Issuer	Amount and Nature of Beneficial Ownership (direct & indirect)	Citizenship	No. of shares held	Percentage held
Common	Teofilo A. Henson; *Chairman*	50,050,000(D);	Filipino	50,050,000	2.51%
Common	Augusto Antonio C. Serafica, Jr.,	70,000,001 (D) 44,070,000(I)	Filipino	114,070,001	5.73%

	Director, President & CEO				
Common	Siso M. Lao *Vice Chairman*	71,666,667(D); 106,721,807(I)	Filipino	178,388,474	8.96%
Common	Victor Y. Lim, Jr. *Director*	83,000 (D)	Filipino	83,000	0.00%
Common	Raul Ma. F. Anonas, *Director*	21,250,001(D)	Filipino	21,250,001	1.06%
Common	Ramon A. Recto *Director*	1(D)	Filipino	1	0.00%
Common	Ignatius F. Yenko *Independent Director*	1(D)	Filipino	1	0.00%
Common	Samuel O. Occeña, Jr. *Independent Director*	1(D)	Filipino	1	0.00%
Common	Roberto V. San Jose *Director / Corporate Secretary*	1(D)	Filipino	1	0.00%

(3) Voting trust Holders of 5% or More

There are no persons holding five percent (5%) or more of a class under a voting trust or similar arrangement.

(4) Changes in Control

On March 15, 2012, and January 2013, DSI was able to sell 15 million shares to third parties. Gain on said sale of shares was recorded at Php1.2 million in 2012.

Item 12. Certain Relationships and Related Transactions

In the ordinary course of business, the Company has transactions with associates, affiliates, subsidiaries and other related parties consisting principally of cash advances and reimbursement of expenses, various guarantees, management and service agreements and intercompany charges.

On December 15, 2011, the board of directors approved a resolution allowing three regular directors to subscribe to one hundred seventy five million unissued shares of the Company a subscription price P0.05 above par or at P0.30 per share.

On February 24, 2012, the Board of Directors approved a fund raising program via Convertible Loan amounting to Php 100.0 million at 8% interest with a term of three (3) years. Lender shall have the option to convert at Php 0.36/share with a detachable warrant of one (1) share for every four (4) Converted Share at an exercise price of Php 0.38/share. By end of 2012, total Convertible Loan outstanding amounted to Php 78.0 million. The fund raising program was to support the E-Games expansion among others.

Aside from the foregoing, there had been no material transaction during the past two (2) years involving the Company or any of its subsidiaries in which a director, executive officer or stockholder owning ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

PART IV. CORPORATE GOVERNANCE

Item 13 – The Integrated Annual Corporate Governance Report ("I-ACGR") will be submitted on May 31, 2018.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits: Exhibit A. 2017 Consolidated Audited Financial Statements

(b) Reports on SEC Form 17-C,
The Company filed reports with the following dates under SEC Form 17-C within the calendar year ending December 31, 2017.

DATE REPORT	ITEMS REPORTED
January 10, 2017	Premiere Horizon to Raise PhP1B to Anchor Its Infrastructure and Tourism Focus
March 21, 2017	Premiere Horizon to raise up to PhP500M for Tourism Subsidiary, West Palawan Premiere
March 29, 2017	Approval of the Proposed Preferred Shares Offering of West Palawan Premiere Development Corp. (WPP)
August 3, 2017	Premiere Horizon and Dusit Group to Jointly Explore Partnership Arrangements for PHA's West Palawan Project
August 15, 2017	Board Approvals
August 16, 2017	Notice of the Annual Stockholders' Meeting
October 26, 2017	Results of the Annual Stockholders' Meeting of Premiere Horizon Alliance Corporation
November 13, 2017	Summary Update on Current Businesses of PHA and Prospects for 2018

Pursuant to the requirement of the Securities Regulation Code, the issuer has duly caused this report to be signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of PASIG CITY on MAY 0 3 2018 2018.

PREMIERE HORIZON ALLIANCE CORPORATION

Issuer

SIGNATURES

AUGUSTO ANTONIO C. SERAFICA, JR.	ANDRES A. DEL ROSARIO
Chairman and President/CEO	**SVP & Treasurer**
MANOLO B. TUASON	PAOLO ANTONIO A. MARTINEZ
SVP & Chief Financial Officer	**Financial Controller**

MAY 0 3 2018

SUBSCRIBED AND SWORN to before me this ______ day of ____________ 2018, affiant(s) exhibiting to me his ______________, as follows:

NAME	COMPETENT IDENTIFICATION NO.
AUGUSTO ANTONIO C. SERAFICA, JR.	102-097-338
ANDRES A. DEL ROSARIO	108-749-859
MANOLO B. TUASON	137-438-466
PAOLO ANTONIO A. MARTINEZ	269-234-657

NOTARY PUBLIC

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019
Appointment No. 10(2018-2019)
For Pasig City, Pateros and San Juan City
Attorney's Roll No. [illegible]
IBP [illegible]
MCLE [illegible]
PTR No. [illegible] Pasig City
4F Goldloop Tower A, Jose Ma. Escriva Drive
Ortigas Center, Pasig City

Doc No. 281
Page No. 57
Book No. 23
Series of 2018

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 4 7 5 8 4

COMPANY NAME

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES

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

Unit E-1705, 17th Floor, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.premierehorizonalliance.com	(02) 642-0119	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
128	5/31	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Manolo B. Tuason	N/A	(02) 642-0119	N/A

CONTACT PERSON's ADDRESS

Unit E-1705, 17th Floor, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig 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.*

Premiere Horizon
Invigorating the Countryside

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

In preparing the 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 to do so.

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

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

SyCip Gorres Velayo & Co. (SGV), the independent auditors appointed by the stockholders, have audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

AUGUSTO ANTONIO C. SERAFICA JR.
Chairman of the Board/President & CEO

MANOLO B. TUASON
Chief Financial Officer

ANDRES A. DEL ROSARIO
Treasurer

Signed this 6th day of April 2018

SUBSCRIBED AND SWORN TO BEFORE ME
AT PASIG CITY APR 13 2018 BY THE
ABOVE AFFIANTS
DOC. NO. 77
PAGE NO. 17
BOOK NO. CLXV
SERIES OF 18

EDWIN G. CONDAYA
NOTARY PUBLIC
PASIG, PATEROS, SAN JUAN
UNTIL DEC. 31, 2018
PTR NO. 3826099/1-03-18
IBP NO. 019004/12-19-17/UNTIL 2018
ROLL NO. 26683
TIN NO. 210-588-191-000
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SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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Fax: (632) 819 0872
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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Premiere Horizon Alliance Corporation
Unit E-1705, 17th Floor, East Tower
Philippine Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City

Opinion

We have audited the consolidated financial statements of Premiere Horizon Alliance Corporation and its subsidiaries (the Group) which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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.

Recognition of revenue and cost from real estate

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs accounts for 65.8% of total consolidated revenues and 41.9% of the total consolidated costs and expenses, respectively, for the year ended December 31, 2017. The estimation of the total cost of the real estate project requires technical inputs by project development engineers. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity) to be collected as one of the criteria in order to initiate revenue recognition. It is the reaching of this level of collection that management has assessed that it is probable that economic benefits will flow to the Group because of the buyers' continuing commitment with the sales agreement. The assessment of the stage of completion, total estimated costs, and level of buyer's equity involves significant management judgment and estimates as disclosed in Note 3 to the consolidated financial statements. This matter is significant to our audit because the assessment of the stage of completion, total estimated costs, and level of buyer's equity involves significant management judgment.

Audit response

We obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence, capabilities and objectivity of the project development engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated to the supporting documents such as Project costing schedule, Engineer's report and Progress Billings of Contractors. We visited selected project sites and made relevant inquiries with project engineers. We performed test computation of the percentage of completion calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as Project costing schedule, Progress billings and Engineer's report. We likewise performed inquiries with the project development engineers for the revisions. We evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as POC worksheet, Buyer's statement of Account, and Contract to sell.

Impairment testing of goodwill and exclusive distribution right

As of December 31, 2017, the Group's goodwill and exclusive distribution right attributable to the acquisition of Concepts Unplugged: Business Environment Solutions, Inc. (CUBES) which is considered significant to the consolidated financial statements amounted to ₱2.61 million and ₱120.40 million, respectively. Under PFRS, the Group is required to annually test the amount of goodwill for impairment while the exclusive distribution right is required to be tested for impairment if there are indicators of impairment. CUBES started its operation on November 3, 2015. In May 2017, due to operational issues, CUBES' operation was put on hold but is expected to continue in 2018. Accordingly, management performed an impairment test on its goodwill and exclusive distribution right. This matter is significant to our audit because management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth assumptions and discount rate, among others.

The Group's disclosures about goodwill and exclusive distribution right are included in Note 11 to the consolidated financial statements.

Audit Response
We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth assumptions and discount rate, among others. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill and the exclusive distribution right.

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability 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 Audits 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 Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 6621351, January 9, 2018, Makati City

April 6, 2018

JULIE ANN PONESTO BALAGAT

CERTIFIED PUBLIC ACCOUNTANT

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **Premiere Horizon Alliance Corporation and Subsidiaries** for the period ended **December 31, 2017.**

In discharging this responsibility, I hereby declare that I am the **Accounting Manager** of **Premiere Horizon Alliance Corporation** which includes the following subsidiaries:

- Digiwave Solutions, Inc.
- Goshen Land Capital, Inc.
- Redstone Construction and Development Corporation
- West Palawan Premiere Development Corp.
- PH Mining and Development Corporation
- PH Agriforest Corporation
- PH Big Bounty Entertainment, Inc.
- Premiere Horizon Business Services, Inc.
- Concepts Unplugged Business Environment Solutions, Inc.

Furthermore, in my compilation services for the preparation of Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of **SGV & Co.,** who/which is the external auditor who rendered the audit opinion of the Financial Statements and Notes to the Financial Statements of **Premiere Horizon Alliance Corporation.**

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

JULIE ANN PONESTO BALAGAT

PROFESSIONAL IDENTIFICATION CARD NO. 0158363
VALID UNTIL JANUARY 14, 2020

BOA ACCREDITATION NO. 1987
VALID UNTIL JANUARY 14, 2019

PASIG CITY

MAY 0 8 2018

SUBSCRIBED AND SWORN to me before this________________, the affiant personally appeared and exhibited to me her PRC ID issued on October 27, 2014, at Manila, Philippines.

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Book No. 75
Series of 2018

FERDINAND D. AYAHAO
NOTARY PUBLIC
Until December 31, 2019

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash (Note 4)	**₱70,160,469**	₱90,309,534
Receivables - net (Note 5)	**1,424,672,541**	1,145,321,795
Real estate held for sale (Note 6)	**824,985,181**	723,281,589
Inventories - at cost	**13,004,016**	12,197,951
Other current assets (Note 7)	**301,996,492**	205,495,512
Total Current Assets	**2,634,818,699**	2,176,606,381
Noncurrent Assets		
Noncurrent portion of contracts receivable (Note 5)	**220,981,250**	387,192,861
Goodwill and intangible assets (Note 11)	**143,710,343**	159,328,777
Property and equipment - net (Note 12)	**330,386,097**	393,090,904
Land and land development (Notes 6 and 13)	**578,788,797**	123,275,017
Investment properties (Notes 6 and 13)	**–**	399,952,700
Other noncurrent assets - net (Note 14)	**187,867,508**	84,189,650
Total Noncurrent Assets	**1,461,733,995**	1,547,029,909
TOTAL ASSETS	**₱4,096,552,694**	₱3,723,636,290
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	**₱907,372,359**	₱644,034,234
Short-term loans (Note 17)	**209,100,000**	211,050,000
Income tax payable	**343,953**	883,526
Current portion of:		
Purchased land payable (Note 16)	**148,904,822**	240,372,651
Loans payable (Note 18)	**407,701,184**	421,272,408
Obligations under finance lease (Note 19)	**26,121,235**	47,249,409
Installment payable (Note 19)	**–**	27,992,410
Total Current Liabilities	**1,699,543,553**	1,592,854,638
Noncurrent Liabilities		
Pension liabilities (Note 22)	**13,183,317**	19,124,656
Convertible loans (Note 20)	**522,920,562**	423,409,346
Noncurrent portion of:		
Purchased land payable (Note 16)	**20,366,614**	11,940,180
Loans payable (Note 18)	**566,755,607**	405,585,375
Obligations under finance lease (Note 19)	**8,624,968**	9,842,435
Capital gains tax payable (Note 28)	**26,940,000**	-
Deferred tax liabilities (Note 28)	**236,042,655**	327,249,523
Total Noncurrent Liabilities	**1,394,833,723**	1,197,151,515

(Forward)

	December 31	
	2017	2016
Equity (Note 23)		
Equity attributable to equity holders of the parent:		
Capital stock	**₱472,715,222**	₱471,115,222
Additional paid-in capital	**66,073,918**	66,073,918
Unrealized loss on available-for-sale (AFS) financial assets (Note 9)	**–**	(334,699)
Retained earnings	**186,719,419**	150,957,917
Parent Company shares held by a subsidiary	**(133,663,988)**	(153,819,786)
	591,844,571	533,992,572
Equity attributable to non-controlling interests	**410,330,847**	399,637,565
Total Equity	**1,002,175,418**	933,630,137
TOTAL LIABILITIES AND EQUITY	**₱4,096,552,694**	₱3,723,636,290

See accompanying Notes to Consolidated Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUES (Notes 31 and 35)			
Real estate sales	**₱479,475,389**	₱605,423,264	₱590,369,661
Mining related services	**247,142,428**	297,833,328	289,714,919
Service income	**1,648,727**	7,882,924	2,025,000
Sale of film rights	**387,213**	–	357,143
	728,653,757	911,139,516	882,466,723
COSTS AND EXPENSES			
Cost of real estate sales (Note 6)	**289,052,737**	380,423,106	369,922,905
Cost of services (Note 24)	**221,326,617**	259,883,181	223,216,450
General and administrative (Note 25)	**178,694,344**	209,617,384	175,369,423
	689,073,698	849,923,671	768,508,778
OTHER INCOME (CHARGES)			
Interest income (Notes 4 and 5)	**7,157,849**	13,944,932	8,726,159
Gain on:			
Change in fair value of investment properties (Note 13)	**–**	158,937,240	95,522,590
Sale of asset held for sale (Note 8)	**–**	10,257,441	–
Impairment losses (Note 27)	**(578,803)**	(3,483,521)	(6,903,244)
Equity in net earnings of an associate (Note 8)	**–**	–	1,180,072
Interest expense (Note 29)	**(95,662,982)**	(129,786,216)	(57,535,131)
Other income (charges) – net (Notes 5 and 15)	**26,781,592**	6,879,288	(7,285,854)
	(62,302,344)	56,749,164	33,704,592
INCOME (LOSS) BEFORE INCOME TAX	**(22,722,285)**	117,965,009	147,662,537
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)	**(61,885,784)**	70,604,135	76,078,367
NET INCOME	**39,163,499**	47,360,874	71,584,170
OTHER COMPREHENSIVE INCOME (LOSS)			
Item to be reclassified to income or loss in subsequent periods:			
Unrealized gain (loss) on AFS financial assets (Note 9)	**–**	43,000	(470,000)
Realized loss on AFS financial assets transferred to profit or loss	**334,699**	–	–
	334,699	43,000	(470,000)
Item not to be reclassified to income or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit obligation (Note 22)	**7,291,285**	(196,246)	3,181,215
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**7,625,984**	(153,246)	2,711,215
TOTAL COMPREHENSIVE INCOME	**₱46,789,483**	₱47,207,628	₱74,295,385

(Forward)

	Years Ended December 31		
	2017	2016	2015
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱31,675,928**	₱35,334,467	₱42,768,102
Non-controlling interests	**7,487,571**	12,026,407	28,816,068
	₱39,163,499	₱47,360,874	₱71,584,170
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱36,096,201**	₱34,953,664	₱44,110,928
Non-controlling interests	**10,693,282**	12,253,964	30,184,457
	₱46,789,483	₱47,207,628	₱74,295,385
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 30)			
Basic and diluted earnings per share	**₱0.0180**	₱0.0205	₱0.0255

See accompanying Notes to Consolidated Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent									
	Capital Stock (Note 23)	Additional Paid-in Capital (APIC)	Additional Paid-in Capital on Conversion (Note 20)	Total Additional Paid-in Capital	Retained Earnings (Note 23)	Unrealized Gain (Loss) on AFS Financial Assets (Note 9)	Parent Company Shares held by a Subsidiary	Total	Attributable to Non-controlling Interests (Note 23)	Total Equity
Balances as at December 31, 2016	₱471,115,222	₱47,383,824	₱18,690,094	₱66,073,918	₱150,957,917	(₱334,699)	(₱153,819,786)	₱533,992,572	₱399,637,565	₱933,630,137
Net income for the year	–	–	–	–	31,675,928	–	–	31,675,928	7,487,571	39,163,499
Remeasurement gain on defined benefit obligation	–	–	–	–	4,085,574	–	–	4,085,574	3,205,711	7,291,285
Realized loss on AFS financial assets	–	–	–	–	–	334,699	–	334,699	–	334,699
Total comprehensive income	–	–	–	–	35,761,502	334,699	–	36,096,201	10,693,282	46,789,483
Collection of subscription receivables	1,600,000	–	–	–	–	–	–	1,600,000	–	1,600,000
Parent Company shares held by a subsidiary	–	–	–	–	–	–	20,155,798	20,155,798	–	20,155,798
Balances as at December 31, 2017	₱472,715,222	₱47,383,824	₱18,690,094	₱66,073,918	₱186,719,419	₱–	(₱133,663,988)	₱591,844,571	₱410,330,847	₱1,002,175,418
Balances as at December 31, 2015	₱471,115,222	₱47,383,824	₱18,043,685	₱65,427,509	₱116,047,253	(₱377,699)	(₱151,405,856)	₱500,806,429	₱360,383,601	₱861,190,030
Net income for the year	–	–	–	–	35,334,467	–	–	35,334,467	12,026,407	47,360,874
Unrealized gain on AFS financial assets	–	–	–	–	–	43,000	–	43,000	–	43,000
Remeasurement gain on defined benefit obligation	–	–	–	–	(423,803)	–	–	(423,803)	227,557	(196,246)
Total comprehensive income	–	–	–	–	34,910,664	43,000	–	34,953,664	12,253,964	47,207,628
Issuance of convertible loans	–	–	646,409	646,409	–	–	–	646,409	–	646,409
Subscription of shares	–	–	–	–	–	–	–	–	27,000,000	27,000,000
Parent Company shares held by a subsidiary	–	–	–	–	–	–	(2,413,930)	(2,413,930)	–	(2,413,930)
Balances as at December 31, 2016	₱471,115,222	₱47,383,824	₱18,690,094	₱66,073,918	₱150,957,917	(₱334,699)	(₱153,819,786)	₱533,992,572	₱399,637,565	₱933,630,137
Balances as at December 31, 2014	₱411,273,000	₱25,797,775	₱2,560,716	₱28,358,491	₱67,686,368	₱92,301	(₱96,585,549)	₱410,824,611	₱22,790,884	₱433,615,495
Net income for the year	–	–	–	–	42,768,102	–	–	42,768,102	28,816,068	71,584,170
Unrealized loss on AFS financial assets	–	–	–	–	–	(470,000)	–	(470,000)	–	(470,000)
Remeasurement gain on defined benefit obligation	–	–	–	–	1,812,826	–	–	1,812,826	1,368,389	3,181,215
Total comprehensive income	–	–	–	–	44,580,928	(470,000)	–	44,110,928	30,184,457	74,295,385
Conversion of convertible loans payable	33,377,778	17,246,938	(2,560,716)	14,686,222	–	–	–	48,064,000	–	48,064,000
Subscription of share warrants	8,344,444	4,339,111	–	4,339,111	–	–	–	12,683,555	–	12,683,555
Collection of subscription receivable	18,120,000	–	–	–	–	–	–	18,120,000	–	18,120,000
Issuance of convertible loans	–	–	18,043,685	18,043,685	–	–	–	18,043,685	–	18,043,685
Acquisitions of:										
Non-controlling interest	–	–	–	–	3,779,957	–	–	3,779,957	(9,019,957)	(5,240,000)
Associate and subsidiary	–	–	–	–	–	–	–	–	316,428,217	316,428,217
Parent Company shares held by a subsidiary	–	–	–	–	–	–	(54,820,307)	(54,820,307)	–	(54,820,307)
Balances as at December 31, 2015	₱471,115,222	₱47,383,824	₱18,043,685	₱65,427,509	₱116,047,253	(₱377,699)	(₱151,405,856)	₱500,806,429	₱360,383,601	₱861,190,030

