FILINVEST LAND, INC.

79 EDSA, Highway Hills
Mandaluyong City, Metro Manila
Trunk line: (632) 918-8188
Customer hotline: (632) 588-1688
Fax number: (632) 918-8189
www.filinvestland.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **FILINVEST LAND, INC. and SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2018 and 2017**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JONATHAN T. GOTIANUN
Chairman of the Board

LOURDES JOSEPHINE GOTIANUN-YAP
President/CEO

NELSON M. BONA
Chief Financial Officer

SUBSCRIBED AND SWORN TO BEFORE ME in the City of Mandaluyong this ___ day of MAR 13 2019 affiant exhibiting to me his/her ___ as competent evidence of identity

Signed this 5th day of March, 2019

Doc. No. 474;
Page No. 96;
Book No. 13;
Series of 2019

JOVEN SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-19 UNTIL DECEMBER 31, 2020
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 3806768; 1-3-19; MANDALUYONG
MCLE COMPLIANCE NO. V - 0014673 14 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY

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 Filinvest Land, Inc. and Subsidiaries for the period ending December 31, 2018.

In discharging this responsibility, I hereby declare that:

I, am the General Accounting Supervisor of Filinvest Land, Inc.

Furthermore, in my compilation services for the presentation of Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of SyCip Gorres Velayo & Co. who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

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

SIGNATURE OVER PRINTED NAME: John Symon S. Rosita

PROFESSIONAL IDENTIFICATION CARD NO. 0155131
VALID UNTIL: April 17, 2019

ACCREDITATION NUMBER: 4448 Bd. Res. No. 6 dtd. February 1, 2018
Valid Until: April 17, 2020

SUBSCRIBED AND SWORN TO BEFORE ME in the City of Mandaluyong this___ day of MAR 13 2019 affiant exhibiting to me his/her ___ as competent evidence of identity. NOTARY PUBLIC

Doc. No. 317
Page No. 65
Book No. 13
Series of 2019

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0286-19 UNTIL DECEMBER 31, 2020
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PTR NO. 3806763; 1-3-19; MANDALUYONG
MCLE COMPLIANCE NO. V-0014073 14 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	7	0	9	5	7

COMPANY NAME

FILINVEST LAND, INC. AND SUBSIDIARIES

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

79 EDSA, Brgy. Highway Hills, Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
	918-8188	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,690	Every 2nd to the last Friday of April Each Year	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
Ms. Venus A. Mejia	venus.mejia@filinvestgroup.com	918-8188	

CONTACT PERSON's ADDRESS

79 EDSA, Brgy. Highway Hills, Mandaluyong 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.*

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

Opinion

We have audited the accompanying consolidated financial statements of Filinvest Land, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, 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 financial position of the Group as at December 31, 2018 and 2017, and its financial performance and its cash flows for the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 is significant to our audit because this involves application of significant judgment and estimation in the following areas: (1) identification of the contract for sale of real estate property that would meet the requirements of PFRS 15; (2) application of the output method as the measure of progress in determining real estate revenue; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

The Group identifies contracts that meet all the criteria required under PFRS 15 for a valid revenue contract. In the absence of signed contracts to sell, the Group identifies alternative documentation that are enforceable and that contains each party's rights regarding the real estate property to be transferred, the payment terms and the contract's commercial substance.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by management's project engineers and managers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead, including those which have not yet been billed by the contractor.

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which have qualified for revenue recognition, the total sales commission due to sales agent is capitalized as cost to obtain contract and the related commission payable is recognized. The Group uses percentage of completion (POC) method in amortizing sales commission consistent with its revenue recognition policy.

The modified retrospective approach in adopting PFRS 15 resulted to transition adjustments in the opening balance of retained earnings amounting to ₱613.32 million as of January 1, 2018.

The disclosures related to the adoption of PFRS 15, including available practical expedients applied by the Group, are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process for real estate sales, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption papers and accounting policies prepared by management, including revenue streams identification and scoping and contract analysis.

In the identification of alternative documentation used in the sale of real estate property (in the absence of a signed contract to sell) that would meet the requirements of PFRS 15, our audit procedures include, among others, involvement of our internal specialist in reviewing the Group's legal basis regarding the enforceability of the alternative documentation, and reference to buyers' behavior and industry practices.

In determining revenue from real estate sales, we obtained an understanding of the Group's processes for determining POC under the output method, and performed tests of relevant controls. We obtained certified POC reports prepared by internal project engineers for mid-rise real estate development and third-party project managers. for high-rise real estate developments. We assessed the competence and objectivity of the project engineers and managers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and obtained supporting details of POC reports.

For the cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed, to supporting documents such as project accomplishment reports and progress billings from contractors.

For the recognition of costs to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating sales commission capitalized and portion recognized in profit or loss, particularly: (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from real estate sales.

We test computed the transition adjustments and evaluated the disclosures made in the financial statements on the adoption of PFRS 15.

Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group adopted the final version of PFRS 9, *Financial Instruments*. The Group has adopted the 2010 version of the standard in 2011. The final version of PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement*, introduces a forward-looking expected credit loss model (ECL) in assessing impairment loss on debt financial assets not measured at fair value through profit or loss and on loan commitments and financial guarantee contracts. The Group adopted the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the ECL model on its contracts receivable and contract assets is significant to our audit as it involves the exercise of significant management judgment and estimation. Key areas of judgment include: process of segmenting credit risk exposures; estimation method to determine ECL; definition of default; assumptions to be used in the ECL model, such as the timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

Refer to Notes 2 and 30 to the consolidated financial statements for the related disclosure on the application of the ECL model.

Audit Response

We obtained an understanding of the methodologies and models approved and adopted by the Group in determining its different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money and, the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place; (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information; and (f) tested the effective interest rate, or an approximation thereof, used in discounting expected loss.

We checked the data used in the ECL models, such as the historical analysis of defaults, and recovery data, by reconciling data from source system reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We involved our internal specialists in the performance of the above procedures.

Assessment of Goodwill

Under PFRS, the Group is required to test the goodwill for impairment. As of December 31, 2018, goodwill attributable to Festival Supermall structure, Filinvest Asia Corporation, and Cyberzone Properties, Inc. which are considered significant to the consolidated financial statements amounted to ₱3,745.95 million, ₱494.74 million and ₱326.55 million, respectively. Management's assessment process involves significant judgment and is based on assumptions, including revenue growth rates, gross margins, discount rates and terminal growth rates.

Refer to Notes 3 and 4 to the consolidated financial statements for the disclosures about goodwill.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rates, gross margins, discount rates and terminal growth rates.

We compared the key assumptions used, such as revenue growth rates against the historical performance of the cash-generating units, and relevant external data. We tested the parameters used in determining discount rates against market data. We also reviewed the Group's disclosures of the assumptions used where 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 goodwill.

Other Information

Management is responsible for Other Information. Other Information comprises the information included in SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Michael C. Sabado.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-3 (Group A),
March 16, 2017, valid until March 15, 2020
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332607, January 3, 2019, Makati City

February 27, 2019

FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands of Pesos)

	December 31	
	2018	2017 (As restated, see Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 19 and 30)	**₱6,419,560**	₱7,576,090
Contracts receivables (Notes 2, 3, 6, 8 and 30)	**800,850**	4,535,296
Contract assets (Notes 2, 3, 6 and 30)	**3,798,831**	–
Other receivables (Notes 9 and 30)	**2,348,361**	1,882,416
Real estate inventories (Notes 2, 3 and 10)	**67,853,028**	52,299,118
Other current assets (Notes 2, 3, 6 and 11)	**3,874,332**	4,586,800
Total Current Assets	**85,094,962**	70,879,720
Noncurrent Assets		
Contract asset - net of current portion (Notes 2, 3, 6 and 30)	**6,243,274**	–
Contracts receivables - net of current portion (Notes 2, 3, 8 and 30)	**–**	12,690,696
Investments in associates (Notes 3 and 12)	**4,056,019**	4,197,002
Investment properties (Notes 2, 3 and 13)	**49,867,671**	44,355,604
Property and equipment (Notes 3 and 14)	**3,833,120**	3,408,312
Deferred income tax assets (Notes 3 and 28)	**85,979**	48,655
Goodwill (Notes 3 and 4)	**4,567,242**	4,567,242
Other noncurrent assets (Notes 2, 3 and 15)	**5,112,216**	4,974,688
Total Noncurrent Assets	**73,765,521**	74,242,199
TOTAL ASSETS	**₱158,860,483**	₱145,121,919
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 16 and 30)	**₱12,446,821**	₱14,259,062
Contract liabilities (Notes 2 and 6)	**2,156,955**	–
Due to related parties (Notes 19 and 30)	**181,271**	199,315
Income tax payable	**109,002**	49,219
Current portion of loans payable (Notes 17, 26 and 30)	**1,969,936**	3,661,118
Current portion of bonds payable (Notes 18, 26 and 30)	**6,993,574**	–
Total Current Liabilities	**23,857,559**	18,168,714

(Forward)

	December 31	
	2018	2017 (As restated, see Note 2)
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 17, 26 and 30)	**₱22,978,537**	₱19,647,418
Bonds payable - net of current portion (Notes 18, 26 and 30)	**27,840,692**	34,775,665
Contract liabilities - net of current portion (Notes 2 and 6)	**1,053,221**	–
Net retirement liabilities (Notes 3 and 24)	**598,403**	517,929
Deferred income tax liabilities - net (Note 28)	**6,011,674**	5,298,440
Other noncurrent liabilities (Notes 16 and 30)	**9,248,775**	3,212,710
Total Noncurrent Liabilities	**67,731,302**	63,452,162
Total Liabilities	**91,588,861**	81,620,876
Equity		
Common stock (Note 26)	**24,470,708**	24,470,708
Preferred stock (Note 26)	**80,000**	80,000
Additional paid-in capital	**5,612,321**	5,612,321
Treasury stock (Note 26)	**(221,041)**	(221,041)
Retained earnings (Notes 2 and 26)	**36,882,343**	33,099,891
Revaluation reserve on financial assets at fair value through other comprehensive income	**(2,619)**	(2,619)
Remeasurement losses on retirement plan - net of tax (Note 24)	**(148,581)**	(155,336)
Share in other components of equity of associates (Note 12)	**361,794**	361,794
Equity attributable to equity holders of the parent	**67,034,925**	63,245,718
Noncontrolling interests (Note 2)	**236,697**	255,325
Total Equity	**67,271,622**	63,501,043
TOTAL LIABILITIES AND EQUITY	**₱158,860,483**	₱145,121,919

See accompanying Notes to Consolidated Financial Statements.

APR 15 2019

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands of Pesos, Except Earnings Per Share Figures)

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Real estate sales (Notes 3, 5 and 6)	**₱14,404,201**	₱13,748,423	₱14,255,920
Rental and related services (Notes 5, 6, 13, 15 and 25)	**5,608,258**	4,414,665	3,384,182
Total revenue	**20,012,459**	18,163,088	17,640,102
EQUITY IN NET EARNINGS OF ASSOCIATES (Note 12)	**537,017**	350,213	183,020
OTHER INCOME			
Interest income (Notes 7, 8, 19 and 22)	**977,290**	935,302	871,972
Others - net (Notes 19 and 23)	**678,419**	821,048	805,492
	22,205,185	20,269,651	19,500,586
COSTS			
Real estate sales (Notes 3 and 10)	**8,339,208**	8,051,904	8,322,274
Rental and related services (Notes 13, 14 and 15)	**1,130,507**	999,057	742,489
OPERATING EXPENSES			
General and administrative expenses (Note 20)	**2,322,060**	1,879,135	1,303,954
Selling and marketing expenses (Note 21)	**1,442,587**	981,693	1,204,804
INTEREST AND OTHER FINANCE CHARGES (Notes 17, 18 and 22)	**1,192,441**	1,062,705	1,072,664
	14,426,803	12,974,494	12,646,185
INCOME BEFORE INCOME TAX	**7,778,382**	7,295,157	6,854,401
PROVISION FOR INCOME TAX (Note 28)	**1,702,509**	1,460,976	1,503,615
NET INCOME	**₱6,075,873**	₱5,834,181	₱5,350,786
Net income attributable to:			
Equity holders of the parent	**₱5,894,408**	₱5,685,394	₱5,247,262
Noncontrolling interest	**181,465**	148,787	103,524
	₱6,075,873	₱5,834,181	₱5,350,786
Basic/Diluted Earnings Per Share (Note 27)	**₱0.24**	₱0.23	₱0.22

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2018	2017	2016
NET INCOME	**₱6,075,873**	₱5,834,181	₱5,350,786
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss			
Remeasurement gains on retirement plan, net of tax (Notes 24 and 28)	**6,755**	3,637	(36,625)
TOTAL COMPREHENSIVE INCOME	**₱6,082,628**	₱5,837,818	₱5,314,161
Total comprehensive income attributable to:			
Equity holders of the parent	**₱5,901,163**	₱5,689,031	₱5,210,637
Noncontrolling interest	**181,465**	148,787	103,524
	₱6,082,628	₱5,837,818	₱5,314,161

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands of Pesos)

	Attributable to Equity Holders of the Parent										
	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVTOCI (Note 15)	Remeasurement Losses on Retirement Plan (Note 24)	Share in Other Components of Equity of an Associate (Note 12)	Total	Noncontrolling Interest	Total Equity
					For the Year Ended December 31, 2018						
Balances as at January 1, 2018, as previously stated	**₱24,470,708**	**₱80,000**	**₱5,612,321**	**(₱221,041)**	**₱33,099,891**	**(₱2,619)**	**(₱155,336)**	**₱361,794**	**₱63,245,718**	**₱255,325**	**₱63,501,043**
Effect of adoption of new accounting standards (Note 2)	–	–	–	–	(613,321)	–	–	–	(613,321)	–	(613,321)
Balance as January 1, 2018, as restated	24,470,708	80,000	5,612,321	(221,041)	32,486,570	(2,619)	(155,336)	361,794	62,632,397	255,325	62,887,722
Net income	–	–	–	–	5,894,408				5,894,408	181,465	6,075,873
Other comprehensive income	–	–	–	–	–	–	6,755	–	6,755	–	6,755
Total comprehensive income	–	–	–	–	5,894,408	–	6,755	–	5,901,163	181,465	6,082,628
Dividends declared (Note 26)	–	–	–	–	(1,498,635)	–	–	–	(1,498,635)	–	(1,498,635)
Dividend distribution to noncontrolling interest	–	–	–	–	–	–	–	–	–	(184,000)	(184,000)
Acquisition of noncontrolling interest (Note 2)	–	–	–	–	–	–	–	–	–	(16,093)	(16,093)
Balances as at December 31, 2018	**₱24,470,708**	**₱80,000**	**₱5,612,321**	**(₱221,041)**	**₱36,882,343**	**(₱2,619)**	**(₱148,581)**	**₱361,794**	**₱67,034,925**	**₱236,697**	**₱67,271,622**
					For the Year Ended December 31, 2017						
Balances as of January 1, 2017	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱29,015,356	(₱2,619)	(₱158,973)	₱361,794	₱59,157,546	₱255,091	₱59,412,637
Net income	–	–	–	–	5,685,394	–	–	–	5,685,394	148,787	5,834,181
Other comprehensive income	–	–	–	–	–	–	3,637	–	3,637	–	3,637
Total comprehensive income	–	–	–	–	5,685,394	–	3,637	–	5,689,031	148,787	5,837,818
Dividends declared (Note 26)	–	–	–	–	(1,486,510)	–	–	–	(1,486,510)	–	(1,486,510)
Dividend distribution to noncontrolling interest	–	–	–	–	–	–	–	–	–	(146,000)	(146,000)
Investment from noncontrolling interest	–	–	–	–	–	–	–	–	–	21,951	21,951
Acquisition of noncontrolling interest (Note 2)	–	–	–	–	(114,349)	–	–	–	(114,349)	(24,504)	(138,853)
Balances as of December 31, 2017	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱33,099,891	(₱2,619)	(₱155,336)	₱361,794	₱63,245,718	₱255,325	₱63,501,043

	Attributable to Equity Holders of the Parent										
	Common Stock (Note 26)	Preferred Stock (Note 26)	Additional Paid-in Capital	Treasury Stock (Note 26)	Retained Earnings (Note 26)	Revaluation Reserve on Financial Assets at FVTOCI (Note 15)	Remeasurement Losses on Retirement Plan (Note 24)	Share in Other Components of Equity of an Associate (Note 12)	Total	Noncontrolling Interest	Total Equity
	For the Year Ended December 31, 2016										
Balances as of January 1, 2016	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱25,247,329	(₱2,619)	(₱122,348)	₱361,794	₱55,426,144	₱271,117	₱55,697,261
Net income	–	–	–	–	5,247,262	–	–	–	5,247,262	103,524	5,350,786
Other comprehensive income	–	–	–	–	–	–	(36,625)	–	(36,625)	–	(36,625)
Total comprehensive income	–	–	–	–	5,247,262	–	(36,625)	–	5,210,637	103,524	5,314,161
Dividends declared (Note 26)	–	–	–	–	(1,479,235)	–	–	–	(1,479,235)	–	(1,479,235)
Dividend distribution to noncontrolling interest	–	–	–	–	–	–	–	–	–	(120,000)	(120,000)
Investment from noncontrolling interest	–	–	–	–	–	–	–	–	–	450	450
Balances as of December 31, 2016	₱24,470,708	₱80,000	₱5,612,321	(₱221,041)	₱29,015,356	(₱2,619)	(₱158,973)	₱361,794	₱59,157,546	₱255,091	₱59,412,637

See accompanying Notes to Consolidated Financial Statements.

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2018	2017 (As restated, see Note 2)	2016 (As restated, see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱7,778,382**	₱7,295,157	₱6,854,401
Adjustments for:			
Interest income (Note 22)	**(977,290)**	(935,302)	(871,972)
Interest expense and amortization of transaction costs (Note 22)	**1,155,761**	1,038,511	1,034,036
Depreciation and amortization (Notes 5, 13, 14 and 15)	**810,629**	769,461	520,789
Equity in net earnings of associates (Note 12)	**(537,017)**	(350,213)	(183,020)
Net pension expense, net of contribution and benefits paid (Note 24)	**90,124**	78,600	56,008
Operating income before changes in operating assets and liabilities	**8,320,589**	7,896,214	7,410,242
Changes in operating assets and liabilities			
Decrease (increase) in:			
Contracts receivable	**16,425,142**	4,559,588	(2,330,309)
Contract assets	**(10,042,105)**	–	–
Other receivables	**(465,945)**	(630,904)	777,730
Real estate inventories	**(10,699,331)**	(7,719,291)	503,394
Other assets	**304,788**	(669,372)	(983,443)
Increase (decrease) in:			
Accounts payable and accrued expense	**82,051**	5,665,098	(2,400,741)
Contract liabilities	**3,210,176**	–	–
Cash generated from operations	**7,135,365**	9,101,333	2,976,873
Income taxes paid, including creditable withholding taxes	**(1,198,192)**	(878,726)	(562,696)
Interest received	**977,290**	935,302	871,972
Net cash provided by operating activities	**6,914,463**	9,157,909	3,286,149
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Investment properties and property and equipment (Notes 13 and 14)	**(5,558,464)**	(6,854,429)	(6,353,151)
Investment in associate (Note 12)	**–**	–	(37,829)
Noncontrolling interest	**–**	(138,853)	–
Dividends received (Note 12)	**678,000**	200,000	155,225
Redemption of financial asset at FVTOCI (Note 15)	**48**	–	1
Net cash used in investing activities	**(4,880,416)**	(6,793,282)	(6,235,754)

(Forward)

	Years Ended December 31		
	2018	2017 (As restated, see Note 2)	2016 (As restated, see Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Loans payable (Notes 17 and 30)	**₱5,500,000**	₱3,225,000	₱10,475,000
Bonds payable (Notes 18 and 30)	**–**	6,000,000	–
Payments of:			
Loans payable (Note 17)	**(3,841,338)**	(4,370,198)	(1,932,827)
Bonds payable (Note 18)	**–**	–	(3,000,000)
Cash dividend (Note 26)	**(1,498,635)**	(1,486,510)	(1,479,235)
Interest and transaction costs	**(3,132,467)**	(2,861,384)	(2,617,989)
Dividends paid to noncontrolling interest	**(184,000)**	(146,000)	(120,000)
Decrease in amounts due to related parties	**(18,044)**	(44,421)	(99,149)
Investment from noncontrolling interest	**–**	21,951	450
Acquisition of noncontrolling interest (Note 2)	**(16,093)**	–	–
Net cash provided by (used in) financing activities	**(3,190,577)**	338,438	1,226,250
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,156,530)**	2,703,065	(1,723,355)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,576,090**	4,873,025	6,596,380
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱6,419,560**	₱7,576,090	₱4,873,025

See accompanying Notes to Consolidated Financial Statements.

APR 15 2019

FILINVEST LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Filinvest Land, Inc. (the "Parent Company" or "FLI") is a property developer engaged mainly in the development of residential subdivisions, construction of housing units and leasing activities. It was incorporated and is domiciled in the Philippines where its shares are publicly traded. Formerly Citation Homes, Inc., the Parent Company was incorporated on November 24, 1989, with the expiration of its corporate life 50 years thereafter, and later changed to its present name on July 12, 1993. The Parent Company and its subsidiaries (collectively referred to as "the Group") offer a range of real estate products from socialized and affordable housing to middle-income and high-end housing, various types of subdivision lots, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club, condotels, and condominium buildings. The Group also leases out commercial and office spaces in Muntinlupa City, Makati City, Pasay City, Cebu City, Tagaytay City, and Cavite, its major locations for leasing.

The Group's parent company is Filinvest Development Corporation (FDC), a publicly listed entity. A.L. Gotianun, Inc. (ALG) is the Group's ultimate parent company. FDC and ALG were incorporated in the Philippines.

The Parent Company's registered business address is at 79 E. Delos Santos Ave. (EDSA), Brgy. Highway Hills, Mandaluyong City.

On January 19, 2018, FLI entered into a Share Sale and Purchase Agreement to purchase 100% of the total outstanding shares of Gintong Parisukat Realty and Development Inc. (GPRDI) for a total consideration of ₱1.71 billion. The primary purpose of GPRDI is to hold, purchase, lease, contract of otherwise acquire any and all real and personal properties. GPRDI has not started commercial operations as of December 31, 2018. The acquisition of GPRDI was accounted for as an asset acquisition (see Note 3).

On July 18, 2018, the SEC approved Timberland Sports and Nature Club, Inc's (TSNC) application on voluntary revocation of its secondary registration which allowed TSNC to proceed with the transition to its new business model. On November 15, 2018, the Board of Directors (BOD) approved the amendment to change the primary purpose of the Club from an exclusive recreational sports club to a for profit commercial facility.

On November 20, 2017, Filinvest Lifemalls Tagaytay, Inc. (FLTI), a wholly-owned subsidiary of the Parent Company, was incorporated. Its primary purpose is to acquire by purchase, lease (except financial leasing), donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, conduct, operate and maintain the business of modernized commercial shopping centers and all the businesses related thereto. FLTI started commercial operations in March 2018.

On August 3, 2017, Realpros Philippines, Inc. (RPI), a wholly-owned subsidiary of the Parent Company, was incorporated. Its primary purpose is to provide administrative support services and skills training primarily through the use of information technology, licensed software, and systems. RPI started commercial operations in November 2017.

On May 18, 2017, the Parent Company, and Cyberzone Properties, Inc. (CPI) and Filinvest Cyberparks, Inc. (FCI), subsidiaries of the Parent Company, subscribed to 53.0 million common shares of Pro-Excel Property Managers, Inc. (Pro-Excel). The resulting ownership interest of FLI, CPI and FCI in Pro-Excel after subscription is 32.94%, 16.97% and 16.97%, respectively (see Note 2). Prior to the Group's subscription, Pro-Excel is 100% owned by Filinvest Alabang, Inc. (FAI), an associate of the Parent Company. The primary purpose of Pro-Excel is to engage in the business of administration, maintenance and management of real estate development, controlled development projects and subdivision projects.

On March 29, 2017, Proleads Philippines, Inc. (PPI), a wholly-owned subsidiary of the Parent Company, was incorporated. Its primary purpose is to provide management, organizational, and other administrative services and training. PPI started commercial operations in November 2017.

On February 7, 2017, Property Leaders International Limited (PLIL), a company limited by shares, was registered at the territory of the British Virgin Islands. PLIL has not started commercial operations as of December 31, 2018.

On January 23, 2017, Filinvest Lifemalls Mimosa, Inc. (FLMI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease except financial leasing, donation, or otherwise, and/or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise deal in real estate of all kinds, nature and purpose and/or any interest or right therein. FLMI has not started commercial operations as of December 31, 2018.

On January 23, 2017, Filinvest Cyberzone Mimosa, Inc. (FCMI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to acquire by purchase, lease except financial leasing, donation or and hold for investment or otherwise deal in real estate of all kinds, nature, purpose and/or any interest or right therein. During the first quarter of 2017, FCMI started the construction of its first Business Process Outsourcing (BPO) Office, the Filinvest Cyberzone Mimosa Building 1. FCMI started commercial operations in May 2018.

On January 11, 2017, Dreambuilders Pro, Inc. (DPI), a wholly-owned subsidiary of the Parent Company was incorporated. Its primary purpose is to engage in and carry on a general construction business. DPI started commercial operations in February 2017.

On February 11, 2016, FCGC Corporation (FCGCC) was incorporated to undertake the development of the Clark Green City Project under the Joint Venture Agreement with Bases Conversion and Development Authorities (BCDA). On March 16, 2016, Filinvest BCDA Clark, Inc. (FBCI), a joint venture company with BCDA, was incorporated to handle the development of the Clark Green City Project. FBCI is 55%-owned by FCGCC and 45% by BCDA. As of December 31, 2018, FCGCC and FBCI have not started commercial operations.

On March 31, 2016, Filinvest Mimosa, Inc. (FMI) was incorporated to enter into an agreement with Clark Development Corporation (CDC) for the lease of the Mimosa Leisure Estate. As of December 31, 2018, FMI is 47.5% owned by FLI, 47.5% by FDC and 5% by CDC. FMI started commercial operations in June 2016.

Approval of the Consolidated Financial Statements

The consolidated financial statements as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 were approved and authorized for issue by the BOD on February 27, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements are prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVTOCI) that are measured at fair value. The Group's consolidated financial statements are presented in Philippine Peso (Peso), which is also the functional currency of the Parent Company, its subsidiaries and associates. Amounts are in thousand Pesos except as otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS), which include the availment of relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular Nos. 14-2018 and 3-2019 as discussed in the section below on Changes in Accounting Policies and Disclosures. PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards (PAS) and Interpretations issued by the Philippine Interpretations Committee (PIC).

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries. The nature of business and the corresponding percentages of ownership over these entities as at December 31, 2018, 2017 and 2016 are as follows. The voting rights held by the Group in these subsidiaries are in proportion to its ownership interest.

Subsidiaries	Nature of Business	2018	2017	2016
Filinvest AII Philippines, Inc. (FAPI)	Real estate developer	**100%**	100%	100%
Homepro Realty Marketing, Inc. (Homepro)	Real estate developer	**100%**	100%	100%
FCGC Corporation (FCGCC)	Real estate developer	**100%**	100%	100%
Filinvest BCDA Clark, Inc. (FBCI) [1]	Real estate developer	**55%**	55%	55%
Gintong Parisukat Realty and Development Inc. (GPRDI)	Real estate developer	**100%**	–	–
Cyberzone Properties, Inc. (CPI)	Leasing	**100%**	100%	100%
Filinvest Cyberparks, Inc. (FCI)	Leasing	**100%**	100%	100%
Filinvest Asia Corporation (FAC)	Leasing	**60%**	60%	60%
Filinvest Cyberzone Mimosa, Inc. (FCMI)	Leasing	**100%**	100%	–
Filinvest Lifemalls Corporation (FLC)	Property management	**100%**	100%	100%
Property Specialist Resources, Inc. Prosper)	Property management	**100%**	100%	100%
Filinvest Lifemalls Mimosa, Inc. (FLMI)	Property management	**100%**	100%	–
Pro-Excel Property Managers, Inc. (Pro-Excel) [2]	Property management	**74%**	74%	–
Filinvest Lifemalls Tagaytay, Inc. (FLTI)	Property management	**100%**	100%	–
Festival Supermall, Inc. (FSI)	Property management	**100%**	100%	100%
FSM Cinemas, Inc. (FSM Cinemas) [3]	Theater operator	**60%**	60%	60%
Philippine DCS Development Corporation (PDDC)	District cooling systems, builder and operator	**60%**	60%	60%
Timberland Sports and Nature Club, Inc. (TSNC) [4]	Recreational Sports and Natures Club	**98%**	97%	92%
Dreambuilders Pro, Inc. (DPI)	Construction	**100%**	100%	–

(Forward)

Subsidiaries	Nature of Business	2018	2017	2016
Property Maximizer Professional Corp. (Promax)	Marketing	**100%**	100%	100%
Leisurepro, Inc. (Leisurepro)	Marketing	**100%**	100%	100%
Property Leaders International Limited (PLIL)	Marketing	**100%**	100%	–
Proleads Philippines, Inc. (PPI)	Marketing	**100%**	100%	–
Realpros Philippines, Inc. (RPI)	Marketing	**100%**	100%	–

1. *FBCI is owned indirectly through FCGCC.*
2. *The effective ownership interest of the Parent Company includes portion owned indirectly through CPI, FCI and FAI (see Note 1). The acquisition of Pro-Excel in 2017 was accounted for as a business combination under common control using the pooling of interest method.*
3. *FSM Cinemas is owned indirectly through FSI.*
4. *In 2018 and 2017, the Parent Company acquired noncontrolling interest in TSNC representing additional 1% and 5% ownership interest, respectively, for a total consideration of ₱16.09 million and ₱138.85 million, respectively.*

Except PLIL which was incorporated in British Virgin Islands, all of the Parent Company's subsidiaries were incorporated in the Philippines. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

A subsidiary is an entity which the Group controls. 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: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee, and, (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and, (c) the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity

- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus of deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Noncontrolling Interest
Noncontrolling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

Business Combinations Involving Entities under Common Control
A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group. Common control business combinations are outside the scope of PFRS 3, *Business Combination*. The Group elected to account for its common control business combination using acquisition method and this is applied consistently for similar transactions.

However, where the acquisition method of accounting is selected, the transaction must have commercial substance from the perspective of the reporting entity. Common control business combination without commercial substance is accounted using "pooling of interests" method wherein the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination and adjustments made are only those adjustments to harmonize accounting policies. No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the periods presented and on retained earnings at the date of acquisition are eliminated to the extent possible.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial years, except for the adoption of the following amendments in PFRS and PAS which became effective beginning January 1, 2018.

The nature and impact of each new standard and amendment are described below:

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The Group has no share-based payment transaction, therefore these amendments do not have any impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments*

  PFRS 9, replaces PAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Group early adopted the first phase of PFRS 9 (2010 version) effective January 1, 2011. The adoption of the final version of PFRS 9 did not have significant impact on the classification and measurement of the Group's financial assets and financial liabilities.

  The adoption of the provisions on impairment has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record an allowance for impairment losses for all debt financial assets not held at fair value through profit or loss (FVTPL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

  The Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

  The Group has established a vintage analysis for contracts receivable and contract assets and a provision matrix for other receivables. Vintage analysis for expected credit losses is done by calculating the cumulative loss rates of a given contracts receivables and contract asset pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability of default model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. On the other hand, the provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation rate and foreign exchange rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward looking data (e.g., gross domestic product and inflation) were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points. The key inputs in the model include the Group's definition of default and historical data of three (3) years for the origination, maturity date and default date. The Group considers a contracts receivable is in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider the contract receivables to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Maceda law, cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the time of default using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Group uses the ratings published by a reputable rating agency.

There is no transition adjustment in relation to the impairment allowance as of January 1, 2018.

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

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 none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised 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.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting mostly the real estate industry.
  On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years until December 31, 2020.

  a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) as discussed in PIC Q&A No. 2018-12-E
  b. Accounting for significant financing component as discussed in PIC Q&A No. 2018-12-D
  c. Accounting for Common Usage Service Area (CUSA) Charges as discussed in PIC Q&A No. 2018-12-H

  Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales was also deferred until December 31, 2020.

  Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the remaining deferrals will only be applicable to real estate sales.

  The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

  a. The accounting policies applied.
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
  c. Qualitative discussion of the impact in the consolidated financial statements had the concerned application guideline in the PIC Q&A been adopted.
  d. Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

  Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof, retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the above specific provisions of PIC Q&A. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
b. The Group is acting as a principal for the provision of air-conditioning services, common use service services and administration and handling services. This would have resulted to the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result to any adjustment in the retained earnings as of January 1, 2018 and net income in 2018.
c. Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2018. Currently, the Group records the repossessed inventory at an amount equal to the outstanding balance of the contracts receivables at date of repossession.

The Group adopted PFRS 15 using the modified retrospective method with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related Interpretations.

The effect of adopting PFRS 15 as at January 1, 2018 was as follows:

	Reference	Increase (decrease)
	(In Thousands)	
Assets		
Contracts receivable	(a)	(₱3,087,191)
Contract assets	(a)	3,087,191
Other current assets	(b)	(446,834)
Total current assets		(446,834)
Contract receivables - net of current portion	(a)	(12,690,696)
Contract asset - net of current portion	(a)	12,690,696
Total noncurrent assets		–
Total assets		(₱446,834)

(Forward)

	Reference	Increase (decrease)
	(In Thousands)	
Liabilities		
Accounts payable and accrued expenses	(a)(b)	(₱703,642)
Contract liabilities	(a)	870,129
Total current liabilities		166,487
Contract liabilities - net of current portion	(a)	272,678
Other noncurrent liabilities	(a)	(272,678)
Total noncurrent liabilities		–
Total liabilities		166,487
Equity		
Retained earnings	(b)	(613,321)
Total liabilities and equity		(₱446,834)

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted:

Consolidated Statement of Financial Position as at December 31, 2018:

		Amounts prepared under		
	Reference	PFRS 15	Previous PFRS	Increase (decrease)
			(In Thousands)	
Assets				
Contract assets	(a)			
Current portion		₱3,798,831	₱–	₱3,798,831
Noncurrent portion		6,243,274	–	6,243,274
Contracts receivable	(a)			
Current portion		800,850	4,599,681	(3,798,831)
Noncurrent portion		–	6,243,274	(6,243,274)
Other current assets	(b)	3,874,332	3,838,830	35,502
Total Assets		₱14,717,287	₱14,681,785	₱35,502
Liabilities and Equity				
Liabilities				
Accounts payable and accrued expenses	(a)(b)(c)	₱12,446,821	₱14,688,311	(₱2,241,490)
Contract liabilities	(a)			
Current portion		2,156,955	–	2,156,955
Noncurrent portion		1,053,221	–	1,053,221
Other noncurrent liabilities	(a)	9,248,775	10,301,996	(1,053,221)
Total Liabilities		24,905,772	24,990,307	(84,535)
Equity				
Retained earnings	(b)(c)(d)	36,882,343	36,762,306	120,037
Total Liabilities and Equity		₱61,788,115	₱61,752,613	₱35,502

Consolidated Statement of Income for the Year Ended December 31, 2018:

	Reference	Amounts prepared under PFRS 15	Amounts prepared under Previous PFRS	Increase (decrease)
		(In Thousands, Except Earnings Per Share Figures)		
Revenue from real estate sales	(c)	₱14,404,201	₱14,151,334	₱252,867
Costs of real estate sales	(c)	8,339,208	8,251,437	87,771
Selling and marketing expenses	(a)	1,442,587	1,470,921	(28,334)
Provision for income tax	(c)	1,702,509	1,629,116	73,393
Net income	(a)(c)	6,075,873	5,955,836	120,037
Net income attributable to:				
Equity holders of the parent	(a)(c)	5,894,408	5,774,371	120,037
Noncontrolling interest		181,465	181,465	–
		₱6,075,873	₱5,955,836	₱120,037
Basic/Diluted Earnings Per Share		₱0.24	₱0.24	₱–

The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of income for the year ended December 31, 2018 are described below:

(a) The Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as contract receivables, as contract asset while the excess of collection over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, contract asset is not presented separately from contracts receivables and contract liability is presented as part of "Accounts payable and other accrued expenses" under 'Advances and deposits from customers'. For those receivables with interest rate explicit in the contract, the Group records interest income based on the principal amount multiplied by the applicable interest rate

The adoption of PFRS 15 resulted to recording of contract assets and contract liabilities of ₱15.78 billion and ₱1.14 billion, respectively, as at January 1, 2018. As at December 31, 2018, contract assets and contract liabilities increased by ₱10.04 billion and ₱3.21 billion, respectively, and decreased contracts receivable and other noncurrent liabilities by the same amount.