See accompanying Notes to Consolidated Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱22,722,285)**	₱117,965,009	₱147,662,537
Adjustments for:			
Interest expense (Note 29)	**95,662,982**	129,786,216	57,535,131
Depreciation and amortization (Notes 11 and 12)	**88,119,085**	112,479,751	66,266,808
Loss (gain) on:			
Pilferage of spare parts inventory	**780,241**	–	–
Change in fair value of investment properties (Note 13)	–	(158,937,240)	(95,522,590)
Sale of investment in associate (Note 8)	–	(10,257,441)	–
Disposal of property and equipment	**66,683**	–	(14,931)
Impairment losses (Note 27)	**578,803**	3,483,521	6,903,244
Realized loss on sale of AFS financial assets	**334,699**	–	–
Unrealized foreign exchange gain	–	(223)	(48,367)
Remeasurement loss on investment in associate (Note 10)	–	–	2,607,117
Equity in net earnings of associates	–	–	(1,180,072)
Recovery of impairment of film rights (Note 11)	**(13,309)**	–	–
Interest income (Notes 4 and 5)	**(7,157,849)**	(13,944,932)	(8,726,159)
Operating income before working capital changes	**155,649,050**	180,574,661	175,482,718
Decrease (increase) in:			
Receivables	**(113,145,135)**	(226,044,375)	(74,070,259)
Real estate held for sale	**(101,703,592)**	(49,889,555)	(94,472,087)
Inventories	**(1,586,306)**	2,544,505	(6,753,608)
Other current assets	**(99,524,790)**	(4,093,386)	(154,035,578)
Increase (decrease) in:			
Trade and other payables	**260,579,788**	113,391,890	126,375,643
Purchased land payable	**(83,041,395)**	70,890,689	97,223,809
Pension liabilities	**4,286,024**	4,252,408	15,156,365
Net cash flows from operations	**21,513,644**	91,626,837	84,907,003
Interest received	**7,157,849**	13,944,932	8,726,159
Interest paid	**(91,393,429)**	(118,994,293)	(53,728,118)
Income tax paid	**(5,856,734)**	(14,513,161)	(11,610,388)
Net cash flows from (used in) operating activities	**(68,578,670)**	(27,935,685)	28,294,656

(Forward)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment	**₱86,313**	₱298,000	₱100,000
Film rights	**26,096**	–	–
Assets held for sale (Note 8)	–	45,000,000	–
Acquisitions of:			
Property and equipment (Note 12)	**(7,510,621)**	(14,808,455)	(355,336,827)
Land and land development (Note 6)	**(55,561,080)**	(20,027,017)	–
Associates and subsidiaries - net of cash acquired (Note 10)	–	–	(279,244,661)
Investment properties (Note 13)	–	–	(17,494,870)
Non-controlling interest (Note 23)	–	–	(5,240,000)
Increase in other noncurrent assets	**(103,677,858)**	(31,089,792)	(46,542,510)
Net cash flows used in investing activities	**(166,637,150)**	(20,627,264)	(703,758,868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans payable	**730,863,200**	452,276,311	3,049,654
Convertible loans (Note 20)	**100,000,000**	26,000,000	408,000,000
Short-term loans (Note 17)	**68,140,000**	211,050,000	189,350,000
Sale of Parent Company shares held by a subsidiary	**20,155,798**	–	–
Share subscriptions (Note 23)	**1,600,000**	–	18,120,000
Issuance of detachable warrants	–	–	12,683,556
Payment of:			
Short-term loans	**(70,090,000)**	(182,225,000)	(86,475,000)
Loans payable	**(583,264,192)**	(415,678,341)	(8,333,334)
Convertible loans (Note 20)	**(2,000,000)**	–	–
Purchase of Parent Company shares held by a subsidiary	–	(2,413,930)	(54,820,307)
Increase (decrease) in:			
Obligations under finance lease	**(22,345,641)**	57,091,844	–
Installment payable	**(27,992,410)**	(151,007,933)	147,303,491
Net cash flows from (used in) financing activities	**215,066,755**	(4,907,049)	628,878,060
NET DECREASE IN CASH	**(20,149,065)**	(53,469,998)	(46,586,152)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	–	223	48,367
CASH AT BEGINNING OF YEAR	**90,309,534**	143,779,309	190,317,094
CASH AT END OF YEAR (Note 4)	**₱70,160,469**	₱90,309,534	₱143,779,309

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Status of Operations

Premiere Horizon Alliance Corporation (PHA or the Parent Company), was registered in the Philippines Securities and Exchange Commission (SEC) on January 13, 1988 and listed the Philippine Stock Exchange (PSE) on May 5, 1997. The Parent Company's primary purpose is to engage in business activities relating to entertainment, gaming, hotel and leisure. In 2011, the SEC approved the change in the Parent Company's secondary purpose and authorized the Parent Company to expand to mining and real estate industries.

On April 7, 2016 and May 26, 2016, the Board of Directors (BOD) and Stockholders, respectively, approved the amendments to the Articles of Incorporation of the Parent Company to change its primary purpose to that of an investment holding company, and to relegate the primary purpose to the secondary purposes and the renumbering thereof. The amendments to the Articles of Incorporation were approved by the SEC on August 10, 2016.

The Parent Company and its subsidiaries (hereinafter referred to as "the Group") is involved in mining and real estate activities. The Group was involved in gaming activities in 2014.

The Parent Company's registered and principal place of business is at Unit E-1705, 17th Floor, East Tower, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City.

The accompanying consolidated financial statements of the Group as of December 31, 2017 and 2016 and for each of the three-year ended December 31, 2017, were authorized for issue by the BOD on April 6, 2018.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The accompanying consolidated financial statements have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets and investment properties that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Parent Company and its subsidiaries. All amounts are rounded off to the nearest peso unit unless otherwise indicated.

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

Basis of Consolidation
Subsidiaries are consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date that such control ceases.

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Consolidation of subsidiaries ceases when the Group loses control of the subsidiary.

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and the following companies that it controls:

		Percentage of Ownership		
	Country of Incorporation	**2017**	2016	2015
West Palawan Premiere Development Corp. (WPP)	Philippines	**100**	100	–
Redstone Construction & Development Corporation (RCDC)	Philippines	**80**	80	80
Goshen Land Capital, Inc. (GLCI)	Philippines	**55**	55	55
Concepts Unplugged: Business Environment Solutions (CUBES), Inc.	Philippines	**51**	51	51
Premiere Horizon Business Services, Inc. (formerly La Prima Hotel Imperiale, Inc.) (PHBSI)**	Philippines	**100**	100	100
PH Mining and Development Corporation (PHMDC)**	Philippines	**100**	100	100
Premiere e-Teleservices, Inc. (PeTI)*	Philippines	**100**	100	100
PH Agriforest Corporation (PHAC)**	Philippines	**100**	100	100
PH Big Bounty Entertainment, Inc. (PBBEI)**	Philippines	**100**	100	100
Digiwave Solutions Incorporated (DSI)**	Philippines	**100**	100	100

**separate financial statements are prepared under the liquidation basis*
***non-operating subsidiaries*

WPP
WPP is incorporated for the purpose of acquiring by purchase, lease, donation, or otherwise and own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise real estate of all kinds.

RCDC
RCDC is primarily engaged into mining related services e.g. hauling and excavation for mining companies. In February 2015, the Parent Company acquired additional 5.24 million shares equivalent to 13.1% non-controlling interest in RCDC for a total consideration of ₱5.24 million or ₱1.0 per share, increasing its ownership interest to 80.0%.

GLCI
In June 2015, PHA acquired 550,000 shares of GLCI representing 55% ownership interest for a total consideration of ₱275.0 million or ₱500 per share. GLCI is a real estate developer based in Baguio City and develops innovative master planned communities of low to mid rise residential and commercial condominiums including student dormitories (see Note 10).

CUBES
CUBES is primarily engaged in providing management, investment, and/or technical solutions to commercial, industrial, and other types of enterprises. In February 2015, PHA acquired additional 5.20 million shares in CUBES for a total consideration of ₱40.0 million increasing its ownership interest to 51.0%. In 2015, the transaction was accounted for as acquisition achieved in stages under PFRS 3, *Business Combination.*

DSI
DSI previously operated e-Games stations with its primary purpose to carry out information technology and other related businesses.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including intercompany income, expenses and dividends, are eliminated in full.

Non-controlling interest
Non-controlling interest represents interest in a subsidiary that is not owned, directly or indirectly by the Parent Company. Profit or loss and each component of other comprehensive income (loss) are attributed to the equity holders of the Parent Company and to the non-controlling interest. Total comprehensive income (loss) is attributed to the equity holders of the Parent Company and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.

If the Group loses control over a subsidiary, it:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the
- same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income

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 new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

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

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

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

  Adoption of these amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group. The Group has provided the required information in Note 33 of the consolidated financial statements. As allowed under the transaction provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
  Republic Act (RA) No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017, and took effect January 1, 2018 making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the consolidated financial statement balances as of the reporting date.

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

Effective beginning on or after January 1, 2018

- PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions* (Amendments)
  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.

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

- 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. 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 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4* (Amendments)
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The amendments are not applicable to the Group since the Group has no activities that are predominantly connected with insurance or issue insurance contracts.

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

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

  The Group is engaged in selling activities of real estate projects while construction is still in progress or even before it has started. The standard is expected to impact the revenue recognition of on these pre-completed real estate sales whether revenue will be recognized at a point-in-time or over time. If there will be a change in revenue recognition, this will also impact the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings account.

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

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

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

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

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

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

  Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

  The interpretation is not expected to have any impact on the Group.

Effective beginning on or after January 1, 2019

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The standard is not expected to have any impact on the Group.

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

representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

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

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

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

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

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

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

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

  The Group is currently assessing the impact of IFRIC 23.

Deferred effectivity

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

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

Summary of Significant Accounting Policies

Cash

Cash include cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates.

Financial Assets and Financial Liabilities

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

Financial assets are further classified into the following categories: Financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities were incurred and whether they are quoted in an active market. The Group's management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

The Group's financial assets and financial liabilities are of the nature of loans and receivables, AFS financial assets and other financial liabilities. The Group does not have financial assets at FVPL, HTM investments and liabilities at FVPL as at December 31, 2017 and 2016.

Amortized Cost
HTM investments and loan and receivables are measured at amortized cost. This is computed using the effective interest rate (EIR) method, less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are integral part of the effective interest rate.

Day 1 Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability.
In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Subsequent measurement
The subsequent measurement of financial assets and financial liabilities depends on their classifications as follows:

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as HTM investments, AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are carried at amortized cost less allowance for impairment. Amortized cost is calculated through the EIR method taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in interest income in the consolidated statement of comprehensive income. The losses arising from impairment of such loans and receivables are recognized in the 'Impairment losses' account in the consolidated statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as noncurrent assets.

This accounting policy applies primarily to the consolidated balance sheet captions 'Receivables' and 'Receivable from PAGCOR', and 'Security deposits' under 'Other noncurrent assets'.

AFS financial assets
AFS financial assets are those nonderivative investments which are designated as such or do not qualify to be classified or designated as financial assets at FVPL, held-to-maturity investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of comprehensive income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded, net of tax, from reported earnings and are reported under the 'Other comprehensive income' section of the consolidated statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of comprehensive income. Interest earned on holding AFS financial assets are reported as interest income using the EIR method. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis.

Dividends earned on holding AFS financial assets are recognized in the consolidated statement of comprehensive income, when the right to receive payment has been established. The losses arising from impairment of such investments are recognized in the consolidated statement of comprehensive income.

The Group's AFS financial assets are classified as noncurrent asset unless the intention is to dispose such asset within twelve (12) months from the financial reporting date.

AFS financial assets held by the Group consists of equity securities (see Note 9).

Other financial liabilities (including interest-bearing loans and borrowings)
Other financial liabilities pertain to financial liabilities that are not held for trading or not designated as FVPL upon inception of the liability, 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed amount of own equity shares. These include liabilities arising from operations (e.g. trade and other payables, short-term loans, etc.).

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization and accretion for any related premium, discount and any directly attributable transaction cost.

Other liabilities are included in current liabilities if the maturity is within twelve (12) months from the financial reporting date. Otherwise, these are classified as non-current liabilities.

This accounting policy applies primarily to the Group's 'Trade and other payables', 'Short-term loans', 'Loans payable', 'Installment payables', 'Convertible loans', 'Obligations under finance lease' and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).

Derecognition of Financial Assets and Liabilities

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

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

- the Group has transferred its right to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset; or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control over the asset.

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of fair value of the transferred asset and the option exercise price.

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

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

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

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If 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 for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of the loss is charged to "Impairment losses" in profit or loss in the consolidated statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit and loss in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed what would have been its amortized cost at the reversal date had there been no impairment.

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

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

AFS financial assets
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded under interest income in the consolidated statement of comprehensive income. If, in 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 the consolidated statement of comprehensive income, the impairment loss is reversed through in the consolidated statement of comprehensive income.

For equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is significant and prolonged is subject to judgment. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income - is removed from equity and recognized in the profit or loss in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized directly as part of the other comprehensive income.

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

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

Cost includes:

- Land acquisition cost and expenses directly related to acquisition
- Amounts paid to contractors for the development and construction
- Borrowing costs, planning and design costs, cost of site preparation, professional fees, property transfer taxes, construction overhead and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date less estimated costs of completion and the estimated costs of sale.

Inventories
Inventories represent spare parts and supplies used for the day to day repairs and maintenance of the Group's property and equipment. Inventories are valued at the lower of cost or NRV. NRV for inventories represents the related replacement costs.

Other Current Assets
Other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other assets that are expected to be realized for no more than twelve (12) months after the end of reporting period are classified as current assets; otherwise, these are noncurrent assets.

Land and Land Development
Land and land development consists of properties for the future development that are carried at the lower of cost or NRV. The cost of land and land development include the following: (a) land acquisition cost, (b) costs incurred relative to the acquisition and transfer of land title in the name of the group such as transfer taxes and registration fees, (c) costs incurred on initial development of raw land in preparation of future projects, and (d) borrowing costs. They are transferred to "Real estate held for sale" account when the project plans, development and construction estimates are completed and the necessary permits are secured.

Property and Equipment
Property and equipment is carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use including capitalized borrowing costs incurred during the construction period.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Office space building and office space improvements	5-10
Heavy equipment	10 (8 in 2016)
Office and other equipment	5
Furniture and fixtures	5
Transportation equipment	5

In 2017, the Group reassessed the estimated useful life of the heavy equipment from 8 years to 10 years to reflect the estimated period during which the assets are expected to remain in service. Depreciation expense for the year should be ₱55.83 million had the change in useful life did not take place. Annual depreciation will be lower by ₱5.93 million to ₱12.14 million in two (2) to seven (7) years. The aggregate net book value of the group's property and equipment (excluding construction in progress) amounted to ₱329.69 million and ₱392.39 million as of December 31, 2017 and 2016, respectively (see Note 12).

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated useful life of the asset of five (5) years, whichever is shorter.

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

Fully depreciated property and equipment are retained in the accounts until these are no longer in use. When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Investment Properties

Foreclosed properties of land or building and purchased land are classified under investment properties from foreclosure date and acquisition date, respectively.

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are recorded as 'Investment properties' upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago).

Subsequent to initial recognition, investment properties are stated at fair values, which have determined annually based on the latest appraisal performed by an independent firm or appraiser, an industry specialist in valuing these types of properties. Gain or loss arising from changes in the fair value of investment property is recognized in the consolidated statement of comprehensive income in the period in which they arise, including the corresponding tax effect. Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of comprehensive income under 'Gain on sale of assets' in the year of retirement or disposal.

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 considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, investment in associate is carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated statement of comprehensive income reflects the share on the financial performance of an associate. When Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the statements of changes in equity.

The reporting date of the associate and the Group is identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Unrealized intercompany profits arising from the transactions with the associate are eliminated to the extent of the interest in the associate.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the income or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are tested as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually of at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income.

Film rights
Film rights include the unamortized cost of completed theatrical films and television projects and film rights acquired. Film rights principally consist of direct production costs, production overhead, development and pre-production costs and are stated at cost less accumulated amortization and any impairment in value. Amortization of film and television production costs starts when a film is released and revenues on that film are recognized. Amortization is made in proportion to the actual income earned during the year as against total estimated income. The total estimated income is subject to periodic evaluation by management based on actual income generated from those films.

Exclusive distribution right
Exclusive distribution right pertains to the exclusive right to distribute the Thermo Chiller system which was acquired as a result of business combination. Exclusive distribution right is amortized on a straight line basis over its estimated useful life of ten (10) years.

<u>Fair Value Measurements</u>
The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 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.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs incurred are expensed and included in general and administrative expenses.

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of comprehensive income, or as a change in other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

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

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

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

Borrowing Costs
Interest and other related financing charges on borrowed funds used to finance the construction of a qualifying asset (included under real estate held for sale), are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress. It is suspended during extended periods in which active development is interrupted and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. The capitalization is based on the weighted average borrowing cost.

The borrowing costs capitalized as part of real estate held for sale are expensed when the related assets are sold.

Assets Held for Sale
The Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses are recognized for any initial or

subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any subsequent increases in fair value less cost to sell of the assets held for sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (e.g., property and equipment, investment property, exclusive distribution right, and film rights) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

Impairment of goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Investment in associate

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at each financial reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of investment in associate and the carrying value and recognizes the amount in the statements of comprehensive income.

Convertible Loans Payable
Convertible loans payable are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible loans payable, the fair value of the liability component is determined using the market rate for an equivalent non-convertible loan. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity as part of additional-paid in capital. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.
Transaction costs are apportioned between the liability and equity components of the convertible loan payable based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

When the convertible loans payable is extinguished before maturity, through an early redemptions or repurchase in which the original conversion privileges are unchanged an allocation is made for the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of transaction. The method of allocating the consideration paid and the transaction costs to the separate component is consistent with that used in the original allocation to the separate components or the proceeds received by the entity when the convertible loan payables were issued.

Equity
The Group considers the underlying substance and economic reality of its own equity instruments and not merely its legal form in determining its proper classification.

Capital stock
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares.

Subscriptions receivable
Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Additional paid-in capital
When the shares are sold at premium, the difference between the proceeds at the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to 'Additional paid-in capital' account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. Equity component of convertible instruments are also included in "APIC" account.

Retained earnings
Retained earnings represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy, equity reserves, and capital adjustment. Equity reserve transactions are recognized directly into equity as part of retained earnings or deficit. Equity reserves include the difference between the consideration paid and the carrying value of the non-controlling interest acquired or the difference between the consideration paid and the carrying value of non-controlling interest sold that do not result in loss of control. When the retained earnings account has a debit balance, it is called "deficit".

Parent Company shares held by a subsidiary
If an entity reacquires its own equity instruments, those instruments "treasury shares" shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Additional paid-in capital'.

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

Real estate sales
Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee, Q&A 2006-01, the percentage of completion method is used to recognize income from real estate sales when the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the actual costs incurred to date over the estimated total costs of the project.

If any of the criteria under the percentage of completion is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits and advances" account which is shown as part of the "Trade and other payables" account in the liabilities section of the consolidated balance sheet.

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

Mining related services
Mining related services represents earnings from the operation of the Group's hauling services and equipment rental. Mining related services and equipment rental are recognized when the related hauling services has been rendered.

Service income
Service income is recognized when services have been rendered.

Income from forfeited deposits
Deposits for reservation fee are generally non-refundable and forfeited upon cancellation of sale of condominium units or those under reservation. The amount of deposits is recognized as income when the contracts to sell (CTS) or reservation agreement between the buyer and the Group are terminated. This is recognized by the Group as part of "Other income" account in the consolidated statement of comprehensive income.

Penalty
Penalty pertains to income from surcharges for buyers' default and late payments. Income is recognized when buyers have defaulted in paying their dues and the collectability is reasonably assessed. This is recognized by the Group as part of "Other income" account in the consolidated statement of comprehensive income.

Interest income
Interest is recognized as interest accrues using the effective interest rate method.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or occurrences of liabilities that result decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when good or services are used or the expense arises while interest expenses are accrued in the appropriate financial reporting period.

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

The cost of inventory recognized in profit or loss on sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Costs of services
Costs of services are incurred in the normal course of business and are recognized when services are delivered.

General and administrative
General and administrative expenses are expenses that are incurred in the course of the ordinary operations of the Group. General and administrative expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Commission expense
The Group recognizes commission expense when services are rendered by the broker and agent. The commission expense is recognized upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement. This is recognized by the Group as part of "General and administrative" account in the consolidated statement of comprehensive income.

Other income (charges)
Other income (charges) includes interest income on contract receivables, other income and expenses which are incidental to the Group's business operations and are recognized in the consolidated statement of comprehensive income.

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Taxes</u>
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

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

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

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in jointly controlled entities. With respect to investments in foreign subsidiaries, associates and interests in jointly controlled entities, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered. The Group does not recognize deferred tax assets and deferred tax liabilities that will reverse during the income tax holiday (ITH).

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

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

Value-Added Tax (VAT)
Revenues, expenses and assets are recognized, net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of VAT included.

Output VAT is presented net of input VAT and the resulting payable is included as part of "Trade and other payables" accounts to be remitted to applicable taxation authorities. When the resulting outcome is net input VAT, it is included as part of "Other current assets" account, which can be recovered as tax credit against future tax liability of the Group.

Deferred input VAT represents input VAT on purchase of capital goods exceeding one (1) million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods whichever is shorter. Input VAT is stated at its estimated realizable value.

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangements.

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

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

Sale and Leaseback
A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The lease payment and the sale price are usually interdependent because they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved or whether it includes a repurchase agreement or option.

If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount should not be recognized immediately as income by the seller-lessee. Instead, the excess is deferred and amortized over the lease term. The asset will be restated to its fair value (or the present value of the minimum lease payments, if lower) in exactly the same way as any other asset acquired under a finance lease.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately in the consolidated statement of comprehensive income by the seller-lessee. If the sale price is below fair value, any profit or loss is recognized immediately in the consolidated statement of comprehensive income unless the loss is compensated by future lease payments at below market price, in which case it should be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value should be deferred and amortized over the period for which the asset is expected to be used.

If a sale and leaseback transaction includes a repurchase agreement or a repurchase option whose exercise is almost certain, the seller-lessee should consider whether the arrangement conveys a right of use. If it is determined that the arrangement does not convey a right of use, the transaction is outside the scope of PAS 17, thus, the sale and leaseback accounting should not be applied and the transaction should be accounted as a financing arrangement.

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

EPS amounts are calculated by dividing the consolidated net income attributable to ordinary 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 dilutive potential ordinary shares into ordinary shares.

Diluted Earnings Per Share
Diluted earnings per share amounts are calculated by dividing the net income attributable to equity holders of the Parent Company 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 dilutive potential ordinary shares into ordinary shares.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 31

Foreign Currency Transactions and Translations
The consolidated financial statements are presented in Philippine Peso, which is the Parent Company and its subsidiaries' functional and presentation currency. Each entity within the Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to consolidated statement of comprehensive income during the period of retranslation.

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. The Group's estimate of the probable cost is developed in consultation with its legal counsels and is based upon an analysis of potential results. 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 any provision is presented in the consolidated statement of comprehensive income net of any reimbursement. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

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

Other comprehensive income (loss)
Other comprehensive income (loss) comprise items of income and expense that are not recognized in the profit or loss in the consolidated statement of comprehensive income for the year in accordance with PFRS.

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

3. Significant Accounting Judgments and Use of Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. Among the significant accounting judgments made by the Group are as follows:

Determination of the Functional Currency
The Parent Company and most of its local subsidiaries based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company and most of its local subsidiaries primarily operates.

Classification of Financial Instruments
The Group exercises judgment in classifying financial instruments in accordance with PAS 39. The Group classifies a financial instrument, or its components, on initial recognition 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 Group's consolidated statements of financial position.

Operating leases - Group as lessor
The Group has entered into operating leases on its heavy equipment. These leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease and the related lease terms do not approximate the EUL of the assets being leased. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

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

Sales and leaseback with repurchase option
In 2017 and 2016, the Group has entered into a sale and leaseback with repurchase option agreement for its heavy equipment and transportation equipment. The Group is certain to exercise the repurchase option and the sale and leaseback agreement is treated as a financing arrangement. Obligations under finance lease for the sale and leaseback transaction amounted to ₱34.75 million and ₱57.09 million as at December 31, 2017 and 2016, respectively. The net book values of heavy equipment and

transportation equipment in sale and leaseback transaction amounted to ₱13.63 million and ₱7.34 million as at December 31, 2017 (see Note 19).

Classification of assets held for sale
The Group classifies a subsidiary or investment as disposal group or asset held for sale if it meets the following:

- The entity or investment is available for immediate sale and can be sold in its current condition;
- An active program to locate a buyer and complete the plan sale has been initiated; and
- The entity or investment is to be genuinely sold, not abandoned.

In July 2015, the BOD approved the decision to dispose PHA's interest in First Ardent Development Corporation (FADC), therefore, classified it as assets held for sale. In March 2016, the Group sold its investment in equity shares, amounting to ₱34.74 million for a total consideration of ₱45.00 million (see Note 8).

Revenue and cost recognition on real estate sales
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate is recognized based on the proportion of cost incurred to date over total estimated cost of the real estate project.

The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers). In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group.

Distinction between real estate held for sale, land and land development, investment property, and property and equipment
The Group determines whether a property will be classified as real estate held for sale, or land and land development, investment property, and property and equipment. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate held for sale), or used in business for use in the supply of goods or services or for administrative purposes (property and equipment) or whether it will be retained as part of the Group's strategic land banking activities for development or sale in the medium or long-term (land and land development), or for whether the property generates cash flows largely independent of other assets and is held primarily for capital appreciation (investment property). The aggregate carrying values of real estate held for sale, land and land development, investment properties and property and equipment amounted to ₱1,734.16 million and ₱1,639.60 million as at December 31, 2017 and 2016, respectively (see Notes 6, 12, and 13).

In 2017, the Group changed its intention over the use of its property in Palawan, from property held for capital appreciation to a property to be developed and sold in the future. As a result of the change of intention, the Group reclassified the carrying value of the land amounting to ₱399.95 million from investment property to land and land development (see Note 6).

The Group considers each property separately in making its judgment.

Determining control over subsidiaries and significant influence over associates
The Group determined that it has control over its subsidiaries as the Group has the power to direct their relevant activities.

The Group also determined that it has significant influence over its associates. Management assessed that it has the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over those policies. Accordingly, FADC is considered an associate in 2015.

Property acquisition and business combination
The Group acquires subsidiaries which own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate properties.

When the acquisition of a subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The purchase price is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition and no goodwill or deferred tax is recognized.

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

Real estate revenue and cost recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate is recognized based on the percentage of completion measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total cost of the project. The estimation of the total cost of the real estate project requires technical inputs by project development engineers. For the years ended December 31, 2017, 2016, and 2015, real estate sales amounted to ₱479.48 million, ₱605.42 million and ₱590.37 million, while cost of real estate sales amounted to ₱289.05 million, ₱380.42 million and ₱369.92, respectively (see Note 6).

Revaluation of investment properties
The Group engaged an independent appraiser to determine the fair value of its investment properties. In 2016, fair value of investment property was based on the valuation performed in April 2016, respectively. The fair values of investment properties were determined using the Market Data Approach. Market Data Approach involves the comparison of the land to those that are more or less located within the vicinity of the appraised property and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

Fair value changes in 2016 and 2015, which were recognized in the consolidated statements of comprehensive income amounted to ₱158.94 million and ₱95.92 million, respectively. Carrying values of investment properties amounted to nil and ₱399.95 million as of December 31, 2017 and 2016, respectively (see Note 13).

Estimating allowance for impairment losses on receivables
The Group maintains an allowance for impairment losses at a level based on the results of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. The collective assessment would require the Group to group

its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of December 31, 2017 and 2016, the carrying values of receivables, net of allowance for impairment losses, amounted to ₱1,645.65 million and ₱1,532.51 million, respectively. The carrying values of noncurrent portion of installment contract receivables amounted to ₱220.98 million and ₱387.19 million as of December 31, 2017 and 2016, respectively (see Note 5).

Determining net realizable value of real estate held for sale and land and land development
The Group's estimates of net realizable value of real estate held for sale are based on the most reliable evidence available at the time the estimates are made, or the amount that the real estate held for sale are expected to be realized. These estimates consider the market conditions and prices existing at the reporting date determined by the Group in the light of recent market transactions. The Group's real estate held for sale and land and land development as of December 31, 2017 and 2016 amounted to ₱1,403.77 million and ₱846.56 million, respectively (see Note 6).

Estimating net realizable value of inventories
The Group carries inventories at net realizable value when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of inventories carried at cost as of December 31, 2017 and 2016 amounted to ₱13.00 million and ₱12.20 million, respectively.

Evaluating impairment of nonfinancial assets (excluding goodwill)
The Group reviews film rights, exclusive distribution right, property and equipment, and investment properties for impairment of value. This includes considering certain indicators of impairment such as significant changes in asset usage, significant decline in the assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In May 2017, due to operational issues, CUBES' operation was put on hold but is expected to continue in 2018. As a result of this impairment indicator, management performed an impairment assessment.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and the value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect film rights, exclusive distribution right, property and equipment, investment properties and investment in associate.

No provision for impairment in value was recognized in 2017 and 2016.

The following table summarizes the carrying values of the assets subject to impairment testing:

	2017	2016
Film rights (Note 11)	**₱5,006,190**	₱5,575,220
Exclusive distribution right (Note 11)	**120,395,233**	135,444,637
Property and equipment (Note 12)	**330,386,097**	393,090,904
Investment properties (Note 13)	**–**	399,952,700

Evaluating impairment of goodwill
The Group is required to annually test the amount of goodwill for impairment. The recoverable amounts of CGUs have been determined based on value-in-use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. Estimating the value-in-use require the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Management believes that a five-year cash flow projection would reflect the long term strategy of the Company for the acquisition of such CGUs.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a Company having substantially the same risks and characteristics. Current and historical transactions have been used as indicators of future transactions.

No provision for impairment in value was recognized in 2017 and 2016.

The Group's disclosures about goodwill is included in Note 11 to the consolidated financial statements. Management believes that any reasonable change in any of the above key assumptions on which the recoverable amount is based on would not cause the carrying value of the goodwill to materially exceed its recoverable amount.

Pension and other retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit pay out as at end of the reporting periods. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the Philippines.

As of December 31, 2017 and 2016, pension liabilities amounted to ₱13.18 million and ₱19.12 million, respectively. Remeasurement gain in defined benefit obligation recognized in other comprehensive income amounted to ₱7.29 million and ₱3.18 million in 2017 and 2015, respectively, while in 2016, the remeasurement loss recognized in other comprehensive income amounted to ₱0.20 million. Pension costs reported in the consolidated statement of comprehensive income from continuing operations amounted to ₱4.67 million, ₱4.25 million, and ₱4.94 million in 2017, 2016 and 2015, respectively (see Note 22).

Deferred tax assets
The Group reviews the carrying amounts of its deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. As at December 31, 2017 and 2016, deferred tax assets recognized in the consolidated statements of financial position amounted to ₱21.28 million and ₱17.20 million, respectively.

As of December 31, 2017 and 2016, no deferred tax assets were recognized for deductible temporary differences amounting to ₱415.20 million and ₱382.17 million, respectively (see Note 28).

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flows (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (see Note 32).

4. Cash

	2017	2016
Cash on hand	**₱1,456,628**	₱1,224,531
Cash in banks	**68,703,841**	89,085,003
	₱70,160,469	₱90,309,534

Cash in banks earn interest at the prevailing bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.13 million, ₱2.08 million, and ₱0.47 million in 2017, 2016, and 2015, respectively.

5. Receivables

	2017	2016
Contract receivables	**₱1,554,082,015**	₱1,462,169,936
Trade receivables	**42,532,605**	44,461,944
Advances to officers and employees (Note 21)	**50,388,020**	33,261,322
Others	**7,980,760**	1,945,063
	1,654,983,400	1,541,838,265
Less noncurrent portion of contract receivables	**220,981,250**	387,192,861
	1,434,002,150	1,154,645,404
Less allowance for impairment losses	**9,329,609**	9,323,609
	₱1,424,672,541	₱1,145,321,795

Contract receivables
Contract receivables arise from sale of real estate properties. These receivables are collectible in monthly instalment over a period of 1 to 10 years and bear annual effective interest rates ranging from 8.00% to 16.00%. Titles to real estate properties are not transferred to the buyers until full payment is made. Interest income, income on contracts receivable in the consolidated statements of comprehensive income amounted to ₱7.03 million, ₱11.86 million, and ₱8.26 million in 2017, 2016, and 2015, respectively. Income on forfeited deposits and penalties on contracts receivable included in the "other income (charges) - net" in the consolidated statements of comprehensive income amounted to ₱18.88 million, ₱18.38 million, and ₱3.20 million in 2017, 2016 and 2015, respectively.

The following table presents the breakdown of contracts receivable by maturity dates:

	2017	2016
Due within one year	**₱1,333,100,765**	₱1,074,977,075
Due after one year	**220,981,250**	387,192,861
	₱1,554,082,015	₱1,462,169,936

The total contract price from the sale of real estate properties as of December 31, 2017 and 2016 amounted to ₱4,612.30 million and ₱3,691.62 million, respectively, which will be recognized as revenue in the future based on the percentage of completion and accrual method used to account for the Group's projects.

Contract receivables amounting to ₱181.11 million and ₱195.41 million as of December 31, 2017 and 2016, respectively were assigned with recourse to Maybank, Malayan Bank, BPI Family Savings Bank, Inc., Security Bank Savings and other non-bank financing institutions (see Note 18). These receivables were not derecognized as the Group retains substantially all risks and rewards of ownership of the receivables.

Trade receivables
Trade receivables include short-term non-interest bearing receivable arising from hauling services operations and services related to cold storage facility of the Group.

Advances to officers and employees
Advances to officers and employees represent unsecured, non-interest bearing cash advances for business-related expenditures that are liquidated thirty (30) days from the date the cash advances are made.

Movement in the allowance for impairment losses on receivables follows:

	2017	2016
Balances at the beginning of the year	**₱9,323,609**	₱7,298,609
Provision for impairment losses (Note 27)	**6,000**	2,025,000
Balances at end of the year	**₱9,329,609**	₱9,323,609

6. Real Estate Held for Sale and Land and Land Development

	2017	2016
Real estate under development	**₱689,105,375**	₱582,259,392
Subdivided lots held for sale	**135,879,806**	141,022,197
Real estate held for sale	**₱824,985,181**	₱723,281,589
Land and land development	**₱578,788,797**	₱123,275,017

A summary of the movement in real estate held for sale is set out below:

	2017	2016
Balance at beginning of year	**₱723,281,589**	₱673,392,034
Construction development costs incurred	**365,643,280**	289,410,874
Capitalized borrowing cost (Note 18)	**25,113,049**	15,901,787
Land transferred from land and land development	–	125,000,000
Cost of real estate sales	**(289,052,737)**	(380,423,106)
Balance at end of year	**₱824,985,181**	₱723,281,589

A summary of the movement in land and land development is set out below:

	2017	2016
Balance at beginning of year	**₱123,275,017**	₱71,265,000
Land acquired and development cost	**52,834,691**	145,027,017
Reclassification from investment property (Note 13)	**399,952,700**	31,983,000
Capitalized borrowing costs	**2,726,389**	–
Land costs transferred to real estate held for sale	–	(125,000,000)
Balance at end of year	**₱578,788,797**	₱123,275,017

Real estate under development and subdivided lots held for sale include on-going residential projects of the Group. The estimated cost to complete the projects amounted to ₱1,116.00 million and ₱1,375.55 million as of December 31, 2017 and 2016, respectively.

In 2017, the Group changed its intention over the use of its property in Palawan, from property held for capital appreciation to a property to be developed and sold in the future. As a result of the change of intention, the Group reclassified the carrying value of the land amounting to ₱399.95 million from investment property to land and land development (see Note 13).

The Group partially finances its project development through availment of loans. Capitalized borrowing costs to real estate held for sale amounted to ₱25.11 million and ₱15.90 million in 2017 and 2016, respectively.

Capitalized borrowing costs to land development amounted to ₱2.73 million and nil in 2017 and 2016, respectively, at a capitalization rate ranging from 5.00% to 8.00% for 2017 and 2016.

As of December 31, 2017, the Group is committed to pay the outstanding balance of purchased land payable, which pertains to land acquisitions, amounting to ₱169.27 million and ₱252.31 million in 2017 and 2016, respectively. There are no other purchase commitments as of December 31, 2017.

As of December 31, 2017 and 2016, certain lots and units with carrying value of ₱129.00 million and ₱163.90 million, respectively are held as collateral for the Group's bank loans (see Note 18).

7. Other Current Assets

	2017	2016
Advances to suppliers and contractors	**₱271,831,670**	₱162,057,501
Input VAT - net	**15,607,831**	35,296,821
Tax credits	**11,288,880**	3,859,149
Prepayments	**787,036**	2,350,624
Others	**2,481,075**	1,931,417
	₱301,996,492	₱205,495,512

Advances to suppliers and contractors
Advances to suppliers and contractors represent down payments for development and construction contracts. The initial down payments will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the suppliers and contractors.

Input VAT
The current portion of input VAT 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, which is expected to be recovered against output VAT, twelve (12) months after the end of the reporting period. The current portion amounting to ₱15.61 million and ₱35.30 million as of December 31, 2017 and 2016, respectively, is expected to be recovered in 2018 and 2017, respectively. The remaining balance which are presented under the 'Other noncurrent assets' account in the consolidated balance sheets amounting to ₱6.62 million and ₱29.67 million, as of December 31, 2017 and 2016 respectively, are recoverable in future periods after year 2018 and 2017, respectively (see Note 14).