(b) The Group has sales agents who are responsible for the marketing and sale of its real estate projects. These real estate sales agents typically receive sales commission equivalent to a certain percentage of the net contract price, paid based on milestone of payments by the customers. These are recorded as contract cost and are fully accrued based on the total expected payment. Contract cost is amortized using the percentage of completion method consistent with the measure of progress for revenue recognition. Before the adoption of PFRS 15, the sales commissions are expensed as paid and there is no accrual for the unpaid portion of the total expected payment upon entering into the contract.

The above resulted to decrease in other current assets of ₱446.83 million, increase in accounts payable and accrued expenses of ₱166.49 million, and decrease in retained earnings of ₱613.32 million as of January 1, 2018.

As at December 31, 2018, the adoption of PFRS 15 increased other current assets, accounts payable and accrued expenses and decreased selling and marketing expenses by ₱35.50 million, ₱7.17 million and ₱28.33 million, respectively.

(c) The Group recognizes revenue from sale of house and lots over time using output method. Before the adoption of PFRS 15, the Group recognizes revenue from sale of house and lot using full accrual method (i.e., when the real estate project is substantially completed and where collectability of the price is reasonably assured).

For the year ended December 31, 2018, PFRS 15 increased real estate sales, cost of real estate sales and provision for income taxes by ₱252.87 million, ₱87.77 million and ₱73.39 million, respectively.

- PIC Q&A on Advances to Contractors and PIC Q&A on Land Classification
The Group adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer* and PIC Q&A 2018-15, PAS 1- *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* starting January 1, 2018. The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statement of financial position as at January 1, 2018:

	Reference	Current Asset	Noncurrent Asset
		(In Thousands)	
Real estate inventories	(a)	₱18,843,215	(₱18,877,344)
Advances to contractors and suppliers	(b)	(1,519,821)	1,519,821
Investment properties	(a)	–	34,129
		₱17,323,394	(₱17,323,394)

The adoption of these PIC Q&As also resulted to decrease in cash flows provided by operating activities with a matching increase in cash flows used in investing activities amounting to ₱1,859.95 million and ₱898.76 million for the years ended December 31, 2017 and 2016, respectively.

(a) Land and land development, previously presented as noncurrent asset includes land which the BOD has approved to be developed into real estate project for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified as current asset under "Real estate inventories" in the consolidated statement of financial position. Land intended as investment property or with undetermined future use was reclassified to investment properties (see Notes 10 and 13).

(b) Advances to contractors and suppliers previously presented under current assets, representing prepayments for the construction of investment property was reclassified to noncurrent asset. Before the adoption of PIC Q&A 2018-15, the classification of the Group is based the timing of application of these advances against billings and timing of delivery of goods and services.

This interpretation aims to classify the prepayment based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g., real estate inventory, investment property, property plant and equipment; see Notes 11 and 15).

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

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

  The amendments do not have a material impact on the Group's consolidated financial statements.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the amendment issued, the Group does not expect this amendment to have a material impact in the consolidated financial statements.

- 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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Group's current practice is in line with this interpretation, the Group does not expect this interpretation to have an impact in the consolidated financial statements.

<u>Future Changes in Accounting Policy</u>
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2019

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- 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. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and,

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- 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, *Income Taxes,* 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.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

Annual Improvements 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

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

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred Effective Date

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*.

  Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in its statement of financial position based on a current and noncurrent classification. An asset is current when it is:

a. expected to be realized or intended to be sold or consumed in normal operating cycle;
b. held primarily for the purpose of trading;
c. expected to be realized within twelve (12) months after the reporting period; or
d. cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

a. it is expected to be settled in normal operating cycle;
b. it is held primarily for the purpose of trading;
c. it is due to be settled within twelve (12) months after the reporting period, or
d. there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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

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

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

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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

Financial Instruments *(Date of recognition)*

Financial assets and liabilities are recognized in the consolidated statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery or assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Recognition and Measurement of Financial Instruments

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

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVTOCI, or at FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or at FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is referred to as the 'solely payments of principal and interest test' and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

As of December 31, 2018 and 2017, the Group's financial assets comprise of financial assets at amortized cost and financial assets at FVTOCI.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:
- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as interest income in the consolidated statement of income.

The Group classified cash and cash equivalents, contracts receivable, other receivables and deposits (included in other assets) as financial assets at amortized cost (see Note 29).

Financial assets at FVTOCI (equity instruments)
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVTOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in "Revaluation reserve on financial assets at FVTOCI" in the consolidated statement of financial position. Where the asset is disposed of, the cumulative gain or loss previously recognized in "Revaluation reserve on financial assets at FVTOCI" is not reclassified to profit or loss, but is reclassified to Retained earnings.

Included under this category are the Group's investments in quoted and unquoted shares of stocks (see Notes 15 and 29).

Dividends earned on holding these equity instruments are recognized in the consolidated statement of income when the Group's right to receive the dividends is established in accordance with PFRS 15, unless the dividends clearly represent recovery of a part of the cost of the investment.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and,
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As of December 31, 2018 and 2017, loans and borrowings consist primarily of accounts payable and accrued expenses, loans payable, bonds payable and due to related parties (see Notes 16, 17, 18 and 19).

Subsequent measurement
Loans and borrowings (financial liabilities at amortized cost) is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income.

Impairment of Financial Assets and Contract Assets (Effective January 1, 2018)
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs for financial assets at amortized costs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for other receivables and a vintage analysis for contracts receivable and contract assets that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment of Financial Assets (Prior to January 1, 2018)
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 EIR (i.e. the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the Group financial assets with similar credit risk characteristics. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have 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 rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross in the consolidated statement of financial position.

Real Estate Inventories

Lots, Condominium and Residential Units 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 inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

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

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The cost of inventory recognized in consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property sold, including an allocation of any non-specific costs based on the relative size of the property sold.

Land and Land Development
Land and land development consists of properties to be developed into real estate projects for sale that are carried at the lower of cost or NRV. The cost of land and land development include the following: (a) land acquisition costs, (b) costs incurred relative to 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 the raw land in preparation for future projects, and (d) borrowing costs. They are transferred to lots, condominium and residential units for sale under "Real estate inventories" when the project plans, development and construction estimates are completed and the necessary permits are secured.

Investments in Associates
The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Group's share of net assets of the associates. 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 associates. The consolidated statement of income reflects the share of the results of operations of the associates. The Group recognizes its share of the losses of the associate until its share of losses equals or exceeds its interest in the associate, at which point the Group discontinues recognizing its share of further losses.

Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on investment in an associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in the associate and its carrying value and recognize the amount in the consolidated statement of income.

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

As of December 31, 2018 and 2017, the Group's investments in associates pertain to its 20% ownership interest in FAI and 47.5% ownership interest in FMI.

Investment Properties
Investment properties consist of commercial mall, land and other properties that are held for long term rental yields and capital appreciation and land held with undetermined future use. Investment properties, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less accumulated impairment losses, if any.

Constructions-in-progress are carried at cost (including borrowing costs) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete.

Depreciation of investment properties is computed using the straight-line method over the estimated useful lives (EUL) of these assets as follows:

	Years
Buildings and improvement	20-50
Machinery and equipment	5-15

The EUL and the depreciation method is reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefit from items of investment properties.

Investment property is derecognized when it is either disposed of or permanently withdrawn from use and there is no future economic benefit expected from its disposal or retirement. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

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

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and accumulated impairment losses, if any. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing cost.

Construction-in-progress, is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to income in the year 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 is computed on the straight-line basis over the EUL of the assets, as follows:

	Years
Buildings	20-50
Machinery and equipment	5
Transportation equipment	5
Furniture and fixtures	3-5

Leasehold improvements are amortized over the estimated useful lives of the improvements or the lease term, whichever is shorter.

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

When an item of property and equipment is derecognized, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, is removed from the account. Any gain or loss arising from derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognized.

Intangible Assets

Intangible assets include goodwill, and build, transfer and operate (BTO) rights and development rights, which are presented under other noncurrent assets.

Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination or contracted arrangements is their fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill, are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. 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 is made on a prospective basis.

Intangible assets with finite lives (i.e., BTO rights and developmental rights) are amortized over the economic useful life (i.e., 25 years) and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income.

Intangible assets with indefinite useful lives (i.e., goodwill) are not amortized, but are tested for impairment annually or more frequently, either individually or at the cash generating unit level.

Gains or losses arising from the derecognition 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 income when the asset is derecognized.

Other Assets

Other current and noncurrent assets including construction materials and supplies are carried at cost and pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

Value-added Tax (VAT)

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

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable and payable from the taxation authority is included as part of "Other assets" and "Accounts payable and accrued expenses", respectively, in the consolidated statement of financial position, respectively.

Impairment of Nonfinancial Assets

The carrying values of investment in associates, property and equipment, investment properties and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

For nonfinancial 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 Group estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually or more frequent if events or changes of circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating unit) is less than their carrying amount of cash-generating unit (or group of cash-generating unit) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Revenue Recognition (Effective January 1, 2018)
Revenue from Contract with Customers
The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, air-conditioning and common use service area in its mall.retail spaces and office leasing activities, wherein it is acting as agent.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Real estate sales
The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from sales of substantially completed real estate projects where collectability of sales price is reasonably assured is accounted for using the full accrual method. Revenue from the sale of real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the project accomplishment reports prepared by the third party project managers for high-rise real estate developments and internal project engineers for mid-rise real estate development. The project technical head integrates, reviews and approves the surveys of performance to date of the construction activities of subcontractors.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

Theater and snack bar sales (included as part of 'Rental and related services')
Revenue from theater sales is recognized over time using output method when theater services are rendered. Revenue from snack bar sales is recognized at a point in time when goods are actually sold to customers.

Cost of real estate sales
The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances (Effective January 1, 2018)
Contracts receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs to obtain contract (Commission expenses)
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling and marketing expense" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment assets
Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to land acquisition costs.

Amortization, de-recognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract
The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization of contract fulfillment assets and cost to obtain a contract is included within "Cost of real estate sales" and "Selling and marketing expense", respectively.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that the contract fulfillment asset or capitalized cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Revenue Recognition (Prior to January 1, 2018)
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. In arrangements where the Group is acting as principal to its customers, revenue is recognized on a gross basis. However, if the Group is acting as an agent to its customers, only the amount of net commission retained is recognized as revenue.

The following specific recognition criteria must also be met before revenue is recognized:

Real estate sales
Revenue from sales of substantially completed projects where collectability of sales price is reasonably assured is accounted for using the full accrual method. The percentage-of-completion method is used to recognize revenue from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Real estate sales are recognized using the percentage of completion when: (a) the criteria of percentage of collection over the total selling price is met, (b) the project is beyond preliminary stage (i.e., engineering, design work, construction contract execution, site clearance and preparation, excavation and the building foundation are finished); and, (c) the project has license to sell.

Any excess of collections over the recognized receivables are included in the "Accounts payable and accrued expenses" account in the liabilities section of the consolidated statement of financial position.

Collections from accounts which are not yet qualified for revenue recognition are treated as customer deposits included in the "Accounts payable and accrued expenses" account in the consolidated statement of financial position.

Theater and snack bar sales (included as part of 'Rental and related services')
Revenue from theater sales is recognized when theater services are completed and consumed. Revenue from food and beverage sale is recognized when goods are actually sold to customers.

Costs 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 plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

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.

Commission expense
Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Selling and marketing expenses" account in the consolidated statement of income.

Other Revenue and Income Recognition
Rental Income
Rental income arising from investment properties are recognized in the consolidated statement of income either on a straight-line basis over the lease term or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Leases under contingent rents are recognized as income in the period in which they are earned.

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

Interest Income
Interest is recognized as it accrues taking into account the effective yield on the underlying asset.

Other Income
Other income, including service fees, processing fees, management fees, is recognized when services are rendered and when goods are delivered.

Cost and Expense Recognition
Costs and expenses are recognized in the consolidated statement of 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.

Costs and expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or,
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Expenses
"General and administrative expenses" and "Selling and marketing expenses" are expenses that are incurred in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, property and equipment and investment properties. Selling and marketing expenses are costs incurred to sell real estate inventories, which include commissions, advertising and promotions, among others. General and administrative expenses constitute costs of administering the business.

Expenses are recognized in the consolidated statement of income as incurred based on the amounts paid or payable.

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

The cost of providing benefits under the defined benefit plan 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 nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

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.

Borrowing Costs
Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. They are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs in the consolidated statement of financial position.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended sale are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

All other borrowing costs are expensed as incurred.

Foreign Currency-Denominated Transactions
The functional and presentation currency of the Parent Company and its subsidiaries and associate is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the reporting date. Foreign exchange differentials between rate at transaction date and rate at settlement date or reporting date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.

Equity
Common and Preferred Stock
The Group records common and preferred stock at par value and additional paid-in capital as the excess of the total contributions received over the aggregate par values of the equity shares.

The Group considers the underlying substance and economic reality of its own equity instrument and not merely its legal form in determining its proper classification. When any member of the Group purchases the Parent Company's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of.

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in consolidated equity.

Treasury Stock
Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

Retained Earnings
Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries and accumulated equity earnings from an associate included in the consolidated retained earnings are available for dividend declaration when these are declared as dividends by the subsidiaries and associate as approved by their respective BOD.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of common shares held in treasury.

Dividends on common and preferred shares are deducted from retained earnings when declared and approved by the BOD of the Parent Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after reporting date, if any, are dealt with as an event after reporting date and disclosed accordingly.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the period, and adjusted for the effect of dilutive options and dilutive convertible preferred shares. If the required dividends to be declared on convertible preferred shares divided by the number of equivalent common shares, assuming such shares are converted would decrease the basic EPS, and then such convertible preferred shares would be deemed dilutive.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

Income Tax

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 Income Tax

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income tax relating to items recognized directly in other comprehensive income is recognized in consolidated statement of comprehensive income and not in the consolidated statement of income.

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

Operating Leases

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

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

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

Group as Lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income on operating leases is recognized on a straight line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Group as Lessee

Operating lease payments are recognized as an expense on a straight line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics, and the segments are similar in each of the following respects: (a) the nature of the products and services; (b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and, (e) if applicable, the nature of the regulatory environment. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Provisions
A provision is 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects part or all of provision to be reimbursed or recovered, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They 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 are disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date
Any post year-end event up to the date of the auditor's report that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed, when material, in notes to the consolidated financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable. Estimates and judgments 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 which have the most significant effect on the amounts recognized in the consolidated financial statements.

Real Estate Revenue Recognition (Effective January 1, 2018)

a. Existence of a contract
   The Group's primary document for a contract with a customer is a signed contract to sell. It has determined however, that in cases wherein contract to sell are not signed by both parties, the combination of its other signed documentation such as purchase application form and official receipts evidencing collections from buyer, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price.

Collectability is also assessed by considering factors such as historical experience with customers, and pricing of the property. Management regularly evaluates the historical cancellations if it would still support its current threshold of customers' equity before commencing revenue recognition.

b. Revenue recognition method and measure of progress
The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Real Estate Revenue Recognition (Prior to January 1, 2018)
Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments based on, among others:

- Buyer's commitment on sale which may be ascertained through the significance of the buyer's initial payments in relation to the total contract price; and,
- Stage of completion of the project development.

The Group has set a certain percentage of collection over the total selling price in determining buyer's commitment on the sale. It is when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group. The Group also determines whether a project's percentage of completion is already considered beyond preliminary stage based the physical proportion of the contract of work.