Details of input VAT as of December 31, 2017 and 2016 follow:

	2017		2016	
	Current	**Noncurrent (Note 14)**	Current	Noncurrent (Note 14)
Input VAT	**₱17,273,815**	**₱8,946,521**	₱36,946,245	₱32,002,103
Less allowance for impairment losses	**1,665,984**	**2,331,392**	1,649,424	2,331,392
	₱15,607,831	**₱6,615,129**	₱35,296,821	₱29,670,711

Movement in the allowance for impairment losses on input VAT follows:

	2017		2016	
	Current	**Noncurrent**	Current	Noncurrent
Beginning balances	**₱1,649,424**	**₱2,331,392**	₱1,649,424	₱1,669,331
Provision of impairment losses during the year (Note 27)	**16,560**	**–**	–	662,061
	₱1,665,984	**₱2,331,392**	₱1,649,424	₱2,331,392

Tax credits
Tax credits amounting to ₱11.29 million and ₱3.86 million as of December 31, 2017 and 2016, respectively, are available for offset against income tax payable in future periods.

Prepayments
Prepayments include prepaid insurance and rent which will be amortized within three (3) to twelve (12) months at the end of the financial reporting date.

8. Asset Classified as Held for Sale

On November 28, 2012, the Group and Ardent Property Development Corporation incorporated First Ardent Development Corporation (FADC), primarily to engage in real estate development. The Group owns 25.6 million shares for a total cost of ₱32.0 million representing 32% ownership interest. The investment was initially classified and accounted for as "Investments in associates" in the Group's consolidated balance sheets.

In July 2015, the Group's BOD authorized the sale of the investment in FADC as part of the Group's strategy as it focuses on its core businesses geared towards countryside development. As at December 31, 2015, the investment in FADC was accounted for under PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* and the carrying amount of the investment was presented under "Asset classified as held for sale" in the current asset section in the Group's consolidated balance sheet due to management's commitment to sell the investment in the following year. The Group measures its investment in FADC at the lower of carrying amount or fair value less cost to sell as of year-end. As at December 31, 2015, the carrying amount of investment in FADC amounted to ₱34.74 million.

Prior to the reclassification of the investment in FADC as asset held for sale in 2015, the share in equity in net earnings of associates recognized in the consolidated statement of comprehensive income related for the investments amounted to ₱1.18 million in 2015.

The summarized financial information related to statement of comprehensive income of FADC in 2015 follows:

	2015
Income	₱19,164,089
Cost and expenses	13,897,702
Income before income tax	5,266,387
Income tax expense	1,578,661
Net income	₱3,687,726
Group's share of income	₱1,180,072

In March 2016, the Group sold its investment in FADC for a total consideration of ₱45.00 million resulting to gain amounting ₱10.26 million.

9. AFS Financial Assets

AFS financial assets are included under "other noncurrent assets" (see Note 14). The fair market value of these listed shares is based on their bid prices as of December 31, 2017 and 2016. The fair value of the Group's AFS financial assets amounted to nil and ₱0.24 million as of December 31, 2017 and 2016, respectively. In 2017 and 2016, unrealized gain from changes in fair value of the quoted equity securities amounted to nil and ₱0.04 million, respectively.

Movement in the net unrealized gain (loss) on AFS financial assets follows:

	2017	2016
Balances at beginning of year	**(₱334,699)**	(₱377,699)
Fair value changes during the period	**–**	43,000
Disposal	**334,699**	–
	₱–	(₱334,699)

10. **Business Combination**

Acquisition of GLCI

In June 2015, the Group acquired 550,000 shares of GLCI representing 55% ownership interest for a total consideration of ₱275.0 million or ₱500 per share. GLCI is a real estate developer based in Baguio City and develops innovative master planned communities of low to mid-rise residential and commercial condominiums including student dormitories.

The transaction was accounted for as a business combination using acquisition method. The Group elected to measure non-controlling interest at the proportionate share of non-controlling interest in the identifiable net assets of GLCI.

As permitted under the standards, the Group finalized its purchase price allocation of GLCI to consider additional information in 2016. The final purchase price allocation was retroactively adjusted in the 2016 financial statements. The effects of the retrospective adjustment is detailed below:

- Increase in real estate held for sale by ₱171.19 million;
- Decrease in land and land development by ₱9.38 million;
- Increase in net deferred tax liabilities of ₱43.62 million;
- Increase in NCI by ₱46.97 million; and
- Decrease in retained earnings by ₱11.49 million.

The above adjustments resulted in the net decrease in goodwill by ₱62.27 million. Accordingly, the consolidated balance sheet and consolidated statement of comprehensive income for the year ended December 31, 2015 have been restated to reflect the results of the final purchase price allocation.

The Group sought and independent valuation for the land and land development owned by GLCI which was done by an independent appraiser accredited by the SEC. The Group also prepared an internal valuation of the acquired real estate held for sale. The fair value of the land and land development was based on sales comparison approach while the fair value of the real estate held for sale was based on discounted free cash flow of the GLCI. The significant assumption for the fair value of land and land development pertains to the sales price per square meter while the significant assumption for the real estate held for sale pertains to the discount rate used and the projected cash flow of GLCI.

The final allocation of the identifiable assets and liabilities of GLCI as of acquisition date are as follows:

Assets	
Cash	₱15,523,964
Receivables	1,133,799,114
Real estate held for sale	578,919,947
Land and land development	71,265,000
Property and equipment	5,500,136
Other assets	21,183,047
Total assets	1,826,191,208
Liabilities	
Accounts and other payables	231,092,090
Loans payable	783,053,052
Customer's advances and deposits	120,895,756
Deferred tax liabilities - net	141,000,089
Other liabilities	61,469,261
Total liabilities	1,337,510,248
Total identifiable net assets at fair value	488,680,960
Non-controlling interest (45% of net assets)	(219,906,432)
Goodwill arising on the acquisition	6,225,472
Purchase consideration transferred	₱275,000,000

The goodwill arising from acquisition consists largely of the synergies expected from having GLCI within the Group. Goodwill arising from the acquisition of GLCI is allocated entirely to the operations of GLCI. None of the goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, GLCI contributed ₱590.37 million of revenue and ₱121.91 million to profit before tax of the Group. Had the acquisition of GLCI accounted at the beginning of the year, the Group's revenue and net income for the year ended December 31, 2015 would have increased by ₱146.62 million and ₱6.61 million, respectively.

Cash flow on acquisition follows:

Cash consideration transferred on the acquisition	₱275,000,000
Less cash acquired from business combination	15,523,964
Net cash outflows on acquisitions	₱259,476,036

Acquisition of CUBES

In October 2014, the Group signed a MOA with CUBES and LIMC for the acquisition of up to 51.0% ownership interest with CUBES. CUBES is engaged in the business of providing refrigeration to established cold storage facilities through a patented Thermo Chiller system developed in the United States.

In November 2014, the Group initially subscribed 5.20 million shares in CUBES representing 25.5% ownership interest for a total consideration of ₱40.0 million. The transaction was accounted for under PAS 28, *Investments in Associates and Joint Ventures* and the Group measured the investment in CUBES using equity method. Subsequently, in February 2015, the Group acquired additional 5.20 million shares in CUBES for a total consideration of ₱40.0 million increasing its ownership interest to 51.0%. In 2015, the transaction was accounted for as acquisition achieved in stages under PFRS 3, *Business Combinations*. The Group elected to measure non-controlling interest at the proportionate share of non-controlling interest in the identifiable net assets of CUBES.

As permitted under the standards, the Group finalized its purchase price allocation of CUBES to consider additional information in 2016. The final purchase price allocation was retroactively adjusted in the 2016 consolidated financial statements.

The effect of the retrospective adjustment increased the value of the intangible asset - exclusive distribution right by ₱34.92 million and deferred tax liability by ₱45.15 million and a decrease in NCI by ₱5.01 million. The adjustment resulted in the net increase in goodwill by ₱2.61 million. Accordingly, the consolidated balance sheet and consolidated statement of comprehensive income for the year ended December 31, 2015 have been restated to reflect the results of the final purchase price allocation. Remeasurement loss of previously held interest amounted to ₱2.61 million in 2015.

The final allocation of the identifiable assets and liabilities of CUBES as of acquisition date are as follows:

Assets	
Cash	₱20,231,375
Receivables	25,000
Amounts owed by a related party	1,187,500
Property and equipment	20,882,757
Intangible asset - exclusive distribution right	150,494,041
Other assets	198,372
Total assets	193,019,045
Liabilities	
Accounts and other payables	(1,232,074)
Deferred tax liability	(45,148,212)
Total liabilities	(46,380,286)
Total identifiable net assets at fair value	146,638,759
Non-controlling interest (49% of net assets)	(71,852,992)
Goodwill arising on acquisition	2,607,117
Consideration transferred (including fair value of the initial investment in November 2014)	₱77,392,884

The goodwill arising from acquisition consists largely of the synergies expected from having CUBES within the Group. Goodwill arising from the acquisition of CUBES is allocated entirely to the operations of CUBES. None of the goodwill is expected to be deductible for income tax purposes.

The analysis of cash flows on acquisitions follows:

Cash consideration transferred on the acquisition	₱40,000,000
Less cash acquired from business combination	20,231,375
Net cash outflows on acquisitions	₱19,768,625

11. Goodwill and Intangible Assets

	2017			
	Exclusive Distribution Right	**Film Rights**	**Goodwill**	**Total**
Cost:				
Balances at beginning of year	**₱150,494,041**	**₱59,667,576**	**₱556,123,930**	**₱766,285,547**
Disposal	**–**	**(26,096)**	**–**	**(26,096)**
Balance at the end of the year	**150,494,041**	**59,641,480**	**556,123,930**	**766,259,451**
Accumulated Amortization and Impairment Losses:				
Balances at beginning of the year	**15,049,404**	**54,092,356**	**537,815,010**	**606,956,770**
Amortization (Note 25)	**15,049,404**	**–**	**–**	**15,049,404**
Impairment losses (Note 27)	**–**	**556,243**	**–**	**556,243**
Recovery	**–**	**(13,309)**	**–**	**(13,309)**
Balances at end of year	**30,098,808**	**54,635,290**	**537,815,010**	**622,549,108**
Net Book Values	**₱120,395,233**	**₱5,006,190**	**₱18,308,920**	**₱143,710,343**

	2016			
	Exclusive Distribution Right	Film Rights	Goodwill	Total
Cost:				
Balances at beginning of year	₱150,494,041	₱59,667,576	₱556,123,930	₱766,285,547
Accumulated Amortization and Impairment Losses:				
Balances at beginning of the year	–	53,295,896	537,815,010	591,110,906
Amortization (Note 25)	15,049,404	–	–	15,049,404
Impairment losses (Note 27)	–	796,460	–	796,460
Balances at end of year	15,049,404	54,092,356	537,815,010	606,956,770
Net Book Values	₱135,444,637	₱5,575,220	₱18,308,920	₱159,328,777

Goodwill and exclusive distribution rights

The Group's goodwill pertains to: (a) the acquisition of RCDC in April 2012 amounting to ₱9.48 million, (b) the acquisition of additional interest in CUBES in February 2015 amounting to ₱2.61 million, net of impairment loss, and (c) the acquisition of GLCI in June 2015 amounting to ₱6.23 million. The exclusive distribution right asset relates to CUBES's exclusive right to distribute specific types of thermochillers in the Philippines.

The Group's goodwill and exclusive distribution right attributable to CUBES amounted to ₱2.61 million and ₱120.40 million as of December 31, 2017. Under PFRS, the Group is required to annually test the amount of goodwill and the exclusive right to distribute if there are indicators of impairment. CUBES started its commercial operations on November 3, 2015. In May 2017, due to operational issues, CUBES operation was put on hold but is expected to continue in 2018. The Group performed its impairment test on its goodwill and exclusive distribution right as of December 31, 2017. The recoverable amount was determined based on value in use calculations using cash flow projections from financial budgets approved by senior management and BOD covering a five-year period. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates were based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rate of 4.00% in 2017 and 2016.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio. Discount rates used in 2017 and 2016 ranged from 11.70% to 15.00%.

Sensitivity to changes in assumptions - Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values to materially exceed its recoverable amounts.

Film rights

In 2017, the Group sold its film rights to the movie "Minsa'y Isang Gamu-Gamo" to ABS-CBN for a total consideration of ₱0.43 million which resulted to a recovery of periodically recognized impairment loss of ₱13,309.

In 2017, 2016, and 2015, the Group recognized impairment loss on film rights amounting to ₱0.56 million, ₱0.80 million, and ₱0.80 million, respectively (see Note 27). The Group used the income approach– discounted cash flow method in the valuation of its film rights. This method assumes that the going rate per film of ₱0.75 million declines by 10.00% per year as observed in the price trends from 1998 up to the current year.

12. **Property and Equipment** - net

	2017							
	Office Space Building and Office Space Improvements	**Heavy Equipment**	**Leasehold Improvements**	**Furniture and Fixtures**	**Transportation Equipment**	**Office and Other Equipment**	**Construction in progress**	**Total**
Cost:								
Balances at beginning of year	₱20,384,323	₱451,271,429	₱7,435,472	₱2,694,529	₱58,448,028	₱61,084,803	₱696,221	₱602,014,805
Additions	–	1,100,000	233,467	499,313	4,853,679	824,162	–	7,510,621
Disposal	–	–	(301,588)	–	–	(2,858,658)	–	(3,160,246)
Reclassification	–	–	(368,552)	368,552	–	–	–	–
Balances at end of year	20,384,323	452,371,429	6,998,799	3,562,394	63,301,707	59,050,307	696,221	606,365,180
Accumulated Depreciation and Amortization:								
Balances at beginning of year	5,929,331	156,249,094	2,959,939	1,810,404	25,348,338	16,626,795	–	208,923,901
Depreciation and amortization for the year (Notes 24 and 25)	2,677,246	47,177,579	1,083,765	410,594	10,937,747	7,775,500	–	70,062,431
Disposal	–	–	(113,695)	(99,056)	–	(2,794,498)	–	(3,007,249)
Balances at end of year	8,606,577	203,426,673	3,930,009	2,121,942	36,286,085	21,607,797	–	275,979,083
Net Book Values	₱11,777,746	₱248,944,756	₱3,068,790	₱1,440,452	₱27,015,622	₱37,442,510	₱696,221	₱330,386,097

	2016							
	Office Space Building and Office Space Improvements	Heavy Equipment	Leasehold Improvements	Furniture and Fixtures	Transportation Equipment	Office and Other Equipment	Construction in progress	Total
Cost:								
Balances at beginning of year	₱20,384,323	₱417,841,429	₱7,986,568	₱2,654,081	₱92,941,917	₱52,891,913	₱–	₱594,700,231
Additions	–	–	27,785	40,448	5,851,111	8,192,890	696,221	14,808,455
Disposal	–	–	(578,881)	–	(425,000)	–	–	(1,003,881)
Reclassification	–	33,430,000	–	–	(39,920,000)	–	–	(6,490,000)
Balances at end of year	20,384,323	451,271,429	7,435,472	2,694,529	58,448,028	61,084,803	696,221	602,014,805
Accumulated Depreciation and Amortization:								
Balances at beginning of year	3,240,665	82,657,132	2,903,491	1,042,128	15,958,118	7,849,150	–	113,650,684
Depreciation and amortization for the year (Notes 24 and 25)	2,688,666	75,043,211	935,296	468,309	9,517,220	8,777,645	–	97,430,347
Disposal	–	–	(578,881)	–	(127,000)	–	–	(705,881)
Reclassification	–	(1,451,249)	(299,967)	299,967	–	–	–	(1,451,249)
Balances at end of year	5,929,331	156,249,094	2,959,939	1,810,404	25,348,338	16,626,795	–	208,923,901
Net Book Values	₱14,454,992	₱295,022,335	₱4,475,533	₱884,125	₱33,099,690	₱44,458,008	₱696,221	₱393,090,904

The breakdown of consolidated depreciation and amortization of property and equipment follows:

	2017	2016	2015
Cost of services (Note 24)	**₱57,522,090**	₱82,334,950	₱57,203,778
General and administrative (Note 25)	**12,540,341**	15,095,397	9,063,030
	₱70,062,431	₱97,430,347	₱66,266,808

Net book values of heavy equipment and transportation equipment under finance lease amounted to ₱ 13.63 million and ₱7.34 million, respectively as at December 31, 2017.

The Group's mortgage loans are collateralized by the Company's transportation equipment with a carrying amount of ₱5.20 million and ₱5.00 million as of December 31, 2017 and 2016, respectively.

The Group continues to utilize fully depreciated property and equipment with an aggregate acquisition cost amounting to ₱4.78 million and ₱5.26 million in 2017 and 2016, respectively.

13. Investment Properties

In November 2011, the Group applied for foreclosure sale during which it was the highest bidder for the amount of the promissory note totaling ₱75.00 million. The certificate of sale was awarded to the Group on December 26, 2011. The land was classified as investment property and was recognized at purchase price plus transaction costs totaling to ₱95.39 million.

In 2017, the Group changed its intention over the use of its property in Palawan, from property held for capital appreciation to a property to be developed and sold in the future. As a result of the change of intention, the Group reclassified the carrying value of the land amounting to ₱399.95 million from investment property to land and land development (see Note 6).

The following table summarizes movements which have occurred during the current reporting period, on the carrying amount of the investment property:

	2017	2016
Balances at the beginning of year	**₱399,952,700**	₱272,998,460
Reclassification to land and land development (Note 6)	**(399,952,700)**	(31,983,000)
Change in fair values	–	158,937,240
Balances at the end of year	**₱–**	₱399,952,700

The fair value as of December 31, 2016 has been arrived at on the basis of valuations carried out at these dates by Asian Appraisal Company, Inc. (AACI), an independent valuation specialist not related to the Group. AACI is an industry specialist in valuing these types of investment properties as accredited by the Philippine SEC.

The value of land was arrived at using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listing to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the same immediate vicinity of the property and were premised on the factors of location, size and shape of the lot, time, element and others.

14. **Other Noncurrent Assets** - net

	2017	2016
Advances for projects	**₱126,366,554**	₱–
Advances to supplier	**50,932,519**	50,932,519
Input VAT - net (Note 7)	**6,615,129**	29,670,711
Receivable from PAGCOR	**3,042,702**	3,042,702
Security deposits	**884,604**	274,718
AFS financial assets (Note 9)	**–**	243,000
Others	**26,000**	26,000
	₱187,867,508	₱84,189,650

The Group recognized provision for impairment loss on input VAT amounting to ₱16,560, ₱0.66 million, and ₱0.21 million which is recorded under "Impairment losses" in the Group consolidated statements of comprehensive income in 2017, 2016, and 2015, respectively (see Note 27).

Advances for projects
Advances for projects relate to payments made to third parties for mining-related projects that are being developed and pursued by the Group.

Advances to supplier
Advances to supplier represents down payment for the acquisition of thermochiller, installation cost and other parts of machinery and equipment. The initial down payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the supplier.

Receivable from PAGCOR
In 2011, the Group received a notice of garnishment for the amount of ₱3.04 million in connection with a complaint filed against Blue Sky Philko wherein the Group was made as a co-defendant. Accordingly, the Group's commission from PhilWeb for the same amount was lodged under the custody of PAGCOR. As of December 31, 2017, the case is pending before the Quezon City Regional Trial Court.

Security deposits
Security deposits pertain to the deposits paid by the Group to certain lessors at the inception of the lease contracts to be refunded at the end of the lease term (see Note 34).

15. Trade and Other Payables

	2017	2016
Trade payables:		
Third parties	**₱207,216,692**	₱186,273,788
Related parties (Note 21)	**12,176,252**	12,176,252
Advances from third parties	**223,343,722**	–
Accrued expenses	**95,691,972**	173,201,744
Customers' deposits and advances	**89,448,737**	120,376,386
Retention payable	**82,942,492**	75,443,403
Customers' refund	**–**	3,732,141
Others	**196,552,492**	72,830,520
	₱907,372,359	₱644,034,234

Trade payables - Third parties
Trade payable to third parties relates to construction and development costs payable to contractors and suppliers. These are non-interest-bearing and are normally settled within one year after the reporting date. Also, included in this account are purchased land payables to various real estate property sellers arising from acquisition of land held for development.

Advances from third parties
Advances from third parties pertain to cash received by the Group to fund real estate and mining projects which are noninterest bearing and payable on demand.

Accrued expenses
Accrued expenses are comprised of accruals to interest, salaries and benefits, professional fees and other taxes which are expected to be settled within twelve (12) months from the end of the reporting period.

Customers' deposits and advances
Customers' advances and deposits account represent excess collections from buyers over the related revenue recognized based on the percentage of completion method and advance payment of customers subject to refund or future billing applications on its mining activities. This account also includes customers' advances representing reservation fees paid to the Group by prospective buyers which are to be applied as payment upon recognition of revenue.

The Group requires buyers of residential houses and lots and condominiums to pay minimum percentage of the total selling price before they enter into a sale transaction. Payments from buyers which have not reached the minimum required percentage of 5.00% are recognized as buyers' deposits. When the level of required payment is reached by the buyer, sales are recognized and these deposits and down payments will be applied against the related contracts receivable (see Note 2).

Certain agreements provide real property buyers to pay nonrefundable deposits. Nonrefundable deposits received amounting to ₱8.00 million, ₱2.50 million and nil are recorded as "Other income (charges) - net" in the consolidated statement of comprehensive income in 2017, 2016, and 2015, respectively.

Retention payable
Retention payable is a percentage of the amount certified as due to the contractor on an interim certificate, that is deducted from the amount due and retained by the Group from contractors as insurance for the completion of various projects, which will be released upon completion and satisfaction of the terms and conditions of the related construction contracts.

16. Purchased Land Payable

Purchased land payable pertains to payable to real estate property seller under the terms of agreement executed by the Group for the purchase of land.

Details of purchased land payable as of December 31, 2017 and 2016 are as follows:

	2017	2016
Current	**₱148,904,822**	₱240,372,651
Noncurrent	**20,366,614**	11,940,180
	₱169,271,436	₱252,312,831

17. Short-term Loans

Party	Year	Principal	Outstanding Balance	Terms	Conditions
Philippine Business Bank (PBB)	**2017**	**₱105,350,000**	**₱37,400,000**	180 to 360 days;	Unsecured
	2016	105,350,000	74,350,000	6.50% to 6.75% per annum; Monthly repricing of interest rate	
Philippine Bank of Communications (PBCom)	**2017**	–	–	360 days;	Unsecured
	2016	27,500,000	–	6.30% per annum	
Bank of the Philippine Islands (BPI)	**2017**	–	**15,000,000**	180 to 360 days	Unsecured
	2016	15,000,000	15,000,000	6.00% per annum; Monthly repricing of interest rate	
Individuals and corporations	**2017**	**205,700,000**	**156,700,000**	180 to 360 days;	Unsecured
	2016	129,200,000	121,700,000	7.5% to 12.0% per annum	
	2017	**₱311,050,000**	**₱209,100,000**		
	2016	277,050,000	211,050,000		

Short-term loans were obtained to finance the working capital requirements of the subsidiaries and partially finance the acquisition of the Group's heavy equipment. Total interest expense on short-term loans amounted to ₱4.9 million, ₱15.40 million, and ₱11.83 million in 2017, 2016, and 2015, respectively.

18. Loans Payable

This account consists of:

	2017	2016
Loans payable - unsecured and secured by real estate mortgage	**₱793,348,693**	₱631,449,844
Loans payable - secured by contract receivable (Note 5)	**181,108,098**	195,407,939
Total loans payable	**974,456,791**	826,857,783
Less noncurrent portion of loans payable	**566,755,607**	405,585,375
Current portion of loans payable	**₱407,701,184**	₱421,272,408

Loans payable - unsecured and secured by real estate mortgage
Loans payable - unsecured and secured by real estate mortgate represents loans with interest rate at prevailing market rates ranging from 1.5% to 10.0 % within one to five years. The current and noncurrent portions of long-term loans payable are as follows:

Party	Year	Principal	Outstanding Balance	Terms	Collateral
BPI	**2017**	**₱210,000,000**	**₱161,666,667**	4 to 6 years; 5.67% to 6.0% per annum; Quarterly repricing of interest rate	Secured by a real estate mortgage and certain parcel of land
	2016	357,710,000	197,019,853		
PBB	**2017**	**–**	**–**	3 to 4 years; 8.0% to 9.0% per annum	Secured by a real estate mortgage on certain property
	2016	40,000,000	11,111,111		
BDO Unibank, Inc. (BDO)	**2017**	**4,831,200**	**3,340,745**	5 years; 9.95% per annum	Unsecured
	2016	4,831,200	4,771,056		
Philippine Savings Bank (PSB)	**2017**	**8,277,510**	**1,486,385**	5 years; 6.03% to 11% per annum	Unsecured
	2016	6,244,200	–		
Maybank Philippines, Inc. (MPI)	**2017**	**–**	**–**	5 years; PDST-F + spread or BSP + spread whichever is higher; Monthly repricing of interest rate	Secured by a real estate mortgage on certain parcel of land
	2016	123,089,460	122,872,946		
Malayan Bank (MB)	**2017**	**11,000,000**	**1,374,803**	3 years; 10.0% per annum	Unsecured
	2016	11,000,000	6,132,783		
Union bank (UBP)	**2017**	**80,000,000**	**79,758,066**	5 years; 6.0% to 7.0% per annum	Secured by a real estate mortgage on certain property
	2016	55,000,000	55,000,000		

(Forward)

Party	Year	Principal	Outstanding Balance	Terms	Collateral
Zambank (ZB)	**2017**	**₱15,000,000**	**₱15,000,000**	4 years; 8.0% per annum	Unsecured
	2016	–	–		
Veterans (PVB)	**2017**	**283,043,159**	**264,565,366**	1 to 5 years; 6.29% to 6.84% per annum	Secured by a real estate mortgage and certain parcel of land
	2016	–	–		
Other financing institutions	**2017**	**319,012,413**	**266,156,661**	1 to 2 years; 1.5% to 7.0% per annum	Unsecured
	2016	266,430,000	234,542,095		
Total	**2017**	**931,164,282**	**793,348,693**		
	2016	864,304,860	631,449,844		
Less noncurrent portion of loans payable	**2017**	–	**429,245,002**		
	2016	–	247,286,664		
Current portion of loans payable	**2017**	**₱931,164,282**	**₱364,103,691**		
	2016	864,304,860	384,163,180		

Loans payable - secured by contract receivable (Note 5)
The Group entered into loan agreements with different banks and other non-bank financing institutions to assign with recourse CTS of unit buyers payable in monthly amortization of up to five years and bears interest rates ranging from 7.30% to 9.00%. The following table presents the breakdown by maturity dates:

	2017	2016
Due within one year	**₱43,597,493**	₱37,109,228
Due after one year	**137,510,605**	158,298,711
	₱181,108,098	₱195,407,939

Interest expense arising from the loans payable recognized in the consolidated statements of comprehensive income amounted to ₱67.32 million, ₱56.97 million, and ₱12.24 million in 2017, 2016, and 2015, respectively. In 2017, 2016, and 2015, capitalized borrowing cost amounted to ₱25.11 million, ₱15.90 million and ₱23.55 million, respectively, at a capitalization rate ranging from 5.70% to 9.0% (see Note 6).

The Group's debt instruments contain restrictive covenants which include, among others, maintenance of certain level of long-term debt-to-equity ratio and debt service coverage ratio based on the Group's financial statements, payment of any dividend or capital distributions to stockholders, payment of management bonuses or profit sharing to, or making any loans or advances to the Group's directors, officers and stockholders, sale of significant assets and to maintain a current ratio of at least 1.0 and its debt to tangible net worth ratio should not be more than 4.0 times until final payment date. As of December 31, 2017, the Group was able to meet the required debt covenants.

The schedule of maturities of the loans payable of the Group follows:

	2017	2016
Less than one year	**₱407,701,184**	₱421,272,408
One to two years	**140,745,323**	129,805,102
More than two years	**426,010,284**	275,780,273
	₱974,456,791	₱826,857,783

19. Obligation under Finance Lease and Installment Payable

Obligation Under Finance Lease

Details of obligation under finance lease follow:

	2017	2016
Current	**₱26,121,235**	₱47,249,409
Noncurrent	**8,624,968**	9,842,435
	₱34,746,203	₱57,091,844

The Group entered into a sale and leaseback agreement with BPI Century Tokyo Rental Corporation for its heavy equipment and transportation equipment for the total consideration of ₱70.60 million and ₱7.41 million, respectively. The obligations are payable in equal monthly installments until January 2020.

Interest expense arising from obligations under finance lease amounted to ₱3.97 million, ₱6.59 million and ₱9.32 million in 2017, 2016, and 2015, respectively.

Net book values of heavy equipment and transportation equipment under finance lease amounted to ₱13.63 million and ₱7.34 million, respectively, as at December 31, 2017.

Installment Payable

In 2015, the Group acquired additional heavy equipment and transportation equipment amounting to ₱299.80 million. The Group initially paid ₱59.96 million and the remaining balance to be paid in equal monthly installments of ₱10.85 million (principal and interest) for a period of twenty-four (24) months with an interest rate of 8% per annum.

Installment payable amounted to nil and ₱27.99 million in 2017 and 2016, respectively.

Interest expense arising from the installment payable amounted to ₱0.48 million, ₱5.24 million and nil in 2017, 2016, and 2015, respectively.

20. Convertible Loans

In 2013 and 2012, the Group issued convertible loans to various individuals and corporations amounting to ₱79.02 million at a price of 100% of face value, which, at the option of the respective holders, are convertible into shares of common stock at a conversion price of ₱0.36 per share. The convertible loans issued are due 36 months from issuance (or earlier upon certain events of default) and are subject to 8.0% interest, payable semi-annually from the drawdown date. The Group shall have the right to redeem any time after one year period, upon prior notice, all or any portion of the outstanding principal amount of the convertible loans, without penalty, for 100% of the principal being redeemed plus accrued and unpaid interest. The holders are also granted one (1) nil-paid detachable warrant for every four (4) notional converted shares (the "Warrants"). The notes also contain customary events of default provisions wherein the holder shall be entitled to convert all or a portion of the outstanding loan into fully paid non-assessable shares of the common stock of the issuer at a price of ₱0.36 or at the prevailing market price on the conversion date, whichever is lower.

The notes together with its features were evaluated to determine if the embedded components qualify as derivatives to be separately accounted for under PAS 39, *Financial Instruments*. As result of this evaluation, the Group identified the detachable warrants and the conversion rights as derivative financial instruments and to be taken up as equity and the conversion upon default as derivative liability. Using the residual approach, the proceeds are allocated between the debt instrument, conversion rights and the detachable warrants and conversion upon default. At inception date the fair value of the debt instrument, conversion rights with detachable warrants and conversion upon default amounted to ₱73.79 million, ₱4.27 million and nil, respectively.

On March 25, 2014, the Group redeemed the convertible notes payable with principal amount of ₱30.96 million before their maturity dates. Loss on early redemption of shares recognized in the consolidated statement of comprehensive income amounted to ₱0.50 million.

In 2015, the remaining convertible loans with principal amount of ₱48.06 million were converted to 133.51 million PHA shares. In addition, 33.38 million warrants were subscribed and issued at ₱0.38 per share or ₱12.68 million (see Note 23).

In 2016 and 2015, the Group issued another convertible notes amounting to ₱26.0 million and ₱408.0 million, respectively, to various individuals and corporations. The convertible notes have a term of three years, with fixed interest rates ranging from 6.5% to 12.0% per annum, payable on a quarterly basis and are exchangeable into fully paid and non-assessable listed PHA's common shares at a price of ₱1.00 per share. The notes allow the holder to participate in a planned stock rights offer (SRO) even while the loan is outstanding. A nil-paid, detachable warrant is also issued to the holder for every ten (10) notional common shares, excluding the rights shares, regardless of whether or not the holder subscribes to the stock rights. Each warrant shall entitle the holder to subscribe to one (1) PHA's common share. In the event of default, the lender shall be entitled, but not obliged, to convert all or a portion of the loan into fully paid and non-assessable listed PHA's common shares. The terms and conditions of said conversion shall be mutually agreed upon by the parties. If the lender does not exercise its rights to conversion, the holder may declare the entire loan including the interest, immediately due and demandable.

In 2017, the Group entered into a ₱100 million loan agreement with Treasure Island Industrial Corporation (TIIC), subject to 6.5% interest payable in two (2) years.

The loan proceeds will be used by the Group to finance the development activities of its properties in Palawan.

The instrument is accompanied by the following options:

a. Up to ₱50 million of the loan may be converted to new shares of WPP corresponding to 5.0% of WPP post-conversion effectively at a valuation of ₱1.0 billion.
b. The ₱100 million loan amount, in whole or in part, may be convertible to lots in the Kattinger-Nagtabon property at an agreed upon discount to the opening Joint Venture price and as soon as the Joint Venture agreement with Kattinger group is signed and agreed on by all parties concerned.
c. The ₱100 million loan amount, in whole or in part, may be convertible to parcels of the security lots in North Cove at a price of ₱1,000 per square meters.

The ₱100 million loan amount, in whole or in part, may be convertible to parcels of the security lots in North Cove at a price of ₱1,000 per sqm.

The notes together with its features were also evaluated to determine if the embedded components qualify as derivatives to be separately accounted for under PAS 39. As result of this evaluation, the Group identified the conversion rights with detachable warrants as derivative financial instruments to be taken up as equity. Using the residual approach, the proceeds are allocated between the debt instrument and the conversion rights with detachable warrants. The equity component on the convertible loan issued in 2017 is not material.

Movement in the convertible loans as of December 31, 2017 and 2016 follows:

	2017	2016
Beginning balances	**₱423,409,346**	₱392,381,437
Additions	**100,000,000**	26,000,000
Amortization of day 1 difference	**1,511,216**	5,674,318
Payments	**(2,000,000)**	–
Equity portion	–	(646,409)
	₱522,920,562	₱423,409,346

As of December 31, 2017 and 2016, movement in equity portion of the convertible loans payable, which is part of APIC, are as follows:

	2017	2016
Beginning balances	**₱18,690,094**	18,043,685
Additions	**–**	646,409
	₱18,690,094	₱18,690,094

Movement in unamortized 'Day 1' difference as of December 31, 2017 and 2016 follows:

	2017	2016
Beginning balances	**₱10,590,834**	₱15,618,563
Additions	**–**	646,409
Amortization of day 1 difference	**(1,511,216)**	(5,674,138)
	₱9,079,618	₱10,590,834

In 2017, 2016, and 2015, interest expense on the convertible loans, including the amortization of day 1 difference, recognized in the consolidated statements of comprehensive income amounted to ₱19.01 million, ₱45.58 million and ₱24.13 million, respectively.

21. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group discloses the nature of the related party relationship and information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, including, as a minimum, the amount of outstanding balances and its terms and conditions including whether they are secured, and the nature of the consideration to be provided in settlement. The Group has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2017 and 2016. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

The Group, in the normal course of business, has transactions and account balances with related parties consisting mainly of the following:

Nature	Relationship	Year	Amount/ Volume	Outstanding Balance	Terms	Conditions
Receivables (Note 5)						
Advances	Officers	**2017**	**₱10,774,607**	**₱30,602,242**	Due and demandable; non-interest bearing	Unsecured
		2016	24,458,228	19,693,829		
Short-term loans (Note 17)						
Short-term loans	Officers & Shareholders	**2017**	**₱8,000,000**	**₱53,200,000**	180 days; 8.0% to 12.0% interest rate	Unsecured
		2016	10,700,000	35,200,000		
Convertible loans (Note 20)						
Convertible loans	Officers	**2017**	**₱–**	**₱136,000,000**	3 years; 8.0% interest rate; Convertible to PHA shares	Unsecured
		2016	10,000,000	136,000,000		
Trade and other payables (Note 15)						
Management fees	Officer	**2017**	**₱–**	**₱5,500,000**	Due and demandable; non-interest bearing	Unsecured
		2016	5,352,292	5,500,000		
Interest expense	Officers	**2017**	–	–	Due and demandable	Unsecured
		2016	7,728,460	–		
		2017	**₱18,774,607**	**₱225,302,242**		
		2016	58,238,980	196,393,829		

Compensation of Group's Key Management Personnel

Compensation of the Group's key management personnel consists of short-term employee benefits amounting to ₱37.82 million, ₱24.50 million, and ₱12.80 million in 2017, 2016, and 2015, respectively. There are no post-employment benefits in 2017, 2016, and 2015. There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plan.

22. Pension Liabilities

The Group has an unfunded noncontributory defined benefit plan covering all regular employees. Benefits are based on the employee's years of service and final plan salary.

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

The following tables summarize the unfunded status and amounts recognized in the consolidated balance sheets and the components of the net benefit expense recognized in the consolidated statements of comprehensive income for the pension plan.

Pension cost recognized in the consolidated statements of comprehensive income:

	2017	2016	2015
Service cost	**₱3,664,403**	₱3,503,689	₱4,256,389
Interest expense on defined benefit obligation	**1,004,528**	748,719	682,864
	₱4,668,931	₱4,252,408	₱4,939,253

Remeasurement gains (losses) on defined benefit obligation to be recognized under OCI in the consolidated statements of comprehensive income:

	2017	2016	2015
Actuarial gains (losses) due to:			
Changes in:			
Financial assumptions	**₱6,836,928**	₱2,339,162	₱496,663
Demographic assumptions	**58,677**	–	5,487,772
Experience adjustments	**3,331,759**	(1,773,870)	(1,658,289)
Remeasurement gains on defined benefit obligation	**10,227,364**	565,292	4,326,146
Income tax effect	**(2,936,079)**	(761,538)	(1,144,931)
	₱7,291,285	(₱196,246)	₱3,181,215

Remeasurement gains and losses on defined benefit obligation recognized under OCI in the consolidated statements of comprehensive income are shown net of tax amounting to ₱2.94 million in 2017, ₱0.76 million in 2016 and ₱1.14 million in 2015.