Accounting for the acquisition of GPRDI
In determining whether a transaction or an event is a business combination, the Group assessed whether the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Further, a business consists of inputs and processes applied to those inputs that have the ability to create outputs. Based on the provisions of the Share Sale and Purchase Agreement to acquire 100% shares of GPRDI (see Note 1), the Parent Company assessed that the acquisition does not constitute a business. In making the judgment, the Parent Company considered that it lacks two (2) of the three (3) components required to meet the

definition of a business (i.e., processes and output). While the Parent Company acquired inputs (i.e., land), FLI did not acquire any processes. As such, the transaction was accounted for as an acquisition of an asset and the entire consideration was recognized as part of land and land development costs in the consolidated statement of financial position (see Note 10).

Operating Lease Classification - The Group as Lessor
The Group has entered into various property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership on these properties hence classified as operating leases (see Note 25).

Operating Lease Commitments - The Group as Lessee
The Group has entered into land lease arrangements for its investment properties portfolio. The Group has determined that all significant risks and rewards of ownership are retained by the respective lessors and therefore account for these leases as operating lease (see Note 25).

Evaluation of Impairment on Nonfinancial Assets
The Group reviews its investments in associates, property and equipment, investment properties and other assets (excluding short-term deposits) for impairment of value. This includes consideration of certain indicators of impairment such as significant change in asset usage, significant decline in asset's market value, obsolescence or physical damage of an asset, plans of discontinuing the real estate projects, and significant negative industry or economic trends.

If such indicators are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to recoverable amount.

The recoverable amount is the asset's fair value less cost of disposal, except for investments in associates, which have recoverable value determined using value-in-use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction while value-in-use is the present value of estimated future cash flows expected to arise from the investments in associates. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

As at December 31, 2018 and 2017, the Group did not record impairment on any of its nonfinancial assets since there are no indications of impairment.

The carrying values of the Group's nonfinancial assets (excluding goodwill) as of December 31 follow:

	2018	2017
	(In Thousands)	
Other current assets - net of short-term deposits (Note 11)	**₱3,855,538**	₱4,440,335
Investments in associates (Note 12)	**4,056,019**	4,197,002
Investment properties (Note 13)	**49,867,671**	44,355,604
Property and equipment (Note 14)	**3,833,120**	3,408,312
Other noncurrent assets - net of financial assets at FVTOCI (Note 15)	**5,096,594**	4,959,018

Contingencies
In the normal course of business, the Group is currently involved in various legal proceedings and assessments. The assessment of probability and estimate of the probable costs for the resolution of these claims have been developed in consultation with outside counsel handling the defense in these matters and based upon analysis of potential results. The Group currently does not believe these proceedings will have material or adverse effect on the Group's financial position and results of operations (see Note 31).

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

Revenue Recognition and Measure of Progress for Real Estate Sales (Effective January 1, 2018)
The Group's revenue recognition policy requires 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 sales recognized based on the percentage of completion are measured principally on the basis of physical completion of real estate project.

Real estate sales amounted to ₱14.20 billion for the year ended December 31, 2018.

Real Estate Revenue and Cost Recognition (Prior to January 1, 2018)
The Group's revenue recognition policy requires 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 sales recognized based on the percentage of completion are measured principally on the basis of physical completion of real estate project.

For the year ended December 31, 2017 and 2016, real estate sales under the percentage of completion amounted to ₱7.42 billion and ₱7.04 billion, respectively, while cost of real estate sales amounted to ₱4.26 billion and ₱4.25 billion, respectively.

Evaluation of Impairment of Contract receivables and Contract Assets (Effective January 1, 2018)
The Group uses the vintage analysis to calculate ECLs for contracts receivables and contract assets. The loss rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, market segment and collateral type).

The vintage analysis (the model) are initially based on the Group's historical observed default rates. The Group will calibrate the model to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product, inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (e.g., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's contract receivables and contract assets is disclosed in Note 8.

The carrying values of contract receivables and contract assets amounted to ₱800.85 million and ₱10.04 billion, respectively, as of December 31, 2018 (see Notes 6, 8 and 30).

Evaluation of Impairment of Contracts Receivables (Prior to January 1, 2018)
The Group reviews contract receivables at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of income. If there is objective evidence that an impairment loss on financial assets at amortized cost, other than cash and cash equivalents, has been incurred, the carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income.

The Group maintains allowance for doubtful accounts based on the result of the individual and collective assessment. Under the individual assessment, impairment loss is determined as the difference between the receivables carrying balance and recoverable amount. Factors considered in individual assessment include payment history, account status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, account status and term) of the customers.

Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile adjusted on the basis of current observable data to reflect the effects of current conditions.

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 period.

The contracts receivables are collateralized by the corresponding real estate properties sold. In cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market prices.

The carrying values of contract receivables amounted to ₱17.23 billion as of December 31, 2017 (see Notes 8 and 30).

Estimating NRV of Real Estate Inventories
The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories, management considers whether the selling prices of those inventories have significantly declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

As of December 31, 2018 and 2017, the carrying amount of real estate inventories amounted to ₱67.85 billion and ₱52.30 billion, respectively (see Note 10).

Evaluation of Impairment on Goodwill
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill on acquisition of CPI, FAC and Festival Supermall structure is based on value-in-use calculation that uses a discounted cash flow model. The cash flows are derived from budget period of 10 years and do not include restructuring activities that the Group is not yet committed to nor significant future investments that will enhance the asset base of the cash generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as revenue growth rates, gross margins and terminal growth rates used. The pre-tax discount rates used in 2018 and 2017 was 10%. The growth rates used beyond the forecast period for different cash-generating units is 3%.

As of December 31, 2018 and 2017, the Group has determined that its goodwill is not impaired. The carrying value of goodwill amounted to ₱4.57 billion as of December 31, 2018 and 2017 (see Note 4).

Estimating Retirement Liabilities
The determination of the Group's obligation and cost for retirement is dependent on selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions used are described in Note 24 and include, among others, discount rates and rates of salary increase. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the retirement obligations.

Retirement liabilities amounted to ₱598.40 million and ₱517.93 million as at December 31, 2018 and 2017, respectively. Retirement costs included under "General and administrative expenses" account amounted to ₱66.74 million, ₱50.94 million and ₱56.33 million in 2018, 2017 and 2016, respectively (see Notes 20 and 24).

Recognition of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred income 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 income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient future taxable profit to allow all or part of its deferred income tax assets to be utilized.

The Group's recognized deferred tax assets amounted to ₱347.59 million and ₱323.54 million as of December 31, 2018 and 2017, respectively (see Note 28). The tax effect of the Group's carryforward benefits of NOLCO for which no deferred income tax assets were recognized amounted to ₱42.16 million and ₱35.91 million as of December 31, 2018 and 2017, respectively (see Note 28).

Fair Values of Financial Instruments
The preparation of consolidated financial statements in compliance with PFRS requires certain financial assets and financial liabilities to be measured at fair value and fair value disclosure of financial instruments, the determination of which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rate), the amount of changes in fair value would differ due to usage of different valuation methodology. Any changes in fair value of these financial assets and financial liabilities would affect directly the Group's consolidated statement of income and other comprehensive income (see Note 29).

4. Goodwill

Goodwill arising from business combinations in the Group's consolidated statements of financial position as of December 31, 2018 and 2017 consists of (amounts in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	₱4,567,242

In September 2006, the Group entered into a series of transactions pursuant to which it acquired: (1) 60% ownership interest in FAC from FDC; (2) 60% ownership interest in CPI from FAI; and, (3) Festival Supermall structure from FAI. In exchange for acquiring these assets, the Group issued a total of 5.64 billion common shares to FDC and FAI and assumed ₱2.50 billion outstanding debts of FDC and FAI. The business combinations resulted in the recognition of goodwill amounting to ₱4.24 billion, which comprises the fair value of expected synergies arising from the acquisitions.

Subsequently in February 2010, the Parent Company acquired the remaining 40% interests in CPI from Africa-Israel Properties (Phils.), Inc. to obtain full control of the then joint venture. The acquisition resulted in CPI becoming wholly-owned subsidiary of the Parent Company. The acquisition of the joint venture partner's interests was accounted for as business combination and resulted to recognition of goodwill amounting to ₱326.55 million.

5. Segment Reporting

For management purposes, the Group is organized into the following business units:

Real Estate
This involves the acquisition of land, planning and development of large-scale, fully integrated residential communities, as well as the development and sale of residential lots, housing units, medium-rise residential buildings, farm estates, industrial parks, residential resort projects, a private membership club and condominium buildings.

Leasing
This involves the operations of Festival Supermall, Fora Tagaytay, Centro Square and Il Corso, including its management and theater operations, and the leasing of commercial and office spaces in Makati City, Muntinlupa City, Pasay City, Bacoor City, Tagaytay City, Cebu City and Clark.

Management monitors the operating results of each of its business units for purposes of resource allocation and performance assessment. Performance of each segment is evaluated based on their profit and loss or net income.

The chief operating decision-maker of the Group is the Executive Committee. The committee reviews internal reports to assess performance and allocate resources. Based on the reports, it is also able to determine both the operating and non-operating segments. Reporting by geographical segments does not apply as the Group currently operates in the Philippines only.

No operating segments have been aggregated to form the above reportable segments. Transfer prices between segments are based on rates agreed upon by the parties and have terms equivalent to transactions entered into with third parties.

For the years ended December 31, 2018, 2017 and 2016, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers.

The information about the financial position and results of operations of these business segments for the years ended December 31, 2018, 2017 and 2016 are summarized below (amounts in thousands).

	2018				
	Real Estate Operations	**Leasing Operations**	**Combined**	**Adjustments and Eliminations**	**Consolidated**
Revenue					
External	₱14,404,201	₱5,608,258	₱20,012,459	₱–	₱20,012,459
Inter-segment	181,464	–	181,464	(181,464)	–
	14,585,665	5,608,258	20,193,923	(181,464)	20,012,459
Equity in net earnings of associates	537,017	–	537,017	–	537,017
Other income	3,185,166	467,407	3,652,573	(1,996,864)	1,655,709
	₱18,307,848	₱6,075,665	₱24,383,513	(₱2,178,328)	₱22,205,185
Net income	₱4,221,922	₱2,781,968	₱7,003,890	(₱928,017)	₱6,075,873
Adjusted EBITDA	₱5,889,623	₱4,365,338	₱10,254,961	(₱1,010,526)	₱9,244,435
Segment assets	₱123,063,731	₱40,146,945	₱163,210,676	(₱4,350,193)	₱158,860,483
Less net deferred tax assets	–	85,979	85,979	–	85,979
Net segment assets	₱123,063,731	₱40,060,966	₱163,124,697	(₱4,350,193)	₱158,774,504
Segment liabilities	₱67,607,723	₱24,020,736	₱91,628,459	(₱39,598)	₱91,588,861
Less net deferred tax liabilities	5,712,303	208,272	5,920,575	91,099	6,011,674
Net segment liabilities	₱61,895,420	₱23,812,464	₱85,707,884	(₱130,697)	₱85,577,187
Cash flows provided by (used in):					
Operating activities	₱3,121,748	₱4,940,018	₱8,061,766	(₱1,147,303)	₱6,914,463
Investing activities	(1,175,318)	(3,705,098)	(4,880,416)	–	(4,880,416)
Financing activities	1,266,481	(4,499,650)	(3,233,169)	42,592	(3,190,577)

	2017				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue					
External	₱13,748,423	₱4,414,665	₱18,163,088	₱–	₱18,163,088
Inter-segment	212,420	–	212,420	(212,420)	–
	13,960,843	4,414,665	18,375,508	(212,420)	18,163,088
Equity in net earnings of associates	350,213	–	350,213	–	350,213
Other income	2,542,934	215,221	2,758,155	(1,001,805)	1,756,350
	₱16,853,990	₱4,629,886	₱21,483,876	(₱1,214,225)	₱20,269,651
Net income	₱4,119,188	₱2,308,392	₱6,427,580	(₱593,399)	₱5,834,181
Adjusted EBITDA	₱5,755,479	₱3,590,868	₱9,346,347	(₱569,237)	₱8,777,110
Segment assets	₱108,687,267	₱37,599,443	₱146,286,710	(₱1,164,791)	₱145,121,919
Less net deferred tax assets	–	48,655	48,655	–	48,655
Net segment assets	₱108,687,267	₱37,550,788	₱146,238,055	(₱1,164,791)	₱145,073,264
Segment liabilities	₱57,488,139	₱24,000,102	₱81,488,241	₱132,635	₱81,620,876
Less net deferred tax liabilities	4,959,958	215,626	5,175,584	122,856	5,298,440
Net segment liabilities	₱52,528,181	₱23,784,476	₱76,312,657	₱9,779	₱76,322,436
Cash flows provided by (used in):					
Operating activities	₱6,694,800	₱4,319,873	₱11,014,673	(₱1,856,764)	₱9,157,909
Investing activities	1,413,388	(8,206,670)	(6,793,282)	–	(6,793,282)
Financing activities	(2,579,371)	2,916,071	336,700	1,738	338,438

	2016				
	Real Estate Operations	Leasing Operations	Combined	Adjustments and Eliminations	Consolidated
Revenue					
External	₱14,255,920	₱3,384,182	₱17,640,102	₱–	₱17,640,102
Inter-segment	177,441	–	177,441	(177,441)	–
	14,433,361	3,384,182	17,817,543	(177,441)	17,640,102
Equity in net earnings of associates	183,020	–	183,020	–	183,020
Other income	2,053,579	806,737	2,860,316	(1,182,852)	1,677,464
	₱16,669,960	₱4,190,919	₱20,860,879	(₱1,360,293)	₱19,500,586
Net income	₱4,124,988	₱2,180,681	₱6,305,669	(₱954,883)	₱5,350,786
Adjusted EBITDA	₱6,386,105	₱2,996,050	₱9,382,155	(₱1,117,321)	₱8,264,834
Segment assets	₱102,369,242	₱26,722,409	₱129,091,651	₱333,581	₱129,425,232
Less net deferred tax assets	908	22,806	23,714	–	23,714
Net segment assets	₱102,368,334	₱26,699,603	₱129,067,937	₱333,581	₱129,401,518
Segment liabilities	₱52,070,432	₱17,901,844	₱69,972,276	₱40,319	₱70,012,595
Less net deferred tax liabilities	4,386,981	–	4,386,981	129,022	4,516,003
Net segment liabilities	₱47,683,451	₱17,901,844	₱65,585,295	(₱88,703)	₱65,496,592
Cash flows provided by (used in):					
Operating activities	₱2,030,708	₱1,388,811	₱3,419,519	(₱133,370)	₱3,286,149
Investing activities	(324,870)	(5,910,884)	(6,235,754)	–	(6,235,754)
Financing activities	(663,731)	2,044,376	1,380,645	(154,395)	1,226,250

The following table shows a reconciliation of the adjusted earnings before interest and other finance charges, income taxes, depreciation and amortization (EBITDA) to income before income tax in the consolidated statement of income:

	2018	2017	2016
		(In Thousands)	
Adjusted EBITDA	**₱9,244,435**	₱8,777,110	₱8,264,834
Depreciation and amortization (Notes 13, 14 and 15)	**(810,629)**	(769,461)	(520,789)
Operating profit	**8,433,806**	8,007,649	7,744,045
Interest and other finance charges (Note 22)	**(1,192,441)**	(1,062,705)	(1,072,664)
Equity in net earnings of an associate (Note 12)	**537,017**	350,213	183,020
Income before income tax	**₱7,778,382**	₱7,295,157	₱6,854,401

6. Revenue from Contracts with Customers

Disaggregated Revenue Information

The Group's disaggregation of each sources of revenue from contracts with customers are presented below:

	2018	2017	2016
		(In Thousands)	
Real estate sales by market segment			
Medium income	**₱8,014,917**	₱6,850,840	₱7,888,678
Affordable	**3,280,057**	3,796,934	2,397,750
Low affordable	**1,490,456**	1,097,191	980,877
High-end	**1,344,593**	1,828,981	2,460,763
Socialized	**274,178**	174,477	527,852
	14,404,201	13,748,423	14,255,920

(Forward)

	2018	2017	2016
		(In Thousands)	
Cinema operations by type of goods or services (included as part of rental and related services)			
Theater sales	**₱129,333**	₱100,288	₱103,332
Snack bar sales	**16,201**	12,370	12,820
	145,534	112,658	116,152
Total revenue from contracts with customers	**14,549,735**	13,861,081	14,372,072
Rental and related services			
Office leasing	**3,858,191**	2,838,640	2,107,205
Mall operations	**1,604,533**	1,463,367	1,160,825
	5,462,724	4,302,007	3,268,030
Total Revenue	**₱20,012,459**	₱18,163,088	₱17,640,102

The Group's real estate sales and theater sales are revenue from contracts with customers which are recognized over time while revenue from snack bar sales is recognized at a point in time.

As of December 31, 2018, contract balances are as follows:

	Current	Noncurrent	Total
		(In Thousands)	
Contracts receivable	₱800,850	₱–	₱800,850
Contract asset	3,798,831	6,243,274	10,042,105
Contract liabilities	2,156,955	1,053,221	3,210,176

Contracts receivable from real estate sales are collectible in equal monthly principal installments in varying periods of two (2) to 10 years. Interest rates per annum range from 11.5% to 19.0%. Titles to the residential units sold transferred to customers upon full payment of the contract price.

Contract assets represent the right to consideration for assets already delivered by the Group in excess of the amount recognized as contracts receivable. Contract assets is reclassified to contracts receivable when monthly amortization of customer is due for collection.

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the good and services transferred based on percentage of completion. The movement in contract liability arise mainly from revenue recognition of completed performance obligations.

For the year ended December 31, 2018, the amount of revenue from real estate sales includes amount previously included in contract liabilities amounting to ₱531.92 million.

Performance Obligation

Information about the Group's performance obligations are summarized below:

Real estate sales

The Group entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

The sale of a real estate unit may cover either (a) a lot; (b) house and lot and (c) condominium unit. There is one performance obligation in each of these contracts. The Group recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the purchase application form and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include downpayment of 20% to 30% of the contract price spread over a certain period (e.g., one to two years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to ten (10) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The performance obligation is satisfied upon delivery of the completed real estate unit. The Group provides one year warranty to repair minor defects on the delivered house and lot and condominium unit. This is assessed by the Group as a quality assurance warranty and not treated as a separate performance obligation.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) as at December 31, 2018 amounted to ₱1.79 billion. Performance obligation for the transaction price amounting to ₱1.23 billion will be satisfied within one year.

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's mid-rise condominium units and high rise condominium units are completed within three (3) and five (5) years, respectively, from start of construction while house and lots are expected to be completed within 12 months.

Rental agreements
The Group entered into lease agreements for its mall retail spaces and office spaces with the following identified performance obligations: (a) lease of space (b) provisioning of water and electricity and (c) provision of air conditioning and CUSA services (d) administration fee.

Revenue from lease of space is recognized on a straight line basis over the lease term while revenue for the remaining performance obligations are recognized when services are rendered. The tenant is required to settle within 7 to 20 days upon receipt of the bill. In case of delay in payments, a penalty of 3% to 36% per annum is charged for the amount due for the duration of delay. The lease arrangement would typically require a tenant to pay advance rental equivalent to three (3) months and a security deposit equivalent to three (3) months rental to cover any breakages after the rental period, with the excess returned to the tenant.

Cost to Obtain Contracts and Contract Fulfillment Assets
As at December 31, 2018, the rollforward of the cost to obtain contract included in the other current assets is as follows (amounts in thousands):

Balance at beginning of year	₱–
Reclassification from prepaid expense (Note 11)	789,574
Impact of adoption of PFRS 15 (Note 2)	(446,834)
Additions	210,578
Amortization	(275,196)
Balance at end of year (Note 11)	₱278,122

For the year ended December 31, 2018, additions and amortization of contract fulfillment costs amounted to ₱0.83 billion and ₱1.93 billion, respectively. Contract fulfillment assets is included as part of real estate inventories.

The Group reviews its major contracts to identify indicators of impairment of contract fulfilment assets by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

In determining estimated amount of consideration, the Group uses the same principles in determining contract transaction price.

It is the Group's accounting policy, as set out in Note 2, that if a contract or specific performance obligation has exhibited marginal profitability or other indicators of impairment, judgement is applied to ascertain whether the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators that could trigger variable consideration, or service credits.

7. Cash and Cash Equivalents

This account consists of:

	2018	2017
	(In Thousands)	
Cash	**₱3,466,317**	₱4,149,212
Cash equivalents	**2,953,243**	3,426,878
	₱6,419,560	₱7,576,090

Cash includes cash on hand and in banks. Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and are subject to an insignificant risk of change in value.

Interest income earned on the Group's cash and cash equivalents amounted to ₱64.44 million, ₱43.32 million and ₱25.08 million in 2018, 2017 and 2016, respectively (see Note 22).

There is no cash restriction on the Group's cash and cash equivalents as at December 31, 2018 and 2017.

8. Contracts Receivable

This account consists of:

	2018	2017
	(In Thousands)	
Contracts receivable	**₱623,413**	₱16,738,291
Receivables from government and financial institutions	**177,437**	487,701
	800,850	17,225,992
Noncurrent portion of contracts receivable	**–**	12,690,696
	₱800,850	₱4,535,296

Contracts receivable are collectible over varying periods within two (2) to ten (10) years. The receivables arising from real estate sales are collateralized by the corresponding real estate properties sold.

Receivables from government and financial institutions pertain to government and bank-financed real estate sales. Receivables from government and financial institutions are collectible within one year.

Interest income recognized on contracts receivable amounted to ₱809.51 million, ₱805.76 million and ₱754.57 million in 2018, 2017 and 2016, respectively (see Note 22). Interest rates per annum on contracts receivable range from 11.5% to 19.0% for these years.

The Group has a mortgage insurance contract with Home Guaranty Corporation (HGC), a government insurance company for a retail guaranty line. As of December 31, 2018 and 2017, the contracts (comprise of both contract receivables and contract assets) covered by the guaranty line amounted to ₱1.01 billion and ₱1.31 million, respectively. As of December 31, 2018 and 2017, the remaining unutilized guaranty line amounts to ₱2.38 billion and ₱2.57 billion, respectively.

In 2018 and 2017, the Parent Company entered into an Agreement for Purchase of Receivables with a local bank. The bank agreed to buy the contracts receivable on a without recourse basis, and the Parent Company agreed to sell, assign, transfer and convey to the bank all its rights, titles, and interest in and to the contracts receivables. Total proceeds from these transactions equivalent to the carrying value of the contracts receivable sold as of December 31, 2018 and 2017 amounted to ₱1.45 billion and ₱1.07 billion, respectively.

As of December 31, 2018 and 2017, no impairment losses were recognized from contract receivables.

9. Other Receivables

	2018	2017
	(In Thousands)	
Receivables from tenants	**₱1,338,738**	₱730,590
Due from related parties (Notes 12 and 19)	**433,287**	233,504
Advances to officers and employees	**400,965**	437,279
Receivables from homeowners' associations	**142,029**	82,941
Receivables from buyers	**60,919**	365,926
Others	**13,416**	94,569
	2,389,354	1,944,809
Less: Allowance for expected credit losses	**40,993**	62,393
	₱2,348,361	₱1,882,416

"Receivables from tenants" represent charges to tenants for rentals and utilities normally collectible within a year. Allowance for expected credit losses related to tenants' accounts specifically determined to be impaired amounted to ₱25.13 million as of December 31, 2018 and 2017. Provision for expected credit losses recorded in 2018, 2017 and 2016 amounted to nil, ₱4.96 million and ₱0.20 million, respectively.

"Advances to officers and employees" represent advances for project costs, marketing activities, travel and other expenses arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

"Receivables from homeowners' associations" represent claims from the homeowners' association of the Group's projects for the payment of the expenses on behalf of the association. Allowance for expected credit losses related to these receivables, determined using collective impairment assessment, amounted to ₱15.86 million and ₱37.26 million as of December 31, 2018 and 2017, respectively. Reversal of provision for expected credit losses in 2018 amounted to ₱21.40 million (nil in 2017 and 2016).

"Receivables from buyers" mainly pertain to advances for fit-out funds and other advances relating to insurance and other chargeable expenses to buyers which are normally collectible within a year.

"Others" represent advances for selling, marketing, and administrative expenses of international sales offices, arising from the ordinary course of business which are liquidated upon the accomplishment of the purposes for which the advances were granted.

Below is the movement of the allowance for expected credit losses of other receivables:

	2018	2017
	(In Thousands)	
Balance at beginning of year	**₱62,393**	₱57,437
Provisions (Note 20)	**–**	4,956
Reversal of provisions (Note 20)	**(21,400)**	–
Balance at end of year	**₱40,993**	₱62,393

10. Real Estate Inventories

This account consists of:

	2018	2017
	(In Thousands)	
Lots, condominium and residential units for sale	₱42,244,626	₱33,455,903
Land and land development	25,608,402	18,843,215
	₱67,853,028	₱52,299,118

A summary of the movement in lots, condominium and residential units for sale is set out below:

	2018	2017
	(In Thousands)	
Balance at beginning of year	₱33,455,903	₱25,905,712
Land costs transferred from land and land development	827,168	983,252
Construction/development costs incurred	15,369,413	13,911,249
Capitalized borrowing costs	931,350	707,594
Cost of real estate sales	(8,339,208)	(8,051,904)
	₱42,244,626	₱33,455,903

Capitalization rate for the capitalized borrowing costs is 2%, 2% and 1% in 2018, 2017 and 2016, respectively.

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

	2018	2017 (As restated, see Note 2)
	(In Thousands)	
Balance at beginning of year	₱18,843,215	₱17,594,754
Land acquisitions (Notes 3 and 19)	7,064,212	2,384,514
Land costs transferred to real estate inventories	(827,168)	(983,252)
Transfers to investment property (Notes 2 and 13)	(286,719)	(168,521)
Site development and incidental costs	814,862	15,720
	₱25,608,402	₱18,843,215

As of December 31, 2018 and 2017, on account additions to land and land development which remain outstanding amounted to ₱3.51 billion and ₱1.06 million, respectively, and these are recognized as part of "Accounts payable and accrued expense" (see Note 16).

Borrowing costs capitalized as part of land and land development, where activities necessary to prepare it for its intended use is ongoing, amounted to ₱126.19 million, ₱19.37 million and ₱36.73 million for the years ended December 31, 2018, 2017 and 2016, respectively. Capitalization rate is 2.2%, 2.5% and 0.1% in 2018, 2017 and 2016, respectively.

Acquisition of land and land development included under cash flows used in operating activities amounted to ₱2.01 billion, ₱1.86 billion and ₱893.03 million for the years ended December 31, 2018, 2017 and 2016, respectively.

In February 2009, the Parent Company signed an agreement with the Cebu City Government to develop 50.6 hectares of the South Road Properties, a 300-hectare reclaimed land project located in Cebu City (see Note 31). The agreement involves:

(a) purchase by the Parent Company of 10.6 hectares of the property to be developed into a modern urban center consisting of residential, office, commercial, hotel and leisure buildings and a public promenade which is a one kilometer long waterfront lifestyle strip that will offer a range of seaside leisure activities. The property was fully paid in 2015. Payments made to the Cebu City Government in 2015 amounted to ₱141.80 million (see Note 13).

(b) development of the remaining 40 hectares of the property under a profit-sharing arrangement with the Cebu City Government. The profit sharing of the Parent Company and the Cebu City Government is 90% and 10%, respectively. The 40 hectares will be developed in four (4) phases over a 20-year period, with the Group contributing the development costs, as well as the marketing and management services.

In 2015, the Parent Company, CPI and FAI acquired additional 19.2 hectares of South Road Properties from Cebu City Government for a total consideration of ₱3.38 billion plus interest (including ₱1.69 billion attributable to lots assigned to FAI). Of this amount, ₱2.35 billion has been paid as of December 31, 2017. Lots assigned to the Parent Company are included as part of land and land development, while lots assigned to CPI are included as part of investment properties as of December 31, 2018 and 2017 (see Notes 13 16 and 31).

11. Other Current Assets

This account consists of:

	2018	2017 (As restated, see Note 2)
	(In Thousands)	
Input taxes	**₱2,113,735**	₱2,431,265
Creditable withholding taxes	**712,792**	613,790
Prepaid expenses	**356,746**	981,076
Advances to contractors and suppliers (Note 2)	**336,670**	340,676
Cost to obtain contract (Notes 2 and 6)	**278,122**	–
Construction materials and supplies	**57,473**	73,528
Short-term deposits (Note 30)	**18,794**	146,465
	₱3,874,332	₱4,586,800

"Input taxes" pertains to VAT passed on from purchases of goods or services which is applied against output VAT.

"Creditable withholding taxes" are the taxes withheld by the withholding agents from payments to the sellers which is creditable against the income tax payable.

As of January 1, 2018, "Prepaid expenses" include commissions paid to brokers relating to the sale of real estate inventories which did not qualify for revenue recognition (see Note 2). As of December 31, 2018, commissions paid to brokers are presented under 'Cost to obtain contract'.

"Advances to contractors and suppliers" pertain to down payments made by the Group which are applied against future billings for development and construction contracts.

12. Investments in Associates

This account consists of:

	2018	2017
	(In Thousands)	
At equity:		
Acquisition cost		
Balance at the beginning and end of year	**₱837,829**	₱837,829
Accumulated equity in net earnings:		
Balance at the beginning of year	**1,120,957**	970,744
Equity in net earnings for the year	**537,017**	350,213
Dividend declaration	**(678,000)**	(200,000)
Balance at end of year	**979,974**	1,120,957
Share in revaluation increment on land at deemed cost*	**1,876,422**	1,876,422
Share in other components of equity	**361,794**	361,794
	₱4,056,019	₱4,197,002

**Presented as part of retained earnings in the consolidated statement of changes in equity.*

FAI

The Parent Company has a 20% interest in FAI which is involved primarily in the development of commercial buildings, residential condominiums, and land. FAI is also involved in leasing of commercial real estate and marketing.

Dividends declared by FAI for the years ended December 31, 2018, 2017 and 2016, and the corresponding share of the Group are as follows:

Year	Total Dividends Declared	Share in Dividends	Dividend Receivable**
		(In Thousands)	
2018	**₱3,390,000**	**₱678,000**	**₱384,000**
2017	1,000,000	200,000	160,000
2016	1,576,127	315,225	160,000

***Presented as part of "Other receivables" in the consolidated statement of financial position (see Note 9).*

Summarized financial information and reconciliation of investment in FAI is as follows:

	2018	2017
	(In Thousands)	
Current assets	**₱18,678,126**	₱19,005,807
Noncurrent assets	**19,954,740**	20,304,817
Total assets	**38,632,866**	39,310,624
Current liabilities	**6,772,655**	6,668,023
Noncurrent liabilities	**8,977,706**	8,865,436
Total liabilities	**15,750,361**	15,533,459
Equity	**₱22,882,505**	₱23,777,165
Proportion of the Group's ownership	**20%**	20%
Equity in net assets of associate	**₱4,576,501**	₱4,755,433
Less upstream sales	**546,012**	580,216
Carrying amount of the investment	**₱4,030,489**	₱4,175,217
Revenue and other income	**₱6,941,467**	₱4,920,750
Cost and other expenses	**(2,792,266)**	(2,158,797)
Depreciation	**(238,052)**	(184,729)
Interest expense	**(153,760)**	(83,682)
Interest income	**29,354**	7,191
Income before tax	**3,786,743**	2,500,733
Income tax expense	**1,120,422**	751,586
Net income for the year	**2,666,321**	₱1,749,147
Group's equity in net earnings of associate	**₱533,264**	₱349,830

FMI
In 2016, FMI was incorporated and operating in the Philippines and handles the lease of the Mimosa Leisure Estate. The Parent Company subscribed for 47.5% of FMI's capital stock amounting to ₱37.83 million (see Note 1). For the years ended December 31, 2018, 2017 and 2016, share in net earnings (losses) of FMI amounted to ₱3.75 million, ₱0.38 million and (₱16.43 million), respectively.

The Group does not restrict profit distribution of its associates. The associates have no contingent liabilities outside of the ordinary course of business or capital commitments as at December 31, 2018 and 2017.

13. Investment Properties

The rollforward analysis of this account as of December 31 follows:

	2018				
	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
			(In Thousands)		
Cost					
Balances at beginning of year	₱13,171,936	₱24,717,777	₱95,754	₱10,689,866	₱48,675,333
Additions	4,305	2,367,084	2,307	3,432,306	5,806,002
Transfers (Note 10)	286,719	–	–	–	286,719
Balances at end of year	13,462,960	27,084,861	98,061	14,122,172	54,768,054

(Forward)

	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
	2018				
Accumulated Depreciation					
Balances at beginning of year	₱–	₱4,262,219	₱57,510	₱–	₱4,319,729
Depreciation (Note 20)	–	577,702	2,952	–	580,654
Balances at end of year	–	4,839,921	60,462	–	4,900,383
Net Book Value	₱13,462,960	₱22,244,940	₱37,599	₱14,122,172	₱49,867,671

	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
	January 1, 2018 (As restated, see Note 2)				
	(In Thousands)				
Cost					
Balances at beginning of year	₱12,656,000	₱23,219,234	₱81,976	₱5,765,253	₱41,722,463
Additions	347,415	1,051,896	13,778	5,371,260	6,784,349
Transfers (Notes 2 and 10)	168,521	446,647	–	(446,647)	168,521
Balances at end of year	13,171,936	24,717,777	95,754	10,689,866	48,675,333
Accumulated Depreciation					
Balances at beginning of year	–	3,713,955	43,560	–	3,757,515
Depreciation (Note 20)	–	548,264	13,950	–	562,214
Balances at end of year	–	4,262,219	57,510	–	4,319,729
Net Book Value	₱13,171,936	₱20,455,558	₱38,244	₱10,689,866	₱44,355,604

As of December 31, 2018 and 2017, land includes South Road Properties acquired from Cebu City Government in 2015 (see Notes 10 and 31). Construction in progress pertain to buildings under construction to be leased as retail and office spaces upon completion.

Borrowing costs capitalized as part of investment properties amounted to ₱983.75 million, ₱1.13 billion, and ₱827.80 million in 2018, 2017 and 2016, respectively. Capitalization rate used ranges from 1.46% to 7.65% in 2018 and 1.6% to 5.1% in 2017 and 2016.

As of December 31, 2018 and 2017, on account additions to investment properties which remain outstanding amounted to ₱440.26 million and ₱305.52 million, respectively, and these are recognized as part of "Accounts payable and accrued expense" (see Note 16).

The aggregate fair value of the Group's investment properties amounted to ₱71.55 billion and ₱63.59 billion as of December 31, 2018 and 2017, respectively, based on the income approach using discounted cash flow analysis for land and buildings (see Note 29). The values used by the Group are based on a third party appraisals performed in 2010 and 2015 and were updated using December 31, 2018 and 2017 year-end values and assumptions.

Under in the income approach, all expected cash flows from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations.