Cumulative remeasurement effect recognized in OCI included in the 'retained earnings' under equity attributable to equity holders of the parent and equity attributable to non-controlling interests:

	2017	2016
Equity attributable to equity holders of the parent		
Balances at beginning of year	**₱1,768,620**	₱2,192,423
Actuarial gain	**5,685,528**	71,082
	7,454,148	2,263,505
Income tax effect	**(1,599,954)**	(494,885)
Balances at end of year	**5,854,194**	1,768,620
Equity attributable to non-controlling interests		
Balances at beginning of year	**1,348,226**	1,120,669
Actuarial gain	**4,541,836**	494,210
	5,890,062	1,614,879
Income tax effect	**(1,336,125)**	(266,653)
Balances at end of year	**4,553,937**	1,348,226
Total amount recognized in OCI	**₱10,408,131**	₱3,116,846

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

	2017	2016
Defined benefit obligation at beginning of year	**₱19,124,656**	₱15,437,540
Service cost	**3,664,403**	3,503,689
Interest expense on defined benefit obligation	**1,004,528**	748,719
Actuarial losses (gains) due to:		
Experience adjustments	**(3,714,665)**	1,773,870
Changes in demographic assumptions	**(58,677)**	–
Changes in financial assumptions	**(6,836,928)**	(2,339,162)
Defined benefit obligation at end of year	**₱13,183,317**	₱19,124,656

The cost of defined benefit pension plans as well as the present value of the pension liabilities is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

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

	Discount rate		Future salary increase rate	
Entity Name	2017	2016	2017	2016
PHA	**5.77%**	5.86%	**5.0%**	5.0%
RCDC	**5.83%**	4.92%	**10.0%**	10.0%
GLCI	**5.73%**	6.00%	**5.0%**	10.0%
CUBES	–	5.86%	–	5.0%

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

		Effect on the retirement benefit obligation		
	Increase (Decrease)	PHA	RCDC	GLCI
Discount rate	+100bps	(₱104,416)	(₱1,180,284)	₱3,995,988
	-100bps	133,905	1,510,911	(5,263,488)
Salary increase	+100bps	125,223	1,349,050	5,285,765
	-100bps	(99,771)	1,088,273	(3,968,894)

The Group does not have a formal retirement plan and is therefore still unfunded.

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

	Expected benefits payments
Less than one year	₱1,403,798
More than one year to five years	2,322,051
More than five years to 10 years	7,598,147
More than 10 years to 15 years	2,575,957
More than 15 years to 20 years	8,871,174
More than 20 years	26,924,095

23. Equity

Capital Stock

The details of the number of common shares and the movements thereon follow:

	2017	2016	2015
Authorized – ₱0.25 par value	**2,254,224,000**	2,254,224,000	2,254,224,000
Issued and fully paid			
Balances at beginning of the year	**1,815,480,889**	1,815,480,889	1,648,592,000
Additional subscriptions	**–**	–	166,888,889
	1,815,480,889	1,815,480,889	1,815,480,889
Subscribed	**175,000,000**	175,000,000	175,000,000
Treasury stock	**225,268,793**	270,268,793	266,094,793
Outstanding shares	**1,765,212,016**	1,720,212,096	1,724,386,096

In 2015, convertible loans with principal amount of ₱48.06 million were converted to 133.51 million PHA shares at ₱0.36 per share. In addition, 33.38 million warrants were subscribed and issued at ₱0.38 per share or ₱12.68 million (see Note 20). Additional paid-in capital recognized from the transactions amounted to ₱19.03 million.

Treasury stock pertains to Parent Company shares held by DSI.

Subscription Receivable
Subscription receivable pertains to the unpaid portion of the 175.0 million shares subscribed at ₱0.30 per share amounting to ₱44.63 million. In 2017, the Group collected ₱1.60 million of the subscriptions receivable. As at December 31, 2017 and 2016, subscription receivable amounted to ₱24.91 million and ₱26.51 million, respectively.

Additional Paid-in Capital (APIC)
Additional paid-in capital includes the equity component of the issued convertible loans amounting to ₱18.69 million as of December 31, 2017 and 2016. The liability component is reflected as financial liabilities.

Retained Earnings (Deficit)
For purposes of dividend declaration, the retained earnings shall be that of the legal parent presented in the separate financial statements. After considering the reconciling items, the Parent Company has no available retained earnings for dividend declaration items as of December 31, 2017 and 2016.

The details of the Group's retained earnings are as follows:

	2017	2016	2015
Retained earnings:			
Balances at beginning of year	**₱180,338,549**	₱145,004,082	₱102,235,980
Net income for the year	**31,675,928**	35,334,467	42,768,102
	212,014,477	180,338,549	145,004,082
Cumulative remeasurement gain on defined benefit plan:			
Balances at beginning of year	**1,768,620**	2,192,423	379,597
Remeasurement gain (loss) during the year	**4,085,574**	(423,803)	1,812,826
	5,854,194	1,768,620	2,192,423
Equity reserves:			
Balances at beginning of year	**(31,149,252)**	(31,149,252)	(34,929,209)
Movement during the year	–	–	3,779,957
	(31,149,252)	(31,149,252)	(31,149,252)
	₱186,719,419	₱150,957,917	₱116,047,253

Equity Reserves
In December 2013, PHA obtained the BOD's approval to sell its 15% interest or 24.38 million shares in DSI for a consideration of ₱2.25 per share or ₱54.84 million. After the sale, PHA will retain 85% ownership with DSI. The transaction represents a change in ownership interest in a subsidiary that does not result in a loss of control. The Group recognized ₱8.95 million "Equity Reserve" arising from the excess of the consideration received over the proportionate share of non-controlling interest on the net assets value of DSI.

Additional 1.0 million shares were sold to non-controlling interests in January 2015 for a total consideration of ₱2.25 million or ₱2.25 per share, resulting to 15.62% non-controlling interest as of the end of January 2014.

In December 2014, the Parent Company has acquired 25.38 million common shares of DSI from various individual investors for a total consideration of ₱92.46 million or ₱3.64 per share. The acquisition of shares represents the remaining 15.62% interest in DSI. As a result of the acquisition, the Parent Company now holds 100% interest in DSI. The Group recognized "Equity Reserve" from the acquisition amounting to ₱43.88 million in the 2014 which is closed in the retained earnings under consolidated statements of changes in equity.

In February 2015, the Parent Company acquired 5.24 million shares equivalent or 13.1% non-controlling interest in RCDC for a total consideration of ₱5.24 million or ₱1.0 per share, increasing its ownership interest to 80.0%. The Group recognized "Equity Reserve" from the acquisition amounting to ₱3.78 million in the 2015 which is closed in the retained earnings under consolidated statements of changes in equity. The equity reserve is excluded for purposes of dividend declaration.

Non-controlling Interest

Non-controlling interest consists of the following:

Name of Subsidiary	Percentage of Ownership			Equity Attributable to Non-Controlling Interest		
	2017	2016	2015	**2017**	2016	2015
RCDC	**80.0%**	80.0%	80.0%	**₱27,049,979**	₱26,262,403	₱23,976,921
GLCI	**55.0%**	55.0%	55.0%	**313,986,999**	299,225,485	251,133,179
CUBES	**51.0%**	51.0%	51.0%	**69,293,869**	74,149,677	85,273,501
				₱410,330,847	₱399,637,565	₱360,383,601

Net income attributable to non-controlling interest follows:

Name of Subsidiary	Percentage of Ownership			Net Income (Loss) Attributable to Non-Controlling Interest		
	2017	2016	2015	**2017**	2016	2015
RCDC	**80.0%**	80.0%	80.0%	**₱699,489**	₱2,680,114	₱2,502,716
GLCI	**55.0%**	55.0%	55.0%	**11,643,890**	20,556,135	32,492,842
CUBES	**51.0%**	51.0%	51.0%	**(4,855,808)**	(11,209,842)	(6,179,490)
				₱7,487,571	₱12,026,407	₱28,816,068

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before intercompany eliminations.

Summarized statement of income for 2017:

	GLCI	RCDC	CUBES
Revenues	₱479,475,389	₱247,142,428	₱1,648,726
Cost and expenses	(399,639,209)	(233,409,787)	(11,741,123)
Other income (charges)	(41,125,191)	(8,004,309)	182,585
Income (loss) before income tax	38,710,989	5,728,332	(9,909,812)
Provision for income tax	(12,835,679)	(2,230,885)	–
Net income (loss)	₱25,875,310	₱3,497,447	(₱9,909,812)
Attributable to non-controlling interest	₱11,643,890	₱699,489	(₱4,855,808)

Summarized statement of income for 2016:

	GLCI	RCDC	CUBES
Revenues	₱605,423,264	₱297,833,328	₱7,882,924
Cost and expenses	(496,635,218)	(265,459,750)	(26,361,736)
Other charges	(40,402,489)	(12,793,580)	(4,398,350)
Income (loss) before income tax	68,385,557	19,579,998	(22,877,162)
Provision for income tax	(22,705,258)	(6,179,423)	(67)
Net income (loss)	₱45,680,299	₱13,400,575	(₱22,877,229)
Attributable to non-controlling interest	₱20,556,134	₱2,680,115	(₱11,209,842)

Summarized statement of income for 2015:

	GLCI	RCDC	CUBES
Revenues	₱590,369,661	₱289,714,919	₱2,025,000
Cost and expenses	(449,944,889)	(251,592,495)	(14,510,743)
Other charges	(18,513,884)	(18,849,620)	(125,462)
Income (loss) before income tax	121,910,888	19,272,804	(12,611,205)
Provision for income tax	(49,704,572)	(6,759,223)	–
Net income (loss)	₱72,206,316	₱12,513,581	(₱12,611,205)
Attributable to non-controlling interest	₱32,492,842	₱2,502,716	(₱6,179,490)

Summarized balance sheet as of December 31, 2017:

	GLCI	RCDC	CUBES
Current assets	₱2,458,092,154	₱87,526,905	₱4,012,100
Noncurrent assets	89,796,711	266,943,424	84,249,565
Current liabilities	(636,754,619)	(207,809,145)	(52,116,132)
Noncurrent liabilities	(1,196,170,134)	(11,402,518)	(75,302)
Equity	₱714,964,112	₱135,258,666	₱36,070,231
Attributable to:			
Equity holders of the parent	₱393,230,264	₱108,206,934	₱18,395,818
Non-controlling interest	321,733,852	27,051,733	17,674,413

Summarized balance sheet as of December 31, 2016:

	GLCI	RCDC	CUBES
Current assets	₱2,349,889,311	₱69,015,319	₱5,316,108
Noncurrent assets	43,854,292	323,146,916	194,519,819
Current liabilities	(623,541,648)	(247,009,345)	(48,051,847)
Noncurrent liabilities	(1,037,069,281)	(13,840,880)	(382,973)
Equity	₱733,132,674	₱131,312,010	₱151,401,107
Attributable to:			
Equity holders of the parent	₱403,222,971	₱105,049,608	₱77,214,565
Non-controlling interest	329,909,703	26,262,402	74,186,542

Summarized cash flow information for year ended December 31, 2017:

	GLCI	RCDC	CUBES
Operating	(₱118,655,764)	₱43,506,076	(₱4,192,218)
Investing	(25,600,303)	(1,553,591)	667,075
Financing	123,290,784	(54,036,116)	3,193,389
Net decrease in cash	(₱20,965,283)	(₱12,083,631)	(₱331,754)

Summarized cash flow information for year ended December 31, 2016:

	GLCI	RCDC	CUBES
Operating	(₱34,138,016)	₱105,650,367	(₱13,465,237)
Investing	(27,591,120)	36,455	(16,559,999)
Financing	(3,679,065)	(93,898,516)	28,324,032
Net increase (decrease) in cash	(₱65,408,201)	₱11,788,306	(₱1,701,204)

Summarized cash flow information for year ended December 31, 2015:

	GLCI	RCDC	CUBES
Operating	(₱288,995,282)	₱110,896,210	(₱13,251,124)
Investing	(52,284,473)	(336,337,542)	(55,909,795)
Financing	442,871,435	217,644,936	50,998,371
Net increase (decrease) in cash	₱101,591,680	(₱7,796,396)	(₱18,162,548)

Parent Company Shares held by a Subsidiary

On August 26, 2014, the BOD approved the buyback of shares of the Parent Company through its owned subsidiary DSI. As of December 31, 2017 and 2016, DSI holds 225.21 million and 270.27 million shares, respectively. Average price per share amounted to ₱0.36 and ₱0.57 in 2017 and 2016, respectively.

24. Cost of Services

	2017	2016	2015
Depreciation (Note 12)	**₱57,522,090**	₱82,334,950	₱57,203,778
Personnel cost (Note 26)	**57,001,556**	59,441,126	61,944,368
Fuel and oil	**37,741,425**	50,649,259	45,260,793
Repairs and maintenance	**36,592,410**	31,272,594	29,826,858
Taxes and licenses	**5,767,134**	6,154,570	6,100,051
Transportation and travel	**4,800,460**	9,737,480	7,687,912
Professional and legal fees	**4,495,812**	6,788,622	6,596,843
Rentals and utilities	**3,833,612**	7,406,431	1,657,168
Entertainment, amusement and recreation	**2,466,531**	2,826,623	5,068,446
Others	**11,105,587**	3,271,526	1,870,233
	₱221,326,617	₱259,883,181	₱223,216,450

25. General and Administrative Expenses

	2017	2016	2015
Personnel cost (Note 26)	**₱51,639,486**	₱53,292,455	₱39,900,268
Depreciation and amortization (Notes 11 and 12)	**27,589,745**	30,144,801	9,063,030
Commissions	**27,243,712**	37,497,159	27,883,560
Professional and legal fees	**20,659,557**	36,495,095	46,199,913
Taxes and licenses	**10,981,779**	6,232,547	14,867,263
Rentals and utilities	**8,450,182**	11,908,156	8,808,320
Outside services	**2,102,599**	3,252,862	–
Supplies and materials	**2,057,497**	667,275	650,673
Advertising and promotions	**1,771,241**	4,772,769	313,920
Transportation and travel	**1,715,252**	5,128,378	4,050,516
Freight and handling	**1,690,479**	877,757	–
Entertainment, amusement and recreation	**596,147**	3,847,132	6,491,910
Repairs and maintenance	**500,767**	2,090,905	1,169,504
Others	**21,695,901**	13,410,093	15,970,546
	₱178,694,344	₱209,617,384	₱175,369,423

26. Personnel Costs

	2017	2016	2015
Cost of services:			
Salaries and wages	**₱39,527,934**	₱41,200,296	₱46,812,492
Pension expense (Note 22)	**1,462,850**	903,426	475,389
Other employee benefits	**16,010,772**	17,337,404	14,656,487
	57,001,556	59,441,126	61,944,368
General and administrative expenses:			
Salaries and wages	**44,102,462**	41,303,500	28,404,509
Pension expense (Note 22)	**3,206,081**	3,348,982	4,463,864
Other employee benefits	**4,330,943**	8,639,973	7,031,895
	51,639,486	53,292,455	39,900,268
	₱108,641,042	₱112,733,581	₱101,844,636

27. Impairment Losses

	2017	2016	2015
Receivables (Note 5)	**₱6,000**	₱2,025,000	₱5,897,048
Input VAT (Note 7 and 14)	**16,560**	662,061	209,736
Film rights (Note 11)	**556,243**	796,460	796,460
	₱578,803	₱3,483,521	₱6,903,244

28. Income Taxes

The provision for income tax from continuing operations shown in the consolidated statements of comprehensive income consists of:

	2017	2016	2015
Current	**₱5,257,160**	₱12,362,638	₱8,083,981
Final	**27,000,000**	2,732,390	45,343
Deferred	**(94,142,944)**	55,509,107	67,949,043
	(₱61,885,784)	₱70,604,135	₱76,078,367

The reconciliation of income tax expense computed at the statutory income tax rate to the provision for income tax follows:

	2017	2016	2015
Income tax at statutory tax rate	**(₱6,816,686)**	₱35,389,503	₱44,298,761
Tax effects of:			
Capital gains tax	**27,000,000**	1,919,214	–
Movement of deferred taxes	**18,476,693**	12,234,739	25,291,969
Nondeductible expenses	**2,748,566**	1,927,557	5,407,803
Taxable income	**2,643,263**	26,192,274	1,634,998
Interest expense – accretion	**453,365**	1,702,295	–
Equity in net earnings of an associate	**–**	–	(354,022)
Income subject to:			
ITH	**–**	–	(141,510)
Final tax	**(91,376,795)**	(8,761,447)	(59,632)
Difference in tax base and accounting base of land and land development	**(15,014,190)**	–	–
Provision for (benefit from) income tax	**(₱61,885,784)**	₱70,604,135	₱76,078,367

Components of the Group's net deferred tax liabilities follow:

	2017	2016
Deferred tax asset recognized in profit or loss:		
Difference in the tax base and accounting base of land and land development	**₱15,014,190**	₱–
Pension liabilities	**4,777,203**	3,960,385
Allowance for impairment losses on receivables	**1,488,287**	1,488,287
MCIT	**–**	7,819,390
NOLCO	**–**	3,935,078
	21,279,680	17,203,140
Deferred tax liabilities recognized in profit or loss:		
Gross profit on real estate sales	**173,482,172**	173,780,254
Increase in fair value due to purchase price allocation	**79,740,615**	84,255,436
Gain arising from change in fair value of investment property	**–**	85,652,305
Prepayments	**–**	73,631
Unrealized gain on foreign exchange	**–**	67
	253,222,787	343,761,693
Net deferred liabilities recognized in profit or loss	**231,943,107**	326,558,553
Deferred income liabilities recognized in other comprehensive income:		
Remeasurement actuarial gains on defined benefit obligation	**4,099,548**	690,970
Net deferred tax liabilities	**₱236,042,655**	₱327,249,523

Net deferred tax liabilities acquired in GLCI amounted to ₱141.00 million in 2015 (see Note 10).

In 2017, PHA and WPP entered into a contract to sell to transfer and convey PHA's investment property with a total area of 499.99 hectares, for a consideration of ₱450.00 million. Prior to the transfer, the investment property's carrying value amounted to ₱399.95 million, which is also the fair value as at December 31, 2016. As a result of the transfer, a deferred tax asset amounting to ₱15.01 million arising from the difference of the investment property's carrying amount and the cost of the transferred land in the books of WPP amounted to ₱50.05 million (see Note 13).

Capital gains tax recognized by the Group amounted to ₱26.94 million.

The Group has deductible temporary differences that are available for offset against future taxable income or income tax payable for which deferred tax assets have not been recognized. These deductible temporary differences are as follows:

	2017	2016
Allowance for impairment losses	**₱257,597,485**	₱257,018,682
NOLCO	**146,347,537**	115,575,473
Pension liabilities	**7,804,174**	5,857,973
Excess MCIT over RCIT	**2,919,997**	3,379,209
Effect of levelization of rent expense	**527,545**	341,901
Unrealized forex loss	**223**	–

The carry forward benefits of NOLCO that can be claimed as a deduction from future taxable income follow:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2017	₱56,176,221	₱–	₱–	₱56,176,221	2020
2016	21,549,257	(1,939)	–	21,547,318	2019
2015	72,284,606	(3,660,608)	–	68,623,998	2018
2014	34,858,537	(9,702,558)	(25,155,979)	–	2017
	₱184,868,621	(₱13,365,105)	(₱25,155,979)	₱146,347,537	

The excess MCIT over RCIT that can be carried forward and credited against tax payable follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2017	₱412,581	₱–	₱–	₱412,581	2020
2016	2,066,420	(121,889)	–	1,944,531	2019
2015	4,085,718	(3,522,833)	–	562,885	2018
2014	5,046,461	(4,174,668)	(871,793)	–	2017
	₱11,611,180	(₱7,819,390)	(₱871,793)	₱2,919,997	

NOLCO and MCIT presented in the above tables include the amount of NOLCO and MCIT of GLCI.

29. Interest Expense

	2017	2016	2015
Loans payable (Note 18)	**₱67,322,959**	₱56,973,101	₱12,243,605
Convertible loans (Note 20)	**19,006,484**	45,578,215	24,131,421
Short term loans (Note 17)	**4,878,757**	15,399,597	11,833,062
Obligation under finance lease (Note 19)	**3,977,517**	6,591,709	9,327,043
Installment payable (Note 19)	**477,265**	5,243,594	–
	₱95,662,982	₱129,786,216	₱57,535,131

30. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year.