Rental income from investment properties amounted to ₱5.47 billion, ₱4.30 billion, and ₱3.30 billion in 2018, 2017 and 2016, respectively. Cost of rental services arising from investment properties is as follows:

	2018	2017	2016
		(In Thousands)	
Depreciation	**₱568,228**	₱479,173	₱367,658
Mall operations	**400,135**	391,627	278,904
Others	**110,392**	78,657	81,102
	₱1,078,755	₱949,457	₱727,664

"Others" pertain to cost of ticket sales and snack bar sales. The Group classifies the depreciation of fit out cost and machinery and equipment related to the common area and air-conditioning as part of the maintenance and air-conditioning dues that are collected from the tenants. In 2018, 2017 and 2016 depreciation expense recognized as part of "Rental and related services" revenue amounted to ₱43.27 million, ₱83.04 million and ₱39.16 million, respectively.

14. Property and Equipment

The rollforward analysis of this account as of December 31 follows:

	2018						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
				(In Thousands)			
Cost							
Balances at beginning of year	₱2,799,679	₱568,631	₱160,606	₱109,688	₱84,652	₱470,533	₱4,193,789
Additions	204,497	352,341	21,497	10,491	8,044	3,812	600,682
Disposals	(29,585)	(42,554)	(41,244)	(7,955)	(1,086)	–	(122,424)
Balances at end of year	2,974,591	878,418	140,859	112,224	91,610	474,345	4,672,047
Accumulated Depreciation and Amortization							
Balances at beginning of year	208,008	342,443	105,271	74,029	55,726	–	785,477
Depreciation and amortization (Note 20)	102,298	39,038	18,452	5,119	13,315	–	178,222
Disposals	(19,724)	(54,763)	(41,244)	(7,955)	(1,086)	–	(124,772)
Balances at end of year	290,582	326,718	82,479	71,193	67,955	–	838,927
Net Book Value	₱2,684,009	₱551,700	₱58,380	₱41,031	₱23,655	₱474,345	₱3,833,120

	2017						
	Land and Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
				(In Thousands)			
Cost							
Balances at beginning of year	₱1,981,230	₱495,992	₱143,716	₱117,152	₱80,116	₱468,627	₱3,286,833
Additions	818,449	72,639	16,890	6,623	4,536	1,906	921,043
Disposals/Transfer	–	–	–	(14,087)	–	–	(14,087)
Balances at end of year	2,799,679	568,631	160,606	109,688	84,652	470,533	4,193,789
Accumulated Depreciation and Amortization							
Balances at beginning of year	130,411	291,450	90,833	84,777	44,278	–	641,749
Depreciation and amortization (Note 20)	77,597	50,993	14,438	3,171	11,448	–	157,647
Disposals	–	–	–	(13,919)	–	–	(13,919)
Balances at end of year	208,008	342,443	105,271	74,029	55,726	–	785,477
Net Book Value	₱2,591,671	₱226,188	₱55,335	₱35,659	₱28,926	₱470,533	₱3,408,312

As of December 31, 2018 and 2017, cost of fully depreciated property and equipment still used in operations amounted to ₱17.69 million and ₱16.55 million, respectively.

15. Other Noncurrent Assets

This account consists of:

	2018	2017 (As restated, see Note 2)
	(In Thousands)	
BTO rights (Note 31)	**₱2,609,370**	₱2,494,046
Advances to contractors and suppliers (Note 11)	**1,512,631**	1,519,821
Deposits	**538,088**	465,963
Advances to joint venture partners	**322,411**	333,075
Financial assets at FVTOCI (Notes 29 and 30)	**15,622**	15,670
Other assets (Note 31)	**237,486**	217,753
	5,235,608	5,046,328
Less accumulated amortization	**123,392**	71,640
	₱5,112,216	₱4,974,688

"BTO rights" pertain to the cost related to the Build, Transfer and Operate agreement with The Province of Cebu (Cebu Province) entered into on March 26, 2012. The BTO project relates to the development, construction and operation of the Business Process Outsourcing (BPO) Complex by the Group at the land properties owned by Cebu Province located at Salinas, Lahug Cebu City (see Note 31). As of December 31, 2018 and 2017, cost of completed portion of the BTO project amounted to ₱1.26 billion and ₱1.21 billion, respectively.

The rollforward analysis of BTO rights as of December 31 follows:

	2018	2017
	(In Thousands)	
Cost		
Balance at beginning of year	**₱2,494,046**	₱1,868,788
Additions	**115,324**	625,258
Balance at end of year	**2,609,370**	2,494,046
Accumulated Amortization		
Balance at beginning of year	**71,640**	22,040
Amortization	**51,752**	49,600
Balance at end of year	**123,392**	71,640
Net Book Value	**₱2,485,978**	₱2,422,406

In 2018, 2017 and 2016, related amortization recognized as part of "Cost of rental and related services" amounted to ₱51.75 million, ₱49.60 million and ₱14.83 million, respectively. Rent income amounting to ₱142.42 million, ₱117.13 million and ₱85.23 million in 2018, 2017 and 2016, respectively, was recognized as part of "Revenue from rental and related services".

"Advances to contractors and suppliers" pertain to down payments made by the Group which are applied against future billings for development and construction contracts.

"Deposits" include utility and security deposits.

"Advances to joint venture partners" are advances (e.g., property taxes and permits) which are normally applied against the share of the joint venture partners from sale of the joint venture properties reported under "Other receivables" in consolidated statements of financial position.

"Financial assets at FVTOCI" consist of quoted and unquoted shares of stock (see Note 29).

Unquoted investments in shares of stock include unlisted preferred shares in a public utility company which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects.

In 2018, redemption of the Group's unquoted shares of stock amounted to ₱0.05 million (nil in 2017). Dividends received from unquoted shares amounted to ₱4.05 million in 2016 (nil in 2018 and 2017, see Note 23).

"Other assets" includes the fee paid by the Parent Company to a third party for the assignment of the developmental rights for another BTO project in Cebu (see Note 31).

16. Accounts Payable and Accrued Expenses

This account consists of:

	2018			2017		
	Current	**Noncurrent**	**Total**	Current	Noncurrent	Total
			(In Thousands)			
Accounts payable (Note 19)	**₱7,468,610**	**₱5,044,900**	**₱12,513,510**	₱7,703,547	₱225,162	₱7,928,710
Deposits from tenants	**1,749,368**	**2,244,068**	**3,993,436**	1,822,664	609,728	2,432,392
Retention fees payable	**1,705,694**	**1,029,048**	**2,734,742**	1,580,743	952,966	2,533,708
Deposits for registration	**129,211**	**930,759**	**1,059,970**	160,571	1,149,661	1,310,232
Accrued expenses	**735,111**	**–**	**735,111**	1,308,258	–	1,308,258
Accrued interest on bonds and loans (Notes 17 and 18)	**358,433**	**–**	**358,433**	293,868	–	293,868
Advances and deposits from customers (Note 2)	**–**	**–**	**–**	870,129	272,678	1,142,807
Other payables	**300,394**	**–**	**300,394**	519,282	2,515	521,797
	₱12,446,821	**₱9,248,775**	**₱21,695,596**	₱14,259,062	₱3,212,710	₱17,471,772

"Accounts payable" includes the outstanding balance of the costs of land acquired by the Group and is payable on scheduled due dates or upon completion of certain requirements (see Notes 10 and 13). This account also includes amount payable to contractors and suppliers for the construction and development costs and operating expenses incurred by the Group.

"Deposits from tenants" are advance payments received for rentals, utilities and other fees. These are applied against rental obligations of tenants once due.

"Retention fees payable" pertains to the amount withheld from the progress billings of the contractors and is released generally one year from the completion of the construction agreement.

"Deposits for registration" pertain to amounts collected from buyers for payment of registration of real estate properties.

"Accrued expenses" pertain to various operating expenses incurred by the Group in the course of business such as salaries and wages, professional fees, unbilled construction cost related to ongoing projects, and utilities expense, among others.

As of January 1, 2018, "Advances and deposits from customers" include collections from accounts which do not qualify yet for revenue recognition as real estate sales and any excess of collections over the recognized receivables on sale of real estate inventories (see Note 2). As of December 31, 2018, advances and deposits from customers are presented under 'Contract liability'.

"Other payables" pertain mainly to withholding taxes, output VAT payables and deferred income.

17. Loans Payable

This account consists of:

	2018	2017
	(In Thousands)	
Developmental loans from local banks	**₱25,016,846**	₱23,358,184
Less unamortized transaction costs	**68,373**	49,648
	24,948,473	23,308,536
Less current portion of loans payable	**1,969,936**	3,661,118
Long-term portion of loans payable	**₱22,978,537**	₱19,647,418

Developmental loans from local banks will mature on various dates up to 2025. These Peso-denominated loans bear floating interest rates equal to 91-day PDST-F rate, plus a spread of up to 1% per annum, or fixed interest rates of 3.80% to 7.65% per annum. Additional loans availed by the Group in 2018, 2017 and 2016 amounted to ₱5.50 billion, ₱3.23 billion and ₱10.48 billion, respectively. Principal payments made in 2018, 2017 and 2016 amounted to ₱3.84 billion, ₱4.37 billion and ₱1.93 billion, respectively.

Interest incurred on these loans (gross of related capitalized borrowing costs) amounted to ₱1.25 billion, ₱1.07 billion, and ₱753.43 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Amortization of transaction costs amounted to ₱18.75 million, ₱17.74 million and ₱4.75 million in 2018, 2017 and 2016, respectively, and included under "Interest and other financing charges" (see Note 22).

The Group's loans payable is unsecured and no assets are held as collateral for these debts. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio ranging from 2.0x to 3.1x and minimum interest coverage ratio of 1.0x.

The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock if it would materially and adversely affect the Group's ability to perform its obligations; sale or transfer and disposal of all or a substantial part of its capital assets other than in the ordinary course of business ; restrictions on use of funds other than the purpose it was approved for; and entering into any partnership, merger, consolidation or reorganization except in the ordinary course of business and except when the Group maintains controlling interest.

As of December 31, 2018 and 2017, the Group complied with these contractual agreements and has not been cited in default on its outstanding loan obligations.

18. Bonds Payable

This account consists of:

	2018	2017
	(In Thousands)	
Current portion	**₱6,993,574**	₱–
Noncurrent portion	**27,840,692**	34,775,665
	₱34,834,266	₱34,775,665

a. On June 8, 2012, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱7.00 billion and term of seven (7) years from the issue date. The fixed interest rate is 6.27% per annum, payable quarterly in arrears starting on September 8, 2012.

   Unamortized debt issuance cost on bonds payable amounted to ₱6.43 million and ₱20.50 million as of December 31, 2018 and 2017, respectively. Accretion in 2018, 2017 and 2016 included as part of 'Interest and other finance charges' amounted to ₱14.07 million, ₱13.18 million and ₱4.04 million, respectively (see Note 22).

b. On November 8, 2013, the Parent Company issued fixed rate bonds with aggregate principal amount of ₱7.00 billion comprised of ₱4.30 billion, 7-year bonds with interest of 4.86% per annum due in 2020 and ₱2.70 billion, 10-year bonds with interest of 5.43% per annum due in 2023. Interest for both bonds is payable quarterly in arrears starting on February 8, 2014.

   Unamortized debt issuance cost on bonds payable amounted to ₱25.26 million and ₱35.33 million of December 31, 2018 and 2017, respectively. Accretion in 2018, 2017 and 2016 included as part of 'Interest and other finance charges' amounted to ₱10.07 million, ₱10.58 million and ₱11.16 million, respectively (see Note 22).

c. On December 4, 2014, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱7.00 billion comprising of ₱5.30 billion, 7-year fixed rate bonds due in 2021 and ₱1.70 billion, 10-year fixed rate bonds due in 2024. The 7-year bonds carry a fixed rate of 5.40% per annum, while the 10-year bonds have a fixed interest rate of 5.64% per annum.

   Unamortized debt issuance cost on bonds payable amounted to ₱31.91 million and ₱42.27 million as of December 31, 2018 and 2017, respectively. Accretion in 2018, 2017 and 2016 included as part of "Interest and other finance charges" amounted to ₱10.36 million, ₱10.94 million and ₱11.58 million, respectively (see Note 22).

d. On August 20, 2015, the Parent Company issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱8.00 billion comprising of ₱7.00 billion, 7-year fixed rate bonds due in 2022 and ₱1.00 billion, 10-year fixed rate bonds due in 2025. The 7-year bonds carry a fixed rate of 5.36% per annum, while the 10-year bonds have a fixed rate of 5.71% per annum.

   Unamortized debt issuance cost on bonds payable amounted to ₱51.07 million and ₱62.40 million as of December 31, 2018 and 2017, respectively. Accretion in 2018, 2017 and 2016 included as part of "Interest and other finance charges" amounted to ₱11.33 million, ₱10.71 million and ₱11.03 million, respectively (see Note 22).

e. On July 7, 2017, CPI issued to the public unsecured fixed rate bonds with an aggregate principal amount of ₱6.00 billion and term of five and a half (5.5) years due in 2023. The bonds carry a fixed rate of 5.05% per annum, payable quarterly in arrears starting on October 7, 2017.

   Unamortized debt issuance cost on bonds payable amounted to ₱51.06 million and ₱63.83 million as of December 31, 2018 and 2017, respectively. Accretion in 2018 and 2017 included as part of "Interest and other finance charges" amounted to ₱12.77 million and ₱6.34 million, respectively (see Note 22).

Interest incurred on these bonds (gross of related capitalized borrowing costs) amounted to ₱1.93 billion, ₱1.76 billion and ₱1.82 billion for the years ended December 31, 2018, 2017 and 2016, respectively.

These bonds require the Group to maintain certain financial ratios which include maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x). As of December 31, 2018 and 2017, the Group is not in breach of any of these debt covenants.

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control of the Group's ultimate parent company (referred herein as "Affiliates"). Related parties may be individuals or corporate entities.

Outstanding balances at year-end are unsecured, interest free and require settlement in cash, unless otherwise stated. As of December 31, 2018 and 2017, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Significant related party transactions are as follows. Outstanding liabilities are unsecured and no impairment loss was recognized on any of the assets.

	2018				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
	(In Thousands)				
Bank under common control of the ultimate parent					
Cash and cash equivalents	₱3,328,545	₱3,328,545	0.50% to 4.50%	No impairment	19 (a)
Interest income	48,860	–			
	₱3,377,405	₱3,328,545			
Accounts payable and accrued expenses (Note 16)					
Current portion	(₱378,965)	(₱378,965)	Noninterest-bearing, payable on installment	Unsecured	19 (a)
Noncurrent portion	(2,746,823)	(2,746,823)	Noninterest-bearing, payable on installment	Unsecured	19 (a)
	(₱3,125,788)	(₱3,125,788)			

(Forward)

	2018				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
	(In Thousands)				
Ultimate Parent	(₱437)	₱8	Noninterest-bearing, collectible on demand	Unsecured, no impairment	19 (b)
Associate - FAI					
Dividends (Note 11)	678,000	384,000	Noninterest-bearing, collectible on demand	Unsecured, no impairment	19 (d)
Share in common expenses	2,929	32,482			
	680,929	416,482			
Affiliates					
Share in common expenses	15,326	16,797	Noninterest-bearing, collectible on demand	Unsecured, no impairment	19 (e)
Due from related parties	₱695,818	₱433,287			
Parent					
Share in Group expenses	(90,209)	(9,968)	Noninterest-bearing, payable on demand	Unsecured	19 (c)
Associate - FAI					
Rent	195,151	(23,237)	Noninterest-bearing, payable on demand	Unsecured	19 (d)
Management fee	3,340	–	Noninterest-bearing, payable on demand	Unsecured	
Share in other expenses	118,426	(96,220)	Noninterest-bearing, payable on demand	Unsecured	
	316,917	(119,457)			
Affiliates	3,601	(51,846)	Noninterest-bearing, payable on demand	Unsecured	19 (e)
Due to related parties	₱230,309	(₱181,271)			

	2017				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
	(In Thousands)				
Bank under common control of the ultimate parent					
Cash and cash equivalents	₱4,820,471	₱4,820,471	0.50% to 4.50%	No impairment	19 (a)
Interest income	5,953	–			
Other income	–	–			
	₱4,826,424	₱4,820,471			
Ultimate Parent	(₱1,288)	₱444	Noninterest-bearing, collectible on demand	Unsecured, no impairment	19 (b)
Associate					
Dividends (Note 11)	200,000	160,000	Noninterest-bearing, collectible on demand	Unsecured, no impairment	19 (d)
Share in common expenses	3,411	–			
	203,411	160,000			
Affiliates					
Share in common expenses	₱24,778	₱47,494	Noninterest-bearing, collectible on demand	Unsecured, no impairment	19 (e)
Other income	25,566	25,566			19 (a)
	50,344	73,060			
Due from related parties	₱252,467	₱233,504			
Parent					
Share in Group expenses	₱13,162	(₱88,516)	Noninterest-bearing, payable on demand	Unsecured	19 (c)
Management and marketing income	2,773	–	Noninterest-bearing, payable on demand	Unsecured	
	15,935	(88,516)			

(Forward)

	2017				
	Amount/ Volume	Due from / (Due to)	Terms	Conditions	Note
Associate					
Rent	₱136,872	(₱15,932)	Noninterest-bearing, payable on demand	Unsecured	19 (d)
Management fee	4,786	–	Noninterest bearing, payable on demand	Unsecured	
Share in other expenses	62,554	(46,622)	Noninterest-bearing, payable on demand	Unsecured	
	204,212	(62,554)			
Affiliates	20,075	(48,245)	Noninterest-bearing, payable on demand	Unsecured	19 (e)
Due to related parties	₱240,222	(₱199,315)			

a. *Transactions with bank under common control of the ultimate parent (EW)*
On January 3, 2012, the Group entered into a Receivable Purchase Agreement with East West Banking Corporation (EW), an entity under common control of the ultimate parent. The Group agreed to sell, assign, transfer and convey to EW all of its rights, titles and interest on certain contracts receivables. The contracts receivables sold to EW will be serviced by the Group under an Accounts Servicing Agreement.

Under this agreement, the Group shall be responsible for the monitoring and collection of contracts receivables sold to EW, including safekeeping of the collections in trust until these are remitted to EW, 10 days after the beginning of each month.

For the performance of the said services, the Group charges EW a service fee equivalent to a certain percentage of the amounts actually received and collected. Although the Group retains the contractual rights to receive cash flows from the contracts receivables sold to EW, the same will be subsequently distributed to EW under a "pass-through arrangement".

In this transaction, the risk of default and non-payment of buyers of contracts receivable is assumed by EW and the Group has no liability to EW for such events. Due to this, the Group derecognized the contracts receivables sold and did not recognize any liability in its consolidated financial statements.

The Group's plan assets in the form of cash equivalents amounting to ₱55.07 million and ₱52.30 million as of December 31, 2018 and 2017, respectively, are maintained with EW (see Note 24). The Group also maintains cash and cash equivalents with EW.

On September 20, 2018, the Parent Company acquired a lot from a third party seller. Total consideration is payable on installment basis until 2022 (presented as "Accounts payable and accrued expenses"). On September 21, 2018, the third party seller entered into a Receivable Purchase Agreement with EW for the purchase of the remaining amounts receivable from the Parent Company amounting to ₱3.79 billion, on a without recourse basis. The amounts receivable from the Parent Company was sold to EW for a total consideration of ₱3.13 billion.

As of December 31, 2018, the amounts payable to EW related to the above purchase of land amounted to ₱3.17 billion and is presented as part of accounts payable and accrued expenses in the statement of financial position (see Note 16).

b. *Transactions with Ultimate Parent (ALG)*
Transactions with the Group's ultimate parent company relates to sharing of common expenses.

c. *Transactions with Parent Company (FDC)*
The Parent Company charged FDC certain common expenses paid by the Parent Company on its behalf.

In 2009, Promax was appointed by FDC as the marketing agent to act for and on behalf of FDC in promoting the marketing and sale of the Beaufort project. Accordingly, FDC pays Promax a marketing fee equivalent to a certain percentage of the net selling price (see Note 23).

d. *Transactions with an Associate (FAI)*
'Due from associate' include receivable from FAI for the transfer of equipment, furniture and fixtures and inventories to an affiliate for the start-up of operations. Other transactions with FAI include noninterest-bearing cash advances and various charges for rent, management fees, marketing fees, share of expenses and commission charges. The account also includes dividend receivable amounting to ₱384.0 million and ₱160.0 million as of December 31, 2018 and 2017, respectively, declared by FAI in both years 2018 and 2017 (see Note 12).

e. *Transactions with Affiliates*
In 2007, the Parent Company entered into a development agreement with GCK Realty Corporation (GCK), an affiliate. The agreement provides that the Parent Company shall undertake the construction of a condominium building on the land owned by GCK located in Kamputhaw, Cebu City. The agreement further provides that the Parent Company shall shoulder all costs and expenses necessary and incidental to the construction of the building. The saleable condominium units forming part of the building as developed shall be allocated between the Parent Company and GCK on a 92% and 8% sharing, respectively.

GCK shall pay the Parent Company management fee and the reimbursable commissions paid by the Parent Company to the brokers based on certain percentage of the gross selling price of the units owned by GCK. The Parent Company shall likewise set aside an amount equivalent to a certain percentage of all collections received from the sale of units of GCK for expenses related to maintenance and upkeep of the building. In 2010, the Parent Company started to remit sales on the sold units belonging to GCK.

f. The compensation of key management personnel consists of short-term employee salaries and benefits amounting to ₱32.83 million, ₱31.00 million and ₱30.77 million in 2018, 2017 and 2016, respectively. Post-employment benefits of key management personnel amounted to ₱21.00 million and ₱0.68 million in 2018 and 2017, respectively (nil in 2016).

20. General and Administrative Expenses

The account consists of:

	2018	2017	2016
		(In Thousands)	
Salaries, wages and employee benefits	**₱755,603**	₱609,098	₱389,756
Taxes and licenses	**359,340**	261,832	154,045
Depreciation and amortization (Notes 13, 14 and 15)	**259,229**	198,677	113,971
Outside services	**195,170**	142,772	102,803
Repairs and maintenance	**150,709**	119,548	169,857
Transportation and travel	**112,283**	86,485	75,124
Entertainment, amusement and recreation	**87,011**	70,497	66,581
Rent (Note 19)	**77,192**	63,364	58,850
Electronic data processing charges	**72,166**	58,914	40,378
Communications, light and water	**52,884**	46,067	38,230
Retirement costs (Note 24)	**66,744**	50,940	56,327
Parking operations	**27,825**	15,718	7,799
Dues and subscriptions	**20,287**	21,856	13,229
Office supplies	**19,989**	17,017	14,624
Insurance	**19,834**	55,804	24,352
Provision for (reversal of) expected credit losses - net (Note 9)	**(21,400)**	4,956	(58,551)
Others	**67,194**	55,590	36,579
	₱2,322,060	₱1,879,135	₱1,303,954

"Others" mainly consists of postage and freight charges, and other miscellaneous expenses.

21. Selling and Marketing Expenses

The account consists of:

	2018	2017	2016
		(In Thousands)	
Brokers' commissions	**₱722,030**	₱338,358	₱642,795
Selling, advertising and promotions	**475,672**	367,211	382,807
Service fees	**136,722**	190,382	79,087
Sales office direct costs	**89,733**	72,683	89,443
Salaries and wages	**7,441**	6,322	4,023
Corporate advertisements	**1,279**	872	1,183
Others	**9,710**	5,865	5,466
	₱1,442,587	₱981,693	₱1,204,804

22. Interest and Other Finance Charges

The following table shows the component of interest income, interest expense and other financing charges recognized in the consolidated statements of income:

	2018	2017	2016
		(In Thousands)	
Interest income on:			
Contracts receivable (Note 8)	**₱809,513**	₱805,760	₱754,574
Cash and cash equivalents (Note 7)	**64,438**	43,317	25,083
Others	**103,339**	86,225	92,315
	₱977,290	₱935,302	₱871,972
Interest and other finance charges:			
Interest expense on loans and bonds payable, net of interest capitalized (Notes 17 and 18)	**₱1,091,181**	₱969,022	₱983,147
Amortization of transaction costs of loans and bonds (Notes 17 and 18)	**77,350**	69,490	42,563
Other finance charges (Note 24)	**23,910**	24,193	46,954
	₱1,192,441	₱1,062,705	₱1,072,664

23. Other Income

The account consists of:

	2018	2017	2016
		(In Thousands)	
Forfeited reservations and collections	**₱326,853**	₱442,978	₱233,694
Service fees (Note 19)	**133,823**	179,945	35,540
Management, leasing and other fees (Notes 15 and 19)	**105,777**	84,428	13,782
Processing fees	**62,634**	12,704	43,250
Foreign currency exchange gain (loss) - net	**465**	(4,781)	4,088
Income from liquidated damages	**–**	–	450,000
Others (Note 19)	**48,867**	105,774	25,138
	₱678,419	₱821,048	₱805,492

Income from liquidated damages in 2016 represents the amount of Group's recovery of lost income from prospective tenants recovered from a contractor.

24. Retirement Costs

The Group has a funded, noncontributory defined benefit retirement plan (the "Plan") covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The retirement plan provides retirement benefits equivalent to 70% to 125% of the final monthly salary for every year of service. The funds are administered by the Group's Treasurer under the supervision of the Board of Trustees of the Plan and are responsible for investment strategy of the Plan.

The following tables summarize the components of retirement expense recognized in the consolidated statements of income and pension liability recognized in the consolidated statements of financial position for the existing retirement plan.

	2018		
	Present value of defined benefit obligation	**Fair value of plan asset**	**Net defined benefit liabilities**
		(In Thousands)	
Balance as at January 1, 2018	₱570,229	₱52,300	₱517,929
Net benefit costs in profit or loss			
Current service cost (Note 20)	66,744	–	66,744
Net interest (Note 22)	26,152	2,772	23,380
	92,896	2,772	90,124
Remeasurements in other comprehensive income			
Actuarial changes arising from:			
Experience adjustments	(9,650)	–	(9,650)
Return on plan assets, excluding amounts included in interest income	–	–	–
	(9,650)	–	(9,650)
	₱653,475	₱55,072	₱598,403

	2017		
	Present value of defined benefit obligation	Fair value of plan asset	Net defined benefit liabilities
		(In Thousands)	
Balance as at January 1, 2017	₱496,794	₱49,319	₱447,475
Effect of consolidation of investment in Pro-Excel (Notes 1 and 2)	6,624	–	6,624
Net benefit costs in profit or loss			
Current service cost (Note 20)	50,940	–	50,940
Net interest (Note 22)	23,533	2,497	21,036
	81,097	2,497	78,600
Benefits paid	(2,950)	(2,950)	–
Contribution	–	2,950	(2,950)
Remeasurements in other comprehensive income			
Actuarial changes arising from:	496,794	49,319	447,475
Experience adjustments	(4,712)	–	(4,712)
Return on plan assets, excluding amounts included in interest income	–	484	(484)
	(4,712)	484	(5,196)
	₱570,229	₱52,300	₱517,929

The Group's plan assets comprise of cash equivalents with original maturities of three months or less from dates of placements and are subject to insignificant risk of changes in value. As of December 31, 2018 and 2017, these placements are with EW (see Note 19). As of December 31, 2018 and 2017, the carrying amount of the plan assets approximates its fair value.

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The assumptions used in determining pension obligation for the defined benefit plan are as follows:

	2018	2017	2016
Discount rate	**7.60%**	5.40%	5.40%
Future salary increases	**6.00%**	8.00%	8.00%

The sensitivity analysis that follows has been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant. Management believes that as of the reporting date, it is only the decline in discount rate that could significantly affect the pension obligation.

Management believes that pension obligation will not be sensitive to the salary rate increases because it is expected to be at the same level throughout the remaining life of the obligation. If the discount rate would be 100 basis points lower, the defined benefit obligation would increase by ₱76.64 million and ₱66.88 million in 2018 and 2017, respectively.

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

	2018	2017
	(In Thousands)	
Less than one year	**₱56,911**	₱12,802
More than one year and up to five years	**100,255**	170,993
More than five years and up to 10 years	**203,011**	220,879

The Group does not expect to contribute to its plan assets in the next 12 months.

The management performs an Asset-Liability Matching (ALM) Study. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans, as well as the liquidity of the plan assets. The Group's current investment strategy consists of 100% short-term deposit placements.

25. Operating Leases

As lessor, future minimum rental receivables under renewable operating leases as of December 31, 2018 and 2017 are as follows:

	2018	2017
	(In Thousands)	
Within one year	**₱4,597,736**	₱3,342,988
After one year but not more than five years	**10,291,055**	6,772,147
After five years	**1,923,149**	272,429
	₱16,811,940	₱10,387,564

The Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent (b) minimum rent or a certain percentage of gross revenue, whichever is higher. Most lease terms on commercial malls are renewable within one year, except for anchor tenants with lease ranging from 5 to 15 years.

Rental income recognized based on a percentage of the gross revenue of mall tenants included in "Rental and related services" account in the consolidated statement of income amounted to ₱289.57 million, ₱232.02 million and ₱220.83 million in 2018, 2017 and 2016, respectively.

The Group has entered into land lease arrangements with lease terms of between 25 and 50 years. The Group has the option, under some of its leases, to lease the assets for additional 25 years.

As lessee, future minimum rental payables under operating leases as of December 31, 2018 and 2017 are as follows:

	2018	2017
	(In Thousands)	
Within one year	**₱636,351**	₱510,095
After one year but not more than five years	**770,459**	244,754
After five years	**1,196,977**	920,969
	₱2,603,787	₱1,675,818

26. Equity

The details of the Parent Company's common and preferred shares as of December 31, 2018 and 2017 follow:

	Common Shares	Preferred Shares
	(In Thousands, except par value figures)	
Authorized shares	₱33,000,000	₱8,000,000
Par value per share	1	0.01
Issued and outstanding shares	24,470,708	8,000,000
Treasury shares	220,949	–

In 2018, 2017 and 2016, there was no issuance of additional common shares.

Preferred Shares

The preferred shares may be issued from time to time in one or more series as the BOD may determine, and authority is expressly granted to the BOD to establish and designate each particular series of preferred shares, to fix the number of shares to be included in each of such series, and to determine the dividend rate and the issue price and other terms and conditions for each such shares. Dividends shall be cumulative from and after the date of issue of the preferred shares and no dividend shall be declared or paid on the common shares unless the full accumulated dividends on all preferred shares for all past dividend periods and for the current dividend period shall have been declared and paid by the Group. Preferred shares of each and any sub-series shall not be entitled to any participation or share in the retained earnings remaining after dividend payments shall have been made on the preferred shares. To the extent not set forth in the Articles of Incorporation, the specific terms and restrictions of each series of preferred shares shall be specified in such resolutions as may be adopted by the BOD prior to the issuance of each of such series (the "Enabling Resolutions"), which resolutions shall thereupon be deemed a part of the Amended Articles of Incorporation.

Preferred shares of each and any sub-series may be convertible to common shares as may be determined by the BOD and set forth in the Enabling Resolutions, in such manner and within such period as may be fixed in the Enabling Resolutions. As of December 31, 2018 and 2017, there is no Enabling Resolution by the BOD making the preferred shares convertible to common shares. As the dividend rate is yet to be determined by the BOD, there were no dividends in arrears on preferred shares as of December 31, 2018 and 2017.

Treasury Shares
On December 20, 2007, the Parent Company's BOD approved the buy-back of some of the issued shares of stock of the Parent Company over a period of twelve (12) months up to an aggregate amount of ₱1.50 billion, in view of the strong financial performance of the Parent Company and the very large discrepancy that existed between the current share price and the net asset value of the Parent Company.

The Parent Company had acquired 220.95 million shares at total cost of ₱221.04 million in 2008. There were no additional acquisitions in 2018, 2017 and 2016. The retained earnings is restricted from dividend distribution to the extent of the cost of treasury shares.

Dividend Declarations
On April 20, 2018 the BOD approved the declaration and payment of cash dividend of ₱0.0618 per share or total of ₱1.50 billion for all shareholders of record as of May 20, 2018.

On April 21,2017 the BOD approved the declaration and payment of cash dividend of ₱0.0613 per share or total of ₱1.49 billion for all shareholders of record as of May 21, 2017.

On April 22, 2016 the BOD approved the declaration and payment of cash dividend of ₱0.061 per share or a total of ₱1.48 billion for all shareholders of record as of May 22, 2016.

Retained Earnings
Retained earnings include undistributed earnings amounting to ₱7.50 billion and ₱7.47 billion as of December 31, 2018 and 2017, respectively, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until declared as dividends by the subsidiaries and associates.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury and deferred tax asset recognized in profit or loss as of December 31, 2018 and 2017.

After reconciling items, the Parent Company's retained earnings available for dividend declaration as of December 31, 2018 and 2017 amounted to ₱28.31 billion and ₱24.87 billion, respectively.

Capital Management
The Group monitors its capital and cash positions and manages its expenditures and disbursements. Furthermore, the Group may also, from time to time seek other sources of funding, which may include debt or equity issues depending on its financing needs and market conditions.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. No changes were made in capital management objectives, policies or processes for the years ended December 31, 2018 and 2017.

The Group monitors capital using debt-to-equity ratio, which is the long-term debt (loans payable and bonds payable) divided by total equity. The Group's policy is to keep the debt-to-equity ratio not to exceed 2:1. The following table shows how the Group computes for its debt-to-equity ratio:

	2018	2017
	(In Thousands)	
Loans payable (Note 17)	**₱24,948,473**	₱23,308,536
Bonds payable (Note 18)	**34,834,266**	34,775,665
Total long-term debt	**59,782,739**	58,084,201
Total equity	**67,271,622**	63,501,043
Debt-to-equity ratio	**0.89 : 1:00**	0.91:1.00

On August 12, 1993, SEC approved the registration of 2.0 billion common shares with issue price of ₱5.25 per share.

On December 15, 2006, SEC approved the registration of 3.7 billion common shares with issue price of ₱1.60 per share.

Below is the summary of the outstanding number of common shares and holders of security as of December 31, 2018:

Year	Number of Shares Registered (In Thousands)	Number of Holders of Securities as of Year End*
January 1, 2017	24,249,759	5,735
Add/(deduct) movement	–	(36)
December 31, 2017	24,249,759	5,699
Add/(deduct) movement	–	9
December 31, 2018	**24,249,759**	**5,690**

*Exclusive of 220,949 treasury shares.

27. Earnings Per Share

	2018	2017	2016
	(In Thousands, Except EPS Figures)		
a. Net income attributable to the equity holder of the parent	**₱5,894,408**	₱5,685,394	₱5,247,262
b. Weighted average number of outstanding common shares (after considering treasury shares)	**24,249,759**	24,249,759	24,249,759
Basic/Diluted EPS (a/b)	**₱0.24**	₱0.23	₱0.22

There were no potential dilutive shares in 2018, 2017 and 2016.