Earnings per share attributable to equity holders of the Parent Company

	2017	2016	2015
Net income attributable to equity holders of the Parent Company	**₱31,675,928**	₱35,334,467	₱42,768,102
Weighted average number of outstanding common shares *	**1,762,992,918**	1,720,401,466	1,676,456,880
Basic/diluted earnings per share	**₱0.0180**	₱0.0205	₱0.0255

** The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions and new subscriptions during the year.*

	2017	2016	2015
No. of shares at the beginning of year	**1,990,480,889**	1,990,480,889	1,823,592,000
Weighted average number of shares issued during the year	**–**	–	84,130,290
Weighted average number of Parent Company shares held by a subsidiary	**(227,487,971)**	(270,079,423)	(231,265,410)
Weighted average number of outstanding common shares	**1,762,992,918**	1,720,401,466	1,676,456,880

Diluted earnings per share is computed similar to the computation of the basic earnings (loss) per share except that the net income attributable to the equity holders of the parent and the weighted average number of shares outstanding should be adjusted for the effects of all dilutive potential ordinary shares. The effect of the conversion option of the convertible loans is anti-dilutive as at December 31, 2017, 2016, and 2015. Thus, the basic and diluted earnings per share are the same.

31. Segment Information

For management purposes, the Group's operating segments are organized and managed separately according to the nature of the business activity, with each segment representing strategic unit that offers different services and serves different markets. The Group has three reportable segments as follows:

- Contract mining segment pertains to the operations of RCDC for the hauling services it provides with mining Companies.
- Real estate segment pertains to the operations of GLCI which develops and sells innovative master planned communities of low to mid rise residential and commercial condominiums including student dormitories.
- Service contract segment pertains to the operations of CUBES which provides thermochiller system to certain customers.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors operating results for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income or loss and is measured consistently with income or loss in the consolidated financial statements. Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables regarding business segments present the revenue and profit information for the years ended December 31, 2017, 2016 and 2015.

	2017					
	Contract Mining	Real Estate	Service Contracts	Others	Eliminations	Total
Revenues						
External customer	₱247,142,428	₱479,475,389	₱1,648,727	₱387,213	₱–	₱728,653,757
Inter-segment	–	–	–	13,191,853	(13,191,853)	–
	247,142,428	479,475,389	1,648,727	13,579,066	(13,191,853)	728,653,757
Cost and Expenses	(233,409,787)	(399,639,209)	(11,735,123)	(42,432,033)	(1,857,546)	(689,073,698)
Operating Income (Loss)	13,732,641	79,836,180	(10,086,396)	(28,852,967)	(15,049,399)	39,580,059
Interest income	38,190	50,717	9	37,705	–	126,621
Interest expense	(7,912,758)	(67,082,959)	(185,644)	(20,469,133)	–	(95,650,494)
Impairment losses	–	–	–	(578,803)	–	(578,803)
Finance charges	–	–	(1,990)	(10,498)	–	(12,488)
Other income (expense) - net	(129,741)	25,907,051	370,210	15,049,975	(7,384,675)	33,812,820
Provision for income tax	(2,230,885)	(12,835,679)	–	57,423,336	19,529,012	61,885,784
Net Income (Loss)	₱3,497,447	₱25,875,310	(₱9,903,811)	₱22,599,615	(₱2,905,062)	₱39,163,499

	2016					
	Contract Mining	Real Estate	Service Contracts	Others	Eliminations	Total
Revenues						
External customer	₱297,833,328	₱605,423,264	₱7,882,924	₱–	₱–	₱911,139,516
Inter-segment	–	–	–	8,102,169	(8,102,169)	–
	297,833,328	605,423,264	7,882,924	8,102,169	(8,102,169)	911,139,516
Cost and Expenses	(181,368,137)	(493,094,431)	(22,756,890)	(48,326,632)	8,102,169	(737,443,921)
Operating Income (Loss)	116,465,191	112,328,833	(14,873,966)	(40,224,463)	–	173,695,595
Gain from change in fair value of investment property	–	–	–	158,937,240	–	158,937,240
Gain on sale of investment	–	–	–	10,257,441	–	10,257,441
Interest income	57,050	174,466	442	1,848,651	–	2,080,609
Impairment losses - net	–	–	(2,025,000)	(1,458,521)	–	(3,483,521)
Interest expense	(12,842,458)	(56,973,101)	(2,352,553)	(57,618,104)	–	(129,786,216)
Depreciation and amortization	(84,091,612)	(3,540,787)	(18,654,250)	(6,193,101)	–	(112,479,750)
Other income (expense) - net	(8,173)	16,396,146	(21,240)	2,376,878	–	18,743,611
Provision for income tax	(6,179,423)	(22,705,258)	(67)	(41,719,387)	–	(70,604,135)
Net Income (Loss)	₱13,400,575	₱45,680,299	(₱37,926,634)	₱26,206,634	₱–	₱47,360,874

	2015					
	Contract Mining	Real Estate	Service Contracts	Others	Eliminations	Total
Revenues						
External customer	₱289,714,919	₱590,369,661	₱2,025,000	₱357,143	₱–	₱882,466,723
Inter-segment	–	–	–	20,000,000	(20,000,000)	–
	289,714,919	590,369,661	2,025,000	20,357,143	(20,000,000)	882,466,723
Cost and Expenses	(193,384,152)	(449,944,889)	(13,937,031)	(64,975,898)	20,000,000	(702,241,970)
Operating Income (Loss)	96,330,767	140,424,772	(11,912,031)	(44,618,755)	–	180,224,753
Gain from change in fair value of investment property	–	–	–	95,522,590	–	95,522,590
Equity in net earnings of an associate	–	–	–	1,180,072	–	1,180,072
Interest income	59,237	89,211	19,678	5,261,312	(4,962,336)	467,102
Remeasurement loss (Note 10)	–	–	(2,607,117)	–	–	(2,607,117)
Impairment losses - net	(29,250)	(2,671,506)	–	(4,202,488)	–	(6,903,244)
Interest expense	(18,601,377)	(12,251,694)	(120,110)	(31,524,286)	4,962,336	(57,535,131)
Depreciation and amortization	(58,208,343)	(1,524,444)	(573,712)	(5,960,309)	–	(66,266,808)
Other income (expense) - net	(278,230)	(2,155,451)	(25,030)	6,039,031	–	3,580,320
Provision for income tax	(6,759,223)	(43,711,938)	–	(25,607,206)	–	(76,078,367)
Net Income (Loss)	₱12,513,581	₱78,198,950	(₱15,218,322)	(₱3,910,039)	₱–	₱71,584,170

Intersegment revenues are eliminated upon consolidation and reflected in the “eliminations” column.

32. Financial Risk Management Objectives and Policies

The Group's principal financial assets and financial liabilities comprise of loans payable and due to and from related parties. The main purpose of these financial assets and financial liabilities is to finance the Group's operations. The Group has other financial assets and financial liabilities such as trade and other receivables and trade and other payables which arise directly from its operations.

The carrying values of the Group's financial assets and financial liabilities per category are equal to the estimated fair values except for the following financial assets and financial liabilities:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and receivables:				
Receivable from PAGCOR	**₱3,042,702**	**₱2,146,638**	₱3,042,702	₱2,146,638
Contracts receivable	**220,981,250**	**372,127,260**	374,529,931	341,337,782
Security deposits	**884,604**	**796,313**	274,718	193,815
Other financial liabilities:				
Loans payable	**793,348,693**	**1,149,533,159**	631,449,844	641,000,933
Installment payable	**–**	**–**	27,992,410	30,173,082
Convertible loan	**522,920,562**	**534,000,000**	423,409,346	434,000,000

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets
The carrying values of cash and nontrade receivables approximate their fair values due to the short-term nature of their related transactions.

The fair values of noncurrent security deposits were based on the discounted value of future cash flows using the applicable interest rates for similar types of financial instruments. The discount rate used ranges from 2.14% to 7.97%.

Financial liabilities
The carrying amounts of trade and other payables and due to related parties approximate their fair values due to the short-term nature of the transactions. The carrying amounts of loans payable equal their fair values because the remaining terms are less than 12 months.

Fair Value Hierarchy
The Group uses the following hierarchy for determining the fair value of financial assets and financial liabilities:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the Group's assets and liabilities carried at fair value:

	2017				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
AFS financial assets	₱–	₱–	₱–	₱–	₱–

	2016				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
AFS financial assets	₱240,000	₱240,000	₱–	₱–	₱240,000
Investment properties	399,952,700	–	–	399,952,700	399,952,700
	₱400,192,700	₱240,000	₱–	₱399,952,700	₱400,192,700

The fair value of the investment property was obtained using the Market Data Approach. In this approach, the value of the land was based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listing to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the property and were premised on the factors of location, size and shape of the lot, time, element and others.

The latest valuation report was made in April 2017, with the observable inputs as follows:

Observable inputs	Values
Land area (square meter)	4,999,414
Price per square meter	₱80.00
Fair value	₱399.5 million

Based on the analysis of the land usage surrounding the Nagtabon, Puerto Princesa investment property, the highest and best use of the investment property is to be an eco-tourism themed/beach resort land development.

In 2017, the Group transferred its investment property to land and land development.

The fair value in 2016 include the following observable inputs:

Observable inputs	Values
Land area (square meter)	4,999,414
Price per square meter	₱80.00
Fair value	₱399.5 million

Although no sales of truly comparable land have occurred, the following are believed to provide reasonable bases for comparison:

Observable inputs	Land 1	Land 2	Land 3
Land area (square meter)	45,000	41,777	29,932
Price per square meter	₱100.00	₱75.00	₱80.00

The fair value of the investment properties was estimated by using the Sales Comparison Approach (SCA), SCA is an approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The selling price is adjusted for certain external and internal factors ranging from negative 20% to positive 15%. For SCA, the higher the price per sqm, the higher the fair value. Also, the higher the external and internal factors adjustments, the higher the fair value.

As of December 31, 2017 and 2016, there were no transfers between levels in the fair value hierarchy. As of December 31, 2017 and 2016, the Group has no financial instruments carried at fair value based on levels 2 and 3.

The main risks arising from the Group's financial assets and financial liabilities are liquidity risk, credit risk and market risk. Exposure to these risks arises in the normal course of business activities. The main objectives of the Group's financial risk management are as follows:

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

The BOD reviews and approves actions for managing each of these risks which are summarized below:

a. *Liquidity risk*

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they become due without incurring unacceptable losses or costs.

The major liquidity risk confronting the Group pertains to the daily calls on its available cash resources in respect of claims arising from trade and other payables and the maturity of loans payable. In this regard, the Group maintains a level of cash deemed sufficient to finance its operations.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities at December 31, 2017 and 2016 based on contractual undiscounted future payments. The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

	2017			
	<120 days	121-360 days	>360 days	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱190,039,782	₱17,176,910	₱–	₱207,216,692
Advances from third parties	343,722	223,000,000	–	223,343,722
Accrued expenses	11,414,137	2,390,501	5,100,000	18,904,638
Short-term loans*	64,688,055	77,752,375	227,658,000	370,098,430
Convertible loan*	11,077,505	398,751,246	13,091,811	422,920,562
Obligation under finance lease	958,022	25,163,213	8,624,968	34,746,203
Loans payable*	232,900,040	174,801,144	566,755,607	974,456,791
	₱511,421,263	₱919,035,389	₱821,230,386	₱2,251,687,038
Financial assets:				
Cash	₱68,703,841	₱–	₱–	₱68,703,841
Receivables				
Contracts receivables	633,659,495	756,501,115	163,921,405	1,554,082,015
Trade	38,187,271	2,956,352	1,388,982	42,532,605
Others	279,718	7,701,042	–	7,980,760
Other noncurrent assets				
Receivable from PAGCOR	–	–	3,042,702	3,042,702
Security deposits	–	481,230	403,374	884,604
	₱740,830,325	₱767,639,739	₱168,756,463	₱1,677,226,527

**Including interest*

	2016			
	<120 days	121-360 days	>360 days	Total
Financial liabilities:				
Trade and other payables				
Trade				
Third parties	₱40,259,328	₱367,503,010	₱30,824,281	₱438,586,619
Related parties	–	12,176,252	–	12,176,252
Accrued expenses	15,692,898	129,724,192	27,784,654	173,201,744
Others	6,560,321	204,489,679	–	211,050,000
Short-term loans*	–	27,992,410	–	27,992,410
Installment payable*	–	11,027,909	412,381,437	423,409,346
Convertible loan*	677,321	46,572,088	9,842,435	57,091,844
Loans payable*	204,227,065	213,692,330	404,548,435	822,467,830
	₱267,416,933	₱1,013,177,870	₱885,381,242	₱2,165,976,045
Financial assets:				
Cash	₱83,727,575	₱–	₱–	₱83,727,575
Receivables				
Contracts receivables	498,936,775	597,150,419	387,192,861	1,483,280,055
Trade	504,689,841	610,754,772	413,321,965	1,528,766,578
Others	151,008,000	–	–	151,008,000
Other noncurrent assets				
AFS financial assets	–	–	243,000	243,000
Receivable from PAGCOR	–	–	3,042,702	3,042,702
Security deposits	–	–	274,718	274,718
	₱1,238,362,191	₱1,207,905,191	₱804,075,246	₱3,250,342,628

**Including interest.*

b. *Credit risk*
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risks are primarily attributable to cash in banks, receivables and notes receivable, due from related parties and security deposits. The Group's receivables, notes receivable and due from related parties are monitored on an ongoing basis.

With respect to credit risk arising from cash in banks, receivables, due from related parties, and other noncurrent assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The tables below show the credit quality of the Group's financial assets:

	2017					
	Neither past due nor impaired					
	High Grade	Medium Grade	Total	Past due but not impaired	Impaired	Total
Cash in banks	₱68,703,841	₱–	₱68,703,841	₱–	₱–	₱68,703,841
Receivables						
Contracts receivables	1,480,062,742	–	1,480,062,742	69,058,317	4,960,956	1,554,082,015
Trade	32,420,942	–	32,420,942	8,722,681	1,388,982	42,532,605
Others	–	7,687,127	7,687,127		293,633	7,980,760
Other noncurrent assets						
Receivable from PAGCOR	–	–	–	3,042,702	–	3,042,702
Refundable deposit	–	51,240,000	51,240,000	–	–	51,240,000
Security deposits	884,604	–	884,604	–	–	884,604
	₱1,582,072,129	₱58,927,127	₱1,640,999,256	₱80,823,700	₱6,643,571	₱1,728,466,527

(Forward)

2016

	Neither past due nor impaired					
	High Grade	Medium Grade	Total	Past due but not impaired	Impaired	Total
Cash in banks	₱89,085,003	₱–	₱89,085,003	₱–	₱–	₱89,085,003
Receivables						
Contracts receivables	1,269,726,084	24,173,171	1,293,899,255	189,380,799	4,960,956	1,488,241,010
Trade	2,754,726	–	2,754,726	12,348,152	2,054,250	17,157,128
Others	–	–	–	–	2,308,403	2,308,403
Other noncurrent assets						
Receivable from PAGCOR	–	–	–	3,042,702	–	3,042,702
Refundable deposit	–	842,977	842,977	–	–	842,977
Security deposits	472,014	–	472,014	–	–	472,014
	₱1,362,037,827	₱25,016,148	₱1,387,053,975	₱204,771,653	₱9,323,609	₱1,601,149,237

An aging of the Group's past due or individually impaired receivables as of December 31, 2017 and 2016 are as follows:

As of December 31, 2017

	Past Due but not Impaired			Impaired Financial Assets	Total
	<120 days	121-360 days	>360 days		
Receivables					
Contacts receivable	**₱633,659,495**	**₱756,501,115**	**₱158,960,449**	**₱4,960,956**	**₱1,554,082,015**
Trade	**38,187,271**	**2,956,352**	–	**1,388,982**	**42,532,605**
Others	**279,718**	**7,407,409**	–	**293,633**	**7,980,760**
Receivable from PAGCOR	–	–	**3,042,702**	–	**3,042,702**
	₱672,126,484	**₱766,864,876**	**₱162,003,151**	**₱6,643,571**	**₱1,607,638,082**

As of December 31, 2016

	Past Due but not Impaired			Impaired Financial Assets	Total
	<120 days	121-360 days	>360 days		
Receivables					
Contacts receivable	₱112,806,108	₱41,058,229	₱35,516,462	₱4,960,956	₱194,341,755
Trade	12,348,152	–	–	2,054,250	14,402,402
Others	–	–	–	2,308,403	2,308,403
Receivable from PAGCOR	–	–	3,042,702	–	3,042,702
	₱125,154,260	₱41,058,229	₱38,559,164	₱9,323,609	₱214,095,262

The Group has determined that the credit quality of all neither past nor impaired financial assets as of December 31, 2017 and 2016 are classified as high grade based on the following:

Cash - based on the financial and credit standing of the counterparty.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment. All receivables are deemed high grade by the Group.

Security deposits - based on the credit standing/reputation of counterparty.

Receivable from PAGCOR pertains to DSI's commission from PhilWeb that is garnished and is under the custody of PAGCOR. The management believes that the receivable is not impaired because of the Group's counterclaims.

c. *Market risk*
Market risk is the risk of loss to future earnings, fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, equity prices, foreign currency exchange rates and other market changes.

Foreign currency risk
Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As of December 31, 2017 and 2016, the Group has no significant foreign currency denominated assets and liabilities that could materially impact the financial statements.

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 equity indeces and the value of individual stocks. As of December 31, 2017 and 2016, changes in fair value of equity instruments held as AFS financial assets due to reasonably possible changes in equity indeces, with all other variables held constant, will increase unrealized gain on equity by nil and ₱0.01 million, if equity prices will increase by 1%. A similar change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has no financial instruments with variable interest rates exposed to interest rate risk as of December 31, 2017 and 2016.

33. Notes to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities in 2017:

	January 31, 2017	Availments	Payment	Interest accretion	December 31, 2017
Convertible loans	₱423,409,346	₱100,000,000	(₱2,000,000)	₱1,511,216	₱522,920,562
Short-term loans	211,050,000	68,140,000	(70,090,000)	–	209,100,000
Loans payable	826,857,783	730,863,200	(583,264,192)	–	974,456,791
Obligations under finance lease	57,091,844	–	(22,345,641)	–	34,746,203
Installment payable	27,992,410	–	(27,992,410)	–	–
	₱1,546,401,383	₱899,003,200	(₱705,692,243)	₱1,511,216	₱1,741,223,556

34. Agreements

Service Contracts
Marcventures Mining and Development Corporation (MMDC)
On March 8, 2011, the Group executed the contract with MMDC to haul and load beneficiated nickel ore stockpile located at Cabangahan, Cantilan, Surigao del Sur and its hauling to the Pier Yard in Bon-ot, Carrascal, Surigao del Sur.

In February 2015, the Group renewed its agreement with MMDC for an additional period of three (3) years effective January 1, 2015 to December 31, 2017. Under the scope of work, the Group shall excavate, load and haul more or less 500,000 wet metric tons (WMT) of ore per year at the area specified and designated by MMDC.

Cagdianao Mining Corporation (CMC)
In December 2014, the Group entered into a Saprolite Mining Contract with CMC for the hauling and extraction of mineral ores in Municipality of Cagdianao, Province of Dinagat Islands. The Contract shall be for a period of three years, from January 1, 2015 to December 31, 2017, which may be extended by written mutual agreement of the parties.

If the Group fails to deliver the required tonnage, CMC shall impose a penalty upon the Group computed based on the required WMT multiplied $0.50 per WMT of materials not delivered.

BenguetCorp Nickel Mines, Inc. (BNMI)
In April 2015, the Group entered into a Mining Services Agreement with Arrow Freight Corporation (AFC) for the extraction of nickel ore and other mineral products from BNMI mine pit to designated dumping, stockyards and stockpile areas and the provision of other necessary equipment including manpower and consumables such as fuel and oil, as maybe specified by AFC from time to time in accordance with the need of the project. The agreement shall be valid for a period of three (3) years starting April 1, 2015 and ending December 31, 2017, which may be renewed upon mutual consents of the parties.

Mining related services recognized by the Group amounted to ₱247.14 million, ₱297.83 million, and ₱289.71 million in 2017, 2016 and 2015, respectively. This includes equipment rental amounting to ₱2.63 million, ₱6.88 million and ₱12.93 million in 2017, 2016 and 2015, respectively.

Operating Lease Commitments
On May 1, 2015, the Group entered into a lease contract with Rinarese, Inc. to lease the commercial space for the administrative office of the Group. The lease is for a period of two (2) years commencing on May 1, 2015 to April 30, 2017. In addition, the Group entered into a lease agreement with Accupak Philippines, Inc. to lease the premises for the warehouse of the Group located at Calamba, Laguna. The contract is for a period of five (5) years commencing on September 1, 2015 to August 30, 2020. In May 2016, the lease agreement with Accupak Philippines, Inc. was pre-terminated.

Rent expense charged in the consolidated statements of comprehensive income amounted to ₱7.74 million, ₱6.24 million, and ₱13.63 million in 2017, 2016 and 2015, respectively.

Joint Operation
In 2008, GLCI has entered into a Joint Venture Agreement (JVA) with certain landowners, for the development of certain lots. Pursuant to the JVA, the landowners shall contribute the title and their interest to the lots and the Group, in turn, shall provide the necessary cash and expertise to undertake and complete the implementation of the residential project development as development manager and as exclusive marketing agent of the project. The Group shall pay the landowners their share in net proceeds after deducting a marketing fee equivalent to 15.0% of the selling price.

Details of the sharing agreement follow:

Project	Area (in sq.m.)	Location	Landowner's Share in Net Proceeds
Summerfields Subdivision	47,360	La Trinidad, Benguet	15.00%
North Cambridge Subdivision	10,892	Baguio City	10.00%
Courtyards Condominium	18,517	Lucban, Baguio City	12.00%

35. Registration with Board of Investments

CUBES

The Group is registered with the BOI as a new operator of Thermo Chilling System under the heading Energy Efficiency Projects of the 2014 IPP on a Non-Pioneer Status under the provision of Executive Order (EO) No. 226, otherwise known as the *Omnibus Investments Code of 1987.*

Under the Group's registration, it is entitled to certain tax and nontax incentives which include, among others, ITH for four (4) years from November 2015 or actual start of commercial operations, whichever is earlier but availment shall be in no case earlier than the date of registration.

The ITH incentives shall be limited only to the revenues generated from the new activity.

Under the terms of the Group's registration, it is subject to certain requirements, principally that of following a specified sales volume and sales revenue schedule and securing prior permission from the BOI before performing certain acts.

Under the Group's application with the BOI, it can avail of a bonus year in each of the following cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years:

a. The ratio of the total imported and domestic capital equipment to the number of workers for the project does not exceed US$10,000 to one (1) worker;
b. The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three (3) years of operation; and
c. The indigenous raw materials used in the manufacture of the registered product must at least be fifty (50%) of the total cost of raw materials for the preceding years prior to the extension unless the BOI prescribes a higher percentage.

36. Events After the Reporting Date

The following non-adjusting events happened subsequent to the respective dates of the Parent Company and its subsidiaries:

On March 20, 2018, the BOD of the Parent Company approved, out of the unrestricted retained earnings as of December 31, 2017, a property dividend consisting of 260,000 shares of stock with a new par value of ₱0.10 per share of RCDC and a cash dividend of ₱2.95 million to be applied to the payment of any applicable withholding taxes on the property and cash dividends declared.

The property dividend ratio will be paid at 1,346 RCDC shares for every 10,000 shares of PHA with no fractional shares to be issued.

Together with the property and cash dividends, the BOD also approved the grant of 268 million detachable nil-paid warrant that will entitle the warrant holder to acquire one RCDC share from PHA for each warrant held. The warrants shall be applied for listing in the PSE.

RCDC will continue to be a subsidiary of the Parent Company after the property dividend distribution.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
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ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Premiere Horizon Alliance Corporation
Unit E-1705, 17th Floor, East Tower
Philippine Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City

We have examined the consolidated financial statements of Premiere Horizon Alliance Corporation and Subsidiaries for the year ended December 31, 2017, on which we have rendered the attached report dated April 6, 2018.

In compliance with Securities Regulation Code Rule No. 68, As Amended (2011), we are stating that the Parent Company has one hundred fourteen (114) stockholders owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
SEC Accreditation No. 1627-A (Group A),
April 4, 2017, valid until April 3, 2020
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 6621351, January 9, 2018, Makati City

April 6, 2018

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November 10, 2015, valid until November 9, 2018

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

The Board of Directors and Stockholders
Premiere Horizon Alliance Corporation
Unit E-1705, 17th Floor, East Tower
Philippine Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Premiere Horizon Alliance Corporation and Subsidiaries (the Group) as at December 31, 2017 and 2016, and each of the three years in the period ended December 31, 2017 included in this Form 17-A and have issued our report thereon dated April 6, 2018. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Company'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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alexis Benjamin C. Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
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PTR No. 6621351, January 9, 2018, Makati City

April 6, 2018

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES

Supplementary Schedules to the Financial Statements Required Under Securities Regulation Code Rule 68, As Amended (2011)
For the year ended December 31, 2017

and

Independent Auditors' Report

Philippine Peso

SEC Number 147584
File Number ____________

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
(Company's Full Name)

Metro Manila, Philippines
(Company's Address)

(02) 632 - 7714
(Telephone Number)

December 31
(Year Ending)
(month & day)

Supplementary Schedules to the Financial Statements
Form Type

____
Amendment Designation (If applicable)

December 31, 2017
Period Ended Date

____
(Secondary License Type and File Number)

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2017

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NA: NOT APPLICABLE

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
Schedule A - Financial Assets
December 31, 2017

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/ Notes	Valued Based on Market Quotations at Balance Sheet Date	Income Received and Accrued (including Dividends Received)
Loans and receivables				
Cash	–	₱70,160,469	₱–	₱–
Receivables	–			
Trade	–	42,532,605	–	–
Contract receivables	–	1,554,082,015		
Others	–	7,980,760	–	–
Other noncurrent assets				
Receivable from PAGCOR	–	3,042,702	–	–
Advances to Supplier		50,932,519		
Cash Advances		126,366,554		
Security deposits	–	884,604	–	–
Available-for-sale financial assets				
Quoted equity security	–	-	–	
	–	₱1,855,982,228	–	–

See Note 30 of the Consolidated Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
Schedule B - Amounts Receivables from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2017

Name of Debtor	Beginning Balance	Additions	Collections	Ending Balance		
				Current	Non-Current	Total
Advances to officers and Employees	₱33,261,322	₱17,716,038	(₱5,895,340)	₱50,388,020	₱–	₱50,388,020

See Note 5 of the Consolidated Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
Schedule C - Amounts Receivable from Related Parties Which are Eliminated During the Consolidation of Financial Statements
December 31, 2017

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Balance at End of Period		
					Current	Non-Current	Total
Premiere Horizon Alliance Corporation	₱24,639,994	₱164,169,842	₱66,024,912	–	₱122,784,924	–	₱122,784,924
DSI	-	12,694,845	56,313,439		(43,618,594)	–	(43,618,594)
West Palawan Premiere Development Corp (WPP)	7,280,000	7,006,748	152,662,923	-	(138,376,175)		(138,376,175)
Redstone Construction & Development Corporation	117,917,387	35,775,623			153,693,010		153,693,010
PH Big Bounty	-	88,175	1,112,474		(1,024,299)		(1,024,299)
Concepts Unplugged					459,420		459,420
Business Environment Solutions, Inc. (CUBES)	34,640,661		34,181,241		2,807,042		2,807,042
Goshen Land Capital, Inc.	16,335,558	(13,528,516)					
Premiere e-Teleservices, Inc.	254,932		254,932	–	-	–	-
La Prima Hotel – Inc.	(5,748,316)	770,860	(13,319)	–	(4,964,137)	–	(4,964,137)
PH Mining and Development Corporation	14,146,152	120,920		–	14,267,072	–	14,267,072
PH Agriforest Corporation	(2,013,410)	868,067	(13,823)	–	(1,131,520)	–	(1,131,520)
	₱207,452,958	₱207,966,564	₱310,522,779	-	₱104,896,743	-	₱104,896,743

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2017

Description	Beginning Balance	Additions at Cost	Deductions / Amortizations		Other Charges– Additions (Deductions)	Ending Balance
			Charged to cost and Expenses	Charged to Other Accounts		
Exclusive Right to Operate	₱135,444,637	–	15,049,404	₱–	₱	₱120,395,233
Film Rights	5,575,220	–	556,243	–	13,309	5,006,190
Goodwill (including provisional goodwill)	18,308,920	–	–	–	–	18,308,920
Intangible Assets	₱159,328,777	–	₱15,605,647	₱–	₱13,309	₱143,710,343

See Note 11of the Consolidated Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
Schedule E - Long-Term Debt
December 31, 2017

Name of Issuer and Type of Obligation	Amount Authorized By Indenture	Amount Shown as Current	Amount Shown as Long-term	Total
Convertible loans (8% - 10% interest rate; 3 years)				
S.J.Roxas& Co., Inc.	50,000,000	–	49,098,302	49,098,302
Myka Advisory and Consultancy Services, Inc.	10,000,000	–	9,819,660	9,819,660
Tarciso M. Medalla	10,000,000	–	9,819,660	9,819,660
Asian Alliance Investment Corporation	60,000,000	–	58,729,270	58,729,270
Abigail B. Arcilla	10,000,000	–	9,734,514	9,734,514
Mr. Raul Ma. F. Anonas	46,000,000	–	44,829,161	44,829,161
Philippine Business Bank, Inc. - Trust and Investments Center	60,000,000	–	58,419,362	58,419,362
United Coconut Planters Life Assurance Corporation	100,000,000	–	98,569,220	98,569,220
Robinsion W. Siao	5,000,000	–	4,890,961	4,890,961
Guild Securities, Inc.	10,000,000	–	9,395,058	9,395,058
Crown Equities Incorporated	10,000,000	–	9,395,058	9,395,058
Jaime I Cabangis	7,000,000	–	6,839,258	6,839,258
One Wealthy Nation Inc.	15,000,000	–	14,629,660	14,629,660
Multinational Bancorporation Enterprise Development	15,000,000	–	14,616,332	14,616,332
Jaime Cabangis and/or Manuel Federico Santos	3,000,000	–	2,870,278	2,899,355
Roberto V. San Jose	10,000,000	–	9,528,580	9,528,580
Francisco Colayco	7,000,000	–	6,839,258	6,839,258
Homer Perez	6,000,000	–	5,808,581	5,808,581
TIIC	100,000,000	–	98,569,220	98,569,220

Name of Issuer and Type of Obligation	Amount Authorized By Indenture	Amount Shown as Current	Amount Shown as Long-term	Total
Bank of the Philippine Islands (BPI) (4 to 6 years; 5.67% to 6.0% per annum)	161,666,667		161,666,667	161.666.667
BDO Unibank, Inc. (5 years; 6.88 % for the first three years and yearly repricing thereafter)	3,340,745	668,149	2,672,596	3,340,745
Philippine Savings Bank (PSB)	1,486,385		1,46,385	1,486,385
Malayan Bank (MB) (3 years; 10.0% per annum)	1,374,803	458,267.67	916,535.33	1,374,803
Unionbank (5 years, 6%-7% per annum)	79,758,066	15,951,613.20	63,806,452.80	79,758,066
Zambank (4 years, 8% per annum)	15,000,000	3,750,000	11,250,000	15,000,000
Veterans (1-5 years,6.29%-6.84% per annum)	264,565,366	88,188,455.33	176,376,910.67	264,565,366
Others financing institutions (1-2 years, 1.5%-7% per annum)	266,156,661	298,684,698.80	148,580,060.20	447,264,759
	₱1,392,106,759	₱407,701,184	₱1,089,676,169	₱1,497,377,353

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2017

Name of Related Party	Balance at Beginning of Period	Balance at End of Period

NONE TO REPORT

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
Schedule G - Guarantees of Securities and Other Issuers
December 31, 2017

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee

NONE TO REPORT

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
Schedule H - Capital Stock
December 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding (Net of Treasury Shares)	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Common stock- ₱0.25 par value						
Authorized	2,254,224,000	–	–	–	–	–
Issued	–	1,815,480,889	–	–	403,058,474	1,412,422,415
Subscribed	–	175,000,000	–	–	175,000,000	–
Treasury	–	(315,268,793)	–	315,268,793	–	–
Shares reserved for conversion	–	–	–	–	–	–

See Note 22 of the Consolidated Financial Statements.

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES

Supplementary Information Required Under Securities Regulation Code Rule 68, As Amended (2011)

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: *Transition*			✓
	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*			✓
PFRS 8	*Operating Segments*	✓		
PFRS 9	*Financial Instruments*	✓		
	Amendments to PFRS 9: *Mandatory Effective Date of PFRS 9 and Transition Disclosures*			✓
PFRS 10	*Consolidated Financial Statements*	✓		
PFRS 11	*Joint Arrangements*			✓
PFRS 12	*Disclosure of Interests in Other Entities*	✓		
PFRS 13	*Fair Value Measurement*	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	*Presentation of Financial Statements*	✓		
	Amendment to PAS 1: *Capital Disclosures*	✓		
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendments to PAS 1: *Presentation of Items of Other Comprehensive Income*	✓		
PAS 2	*Inventories*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 7	*Statement of Cash Flows*	✓		
PAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓		
PAS 10	*Events after the Balance Sheet Date*	✓		
PAS 11	*Construction Contracts*			✓
PAS 12	*Income Taxes*	✓		
	Amendment to PAS 12 - *Deferred Tax: Recovery of Underlying Assets*			✓
PAS 16	*Property, Plant and Equipment*	✓		
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19	*Employee Benefits*	✓		
	Amendments to PAS 19: *Actuarial Gains and Losses, Group Plans and Disclosures*			✓
PAS 19 (Amended)	*Employee Benefits*	✓		
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
	Amendment: *Net Investment in a Foreign Operation*			✓
PAS 23 (Revised)	*Borrowing Costs*			✓
PAS 24 (Revised)	*Related Party Disclosures*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27 (Amended)	*Separate Financial Statements*	✓		
PAS 28	*Investments in Associates*	✓		
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*	✓		
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 31	*Interests in Joint Ventures*			✓
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32 and PAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*			✓
	Amendment to PAS 32: *Classification of Rights Issues*			✓
	Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities*	✓		
PAS 33	*Earnings per Share*	✓		
PAS 34	*Interim Financial Reporting*	✓		
PAS 36	*Impairment of Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*	✓		
PAS 39	Financial Instruments: *Recognition and Measurement*	✓		
	Amendments to PAS 39: *Transition and Initial Recognition of Financial Assets and Financial Liabilities*	✓		
	Amendments to PAS 39: *Cash Flow Hedge Accounting of Forecast Intragroup Transactions*			✓
	Amendments to PAS 39: *The Fair Value Option*			✓
	Amendments to PAS 39 and PFRS 4: *Financial Guarantee Contracts*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets*			✓
	Amendments to PAS 39 and PFRS 7: *Reclassification of Financial Assets – Effective Date and Transition*			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: *Embedded Derivatives*	✓		
	Amendment to PAS 39: *Eligible Hedged Items*			✓
PAS 40	*Investment Property*	✓		
PAS 41	*Agriculture*			✓

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
SIC-7	*Introduction of the Euro*			✓
SIC-10	*Government Assistance - No Specific Relation to Operating Activities*			✓
SIC-12	*Consolidation - Special Purpose Entities*			✓
	Amendment to SIC - 12: *Scope of SIC 12*			✓
SIC-13	*Jointly Controlled Entities - Non-Monetary Contributions by Venturers*			✓
SIC-15	*Operating Leases - Incentives*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	✓		
SIC-29	*Service Concession Arrangements: Disclosures.*			✓
SIC-31	*Revenue - Barter Transactions Involving Advertising Services*			✓
SIC-32	*Intangible Assets - Web Site Costs*			✓

PREMIERE HORIZON ALLIANCE CORPORATION

Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2017

Unappropriated Retained Earnings, beginning	₱150,957,917
Adjustments:	
Cumulative actuarial gains on retirement obligation	(1,768,620)
Effect of voluntary change in accounting policy of investment property from cost model to fair value model	--
Gain on fair value changes on investment property, net of tax	--
Unappropriated Retained Earnings as adjusted, beginning	149,189,297
Add: Net income (loss) actually earned / realized during the year	
Net income during the period closed to retained earnings	35,761,502
Less: Non-actual / unrealized income net of tax	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash on hand and in banks)	–
Unrealized actuarial gain	4,085,574
Fair value adjustment (mark-to-market gains)	–
Fair value adjustment of investment property resulting to gain	--
Adjustment due to deviation from PFRS/GAAP – gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP – loss	–
Loss on fair value of investment property (after tax)	–
Provision for deferred tax	–
Net income (loss) actually earned during the year	31,675,928
Add (less):	
Dividend declarations during the year	–
Appropriations of retained earnings during the period	–
Reversals of appropriations	–
Effects of prior period adjustments	–
Treasury shares	–
Unappropriated Retained Earnings Available for Dividend Distribution, December 31, 2017	₱180,865,225

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES
KEY FINANCIAL INDICATORS

	Audited		
	December 31, 2017	December 31, 2016	Change
1. Current Ratio or Working Capital Ratio			
Total Current Assets	2,634,818,699	2,176,606,381	
Total Current Liabilities	1,699,543,553	1,592,854,638	
	1.55	0.91	0.64
2. Solvency Ratio			
Total Assets	4,096,552,694	3,723,636,290	
Total Liabilities	3,094,377,276	2,790,006,153	
	1.34	1.33	0.01
3. Debt-to-Equity Ratio			
Total Liabilities	3,094,377,276	2,790,006,153	
Stockholder's Equity	1,002,175,418	933,630,137	
	3.09	2.99	0.10
4. Debt Ratio			
Total Liabilities	3,094,377,276.00	2,790,006,153.00	
Total Assets	4,096,552,694.00	3,723,636,290.00	
	0.76	0.75	0.01
5. Return on Assets			
Net Income	39,163,499	47,360,874	
Average Assets	3,910,094,492.00	3,574,678,935.50	
	0.01	0.01	(0.00)
6. Asset-to-Equity Ratio			
Total Assets	4,096,552,694.00	3,723,636,290.00	
Stockholder's Equity	1,002,175,418.00	933,630,137.00	
	4.09	3.99	0.10
7. Times Interest Earned			
Earning Before Interest and Taxes	72,940,697.00	247,751,225.00	
Interest	95,662,982.00	129,786,216.00	
	0.76	1.91	(1.15)

PREMIERE HORIZON ALLIANCE CORPORATION AND SUBSIDIARIES

Map of the relationship of the companies within the group

For the year ended December 31, 2017