28. Income Tax

Provision for income tax consists of:

	2018	2017	2016
	(In Thousands)		
Current	**₱1,029,494**	₱705,038	₱385,793
Deferred	**673,015**	755,938	1,117,822
	₱1,702,509	₱1,460,976	₱1,503,615

The components of the Group's deferred income tax assets follow:

	2018	2017
	(In Thousands)	
Advance rentals	**₱34,643**	₱33,046
Accrued retirement benefits	**1,168**	269
NOLCO	**50,168**	15,340
	₱85,979	₱48,655

The components of the Group's net deferred income tax liabilities follow:

	2018	2017
	(In Thousands)	
Deferred income tax liabilities on:		
Capitalized borrowing costs	**₱4,262,887**	₱3,822,215
Excess of real estate revenue based on financial accounting policy over real estate revenue based on tax rules	**1,892,334**	1,628,254
Excess of fair value over cost of net assets acquired in business combination	**118,063**	122,856
	6,273,284	5,573,325
Deferred income tax assets on:		
Advance rentals	**(75,592)**	(102,963)
Accrued retirement benefits - charged to profit or loss	**(81,070)**	(91,058)
Remeasurement losses on retirement plan	**(63,677)**	(66,572)
Allowance for expected credit losses	**(11,265)**	(11,265)
Others	**(30,006)**	(3,027)
	(261,610)	(274,885)
	₱6,011,674	₱5,298,440

Provision for deferred income tax charged directly to other comprehensive income in 2018, 2017 and 2016 relating to remeasurement gain on defined benefit obligation amounted to ₱2.90 million, ₱1.56 million, and ₱15.70 million, respectively.

The Group did not recognize deferred income tax assets on NOLCO of certain subsidiaries amounting to ₱140.52 million and ₱119.69 million as of December 31, 2018 and 2017, respectively, since management believes that their carryforward benefits may not be realized before they expire.

The carryforward benefits of the NOLCO, which can be claimed by the Group as credits against the RCIT, are as follows (in thousands):

Year Incurred	Amount	Expiry Date
2018	**₱153,790**	**December 31, 2021**
2017	97,856	December 31, 2020
2016	56,103	December 31, 2019
	₱307,749	

The following are the movements in NOLCO:

	2018	2017
	(In Thousands)	
At January 1	**₱170,801**	₱79,623
Addition	**153,790**	97,856
Applied/expired	**(16,842)**	(6,678)
At December 31	**₱307,749**	₱170,801

The reconciliation of the provision for income tax at statutory tax rate to the actual provision for income tax follows:

	2018	2017	2016
		(In Thousands)	
Income tax at statutory tax rate	**₱2,333,515**	₱2,188,547	₱2,056,320
Adjustments for:			
Income tax holiday incentive on sales of BOI-registered projects (Note 33)	**(166,622)**	(376,343)	(162,422)
Income covered by PEZA (Note 32)	**(307,634)**	(234,918)	(322,789)
Equity in net earnings of associates	**(161,105)**	(105,064)	(54,906)
Deductible expense - Optional Standard Deduction	**(25,078)**	(45,507)	(27,611)
Tax-exempt net income on socialized housing units	**(2,314)**	(7,090)	(13,727)
Income subjected to final tax	**(23,470)**	(11,541)	(3,680)
Interest on HGC-enrolled contracts receivables	**(3,572)**	(1,466)	(361)
Change in unrecognized deferred tax	**6,249**	8,154	1,175
Nondeductible interest expense	**4,582**	2,354	3,224
Other nondeductible expenses	**47,958**	43,850	28,392
	₱1,702,509	₱1,460,976	₱1,503,615

29. Fair Value Measurement

The following table sets forth the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	2018				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In Thousands)				
Assets measured at fair value					
Financial assets at FVTOCI					
Quoted	₱6,545	₱6,545	₱6,545	₱–	₱–
Unquoted	9,077	9,077	–	–	9,077
	15,622	15,622	6,545		9,077
Assets for which fair values are disclosed					
Non-financial assets					
Investment properties	49,867,671	71,547,540	–	–	71,547,540
Total assets	₱49,883,293	₱71,563,162	₱6,545	₱–	₱71,556,617
Liabilities for which fair values are disclosed					
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses					
Accounts payable	₱12,513,510	₱11,978,475	₱–	₱–	₱11,978,475
Retention fee payable	2,734,742	2,617,815	–	–	2,617,815
Deposits for registration	1,059,970	1,014,649	–	–	1,014,649
	16,308,222	15,610,939	–	–	15,610,939
Loans payable	24,948,473	23,772,055	–	–	23,772,055
Bonds payable	34,834,266	31,990,690	–	–	31,990,690
	₱76,090,961	₱71,373,684	₱–	₱–	₱71,373,684

	2017				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets at FVTOCI					
Quoted	₱6,197	₱6,197	₱6,197	₱–	₱–
Unquoted	9,473	9,473		–	9,473
	15,670	15,670	6,197	–	9,473
Assets for which fair values are disclosed					
Financial assets at amortized cost					
Contracts receivable	16,738,291	17,557,809	–	–	17,557,809
Non-financial assets					
Investment properties	44,321,475	63,590,147	–	–	63,590,147
Total assets	₱61,075,436	₱81,163,626	₱6,197	₱–	₱81,157,429
Financial liabilities at amortized cost					
Accounts Payable and Accrued Expenses					
Accounts payable	₱7,928,710	₱7,589,705	₱–	₱–	₱7,589,705
Deposits for registration	2,533,708	2,425,377	–	–	2,425,377
Retention fee payable	1,310,232	1,254,212	–	–	1,254,212
	11,772,650	11,269,294	–	–	11,269,294
Loans payable	23,308,536	22,390,172	–	–	22,390,172
Bonds payable	34,775,665	31,936,651	–	–	31,936,651
	₱69,856,851	₱65,596,117	₱–	₱–	₱65,596,117

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, due from and to related parties, other receivables and other assets*: Due to the short-term nature of these accounts, their fair values approximate their carrying amounts.

- *Contracts receivable*: Estimated fair value of contracts receivable is based on the discounted value of future cash flows using the prevailing interest rates for similar types of receivables as of the reporting date. Interest rate used was 19% in 2018 and 2017.

  Due to the short-term nature of receivables from government and financial institutions, carrying amounts approximate fair values.

- *Financial assets at FVTOCI*: Fair values were determined using quoted market prices at reporting date.

- *Accounts payable and accrued expenses*: On accounts due within one year, the fair value of accounts payable and accrued expenses approximates the carrying amounts. On accounts due for more than a year, estimated fair value is based on the discounted value of future cash flows using the prevailing interest rates on loans and similar types of payables as of the reporting date. Interest rates used is 4.28% in 2018 and 2017.

- *Long-term debt (loans payable and bonds payable)*: Estimated fair value on debts with fixed interest and not subjected to quarterly repricing is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans as of reporting date.

  Long term debt subjected to quarterly repricing is not discounted since it approximates fair value. The discount rates used range from 5.00% to 7.70% and 4.70% to 5.40% as of December 31, 2018 and 2017.

During the years ended December 31, 2018, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, contracts and other receivables, due from related parties, financial assets at FVTOCI, accounts payable and accrued expenses, due to related parties and long-term debt (loans payable and bonds payable). The main purpose of these financial instruments is to raise financing for the Group's operations.

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

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

The Group's finance and treasury functions operate as a centralized service for managing financial risks and activities, as well as providing optimum investment yield and cost-efficient funding for the Group. The Group's BOD reviews and approves the policies for managing each of these risks. The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. The Group's risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group also monitors the foreign currency risk arising from all financial instruments.

Liquidity Risk
Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. In order to cover its financing requirements, the Group uses both internally generated funds and available long-term and short-term credit facilities.

As of December 31, 2018 and 2017, the Group has undrawn short-term credit lines amounting ₱1.47 billion and ₱7.25 billion, respectively, and undrawn long-term credit facilities amounting ₱29.50 billion and ₱34.50 billion, respectively.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2018 and 2017 based on contractual undiscounted payments.

	2018						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
				(In Thousands)			
Financial Liabilities at Amortized Cost							
Accounts Payable and Accrued Expenses							
Accounts payable	₱4,723,138	₱1,774,430	₱971,043	₱2,510,026	₱2,534,874	₱–	₱12,513,511
Retention fees payable	770,274	769,833	165,587	14,170	646,832	368,046	2,734,742
Deposits for registration	–	313	128,898	471,964	185,897	272,898	1,059,970
Accrued expenses	735,111	–	–	–	–	–	735,111
Accrued interest on bonds and loans	358,433	–	–	–	–		358,433
	6,887,350	2,544,576	1,265,528	2,996,160	3,367,603	640,944	17,702,161
Due to Related Parties	181,271	–	–	–	–	–	181,271
Loans Payable	–	250,000	–	12,556,846	11,710,000	500,000	25,016,846
Bonds Payable	–	–	7,000,000	9,600,000	15,700,000	2,700,000	35,000,000
Interest on loans and bonds payable	–	737,288	2,211,863	5,579,106	3,536,194	715,694	12,780,145
	₱6,768,227	₱3,531,864	₱10,477,391	₱30,732,112	₱34,313,797	₱4,556,638	₱90,380,029

	2017						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
				(In Thousands)			
Financial Liabilities at Amortized Cost							
Accounts Payable and Accrued Expenses							
Accounts payable	₱5,478,988	₱1,640,969	₱583,591	₱225,162	₱–	₱–	₱7,928,710
Retention fees payable	713,847	713,439	153,456	12,433	599,448	341,085	2,533,708
Deposits for registration	–	388	160,183	586,513	224,016	339,132	1,310,232
Accrued expenses	1,308,258	–	–	–	–	–	1,308,258
Accrued interest on bonds and loans	293,868	–	–	–	–	–	293,868
	7,794,961	2,354,796	897,230	824,108	823,464	680,217	13,374,776
Due to Related Parties	199,315	–	–	–	–	–	199,315
Loans Payable	–	–	2,415,583	7,405,101	9,537,500	4,000,000	23,358,184
Bonds Payable	–	–	–	11,300,000	12,300,000	11,400,000	35,000,000
Interest on loans and bonds payable	–	737,288	2,211,863	5,579,106	3,536,194	715,694	12,780,145
	₱7,994,276	₱3,092,084	₱5,524,676	₱25,108,315	₱26,197,158	₱16,795,911	₱84,712,420

The tables below summarize the maturity profile of the Group's financial assets and contract assets held to manage liquidity as of December 31, 2018 and 2017:

	2018						
	On demand	**Less than 3 months**	**3 months to 1 year**	**> 1 year but < 3 years**	**3 years to 5 years**	**Over 5 years**	**Total**
				(In Thousands)			
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱3,466,317	₱–	₱–	₱–	₱–	₱–	₱3,466,317
Short-term deposits	–	2,953,243	–	–	–	–	2,953,243
Contracts receivable							
Contracts receivable	800,850	–	–	–	–	–	800,850
Receivables from government and financial institutions	177,437	–	–	–	–	–	177,437
Other receivables							
Receivable from tenants-net	1,338,738	–	–	–	–	–	1,338,738
Due from related parties	433,287	–	–	–	–	–	433,287
Receivable from homeowners' associations-net	142,029	–	–	–	–	–	142,029
Receivable from buyers	60,919	–	–	–	–	–	60,919
Others	13,416	–	–	–	–	–	13,416
Short-term deposits	–	–	18,794	–	–	–	18,794
	6,432,993	2,953,243	18,794	–	–	–	9,405,030
Financial Assets at FVTOCI							
Investments in shares of stocks:							
Quoted	–	6,544	–	–	–	–	6,544
Unquoted	–	9,078	–	–	–	–	9,078
	–	15,622	–	–	–	–	15,622
Total financial assets	6,432,993	2,968,865	18,794	–	–	–	9,420,652
Contract assets	–	1,124,770	2,674,061	2,691,294	1,289,307	2,262,673	10,042,105
	₱6,432,993	₱4,093,635	₱2,692,855	₱2,691,294	₱1,289,307	₱2,262,673	₱19,462,757

	2017						
	On demand	Less than 3 months	3 months to 1 year	> 1 year but < 3 years	3 years to 5 years	Over 5 years	Total
				(In Thousands)			
Financial Assets at Amortized Cost							
Cash and cash equivalents							
Cash on hand and in banks	₱4,149,212	₱–	₱–	₱–	₱–	₱–	₱4,149,212
Short-term deposits	–	3,426,878	–	–	–	–	3,426,878
Contracts receivable							
Contracts receivable	960,404	1,364,830	1,722,361	3,197,734	1,282,587	8,210,375	16,738,291
Receivables from government and financial institutions	–	–	487,701	–	–	–	487,701
Other receivables							
Receivable from tenants-net	705,461						705,461
Due from related parties	233,504	–	–	–	–	–	233,504
Receivable from homeowners' associations-net	45,677	–	–	–	–	–	45,677
Receivable from buyers	365,926	–	–	–	–	–	365,926
Others	94,569	–	–	–	–	–	94,569
Short-term deposits	146,465	–	–	–	–	–	146,465
	6,701,218	4,791,708	2,210,062	3,197,734	1,282,587	8,210,375	26,393,684
Financial Assets at FVTOCI							
Investments in shares of stocks:							
Quoted	–	9,473	–	–	–	–	9,473
Unquoted	–	6,197	–	–	–	–	6,197
	–	15,670	–	–	–	–	15,670
	₱6,701,218	₱4,807,378	₱2,210,062	₱3,197,734	₱1,282,587	₱8,210,375	₱26,409,354

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for its contract receivables and other receivables.

It is the Group's policy that buyers who wish to avail the in-house financing scheme be subjected to credit verification procedures. Receivable balances are being monitored on a regular basis and subjected to appropriate actions to manage credit risk. Moreover, as discussed in Note 8, the Group has a mortgage insurance contract with Home Guaranty Corporation for a retail guaranty line.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based groupings of various customer segments with similar loss patterns (i.e., by market segment and collateral type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract receivables and contract assets using a provision matrix:

		2018				
	Total	Socialized	Low Affordable	Affordable	Middle Income	High-end
				(In Thousands)		
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	₱10,842,955	₱232,838	₱1,544,481	₱1,888,517	₱5,738,541	₱1,438,578

		2017				
	Total	Socialized	Low Affordable	Affordable	Middle Income	High-end
				(In Thousands)		
Expected credit loss	₱–	₱–	₱–	₱–	₱–	₱–
Expected credit loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Estimated total gross carrying amount at default	₱17,225,992	₱2,648,194	₱1,763,478	₱3,388,077	₱7,275,645	₱2,150,598
Expected credit loss	₱–	₱–	₱–	₱–	₱–	₱–

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and financial assets at FVTOCI, 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.

Based on the Group's experience, the said assets are highly collectible or collectible on demand. The Group holds as collaterals the corresponding properties which the third parties had bought on credit. In few cases of buyer defaults, the Group can repossess the collateralized properties and resell them at the prevailing market price.

The following tables show the credit quality by class of asset as of December 31, 2018 and 2017. The Group's high-grade receivables pertain to receivables from related parties and third parties which, based on experience, are highly collectible or collectible on demand, and of which exposure to bad debt is not significant.

Receivables assessed to be of standard grade are those which had passed a certain set of credit criteria, and of which the Group has not noted any extraordinary exposure which calls for a substandard grade classification.

	December 31, 2018				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
			(In Thousands)		
Cash and cash equivalents	₱6,419,560	₱–	₱–	₱–	₱6,419,560
Contract assets	–	10,042,105	–	–	10,042,105
Contracts receivable					
Contracts receivable	–	288,734	334,679	–	623,413
Receivables from government and financial institutions	177,437	–	–	–	177,437
Other receivables					
Receivables from tenants	–	1,313,609	–	25,129	1,338,738
Due from related parties	433,287	–	–	–	433,287
Receivables from homeowners' association	–	126,165	–	15,864	142,029
Receivable from buyers	–	60,919	–	–	60,919
Others	–	13,416	–	–	13,416
Other assets					
Short-term deposits	18,794	–	–	–	18,794
	₱7,049,078	₱11,844,948	₱334,679	₱40,993	₱19,269,698

	December 31, 2017				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Impaired	Total
			(In Thousands)		
Cash and cash equivalents	₱7,576,090	₱–	₱–	₱–	₱7,576,090
Contracts receivable					
Contracts receivable	–	15,777,887	960,404	–	16,738,291
Receivables from government and financial institutions	487,701	–	–	–	487,701
Other receivables					
Receivables from tenants	–	705,461	–	25,129	730,590
Due from related parties	233,504	–	–	–	233,504
Receivables from homeowners' association	–	45,677	–	37,264	82,941
Receivable from buyers	–	365,926	–	–	365,926
Others	–	94,569	–	–	94,569
Other assets					
Short-term deposits	146,465	–	–	–	146,465
	₱8,443,760	₱16,989,520	₱960,404	₱62,393	₱26,456,077

As at December 31, 2018 and 2017, the analysis of contracts receivable that were past due but not impaired is as follows:

	Past due but not impaired					
	Less than 30 days	30 to 60 days	61 days to 90 days	91 days to 120 days	Over 120 days	Total
			(In Thousands)			
2018	**₱–**	**₱–**	**₱196,822**	**₱137,857**	**₱–**	**₱334,679**
2017	₱–	₱521,816	₱254,400	₱184,188	₱–	₱960,404

There is no concentration risk on the Group's financial assets as of December 31, 2018 and 2017.

Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's financial instruments affected by market risk include loans payable and cash and cash equivalents.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's loans from various financial institutions. To manage interest rate risk, the Group renegotiates the interest rates for certain long term debts to convert them from fixed-rate debt to floating-rate debt as the Group believes that the current interest rate environment makes it more favorable to carry floating-rate debt.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no other impact on the Group's other comprehensive income other than those already affecting the profit and loss.

	Increase (decrease) in basis points	Effect on income before income tax (In Thousands)
2018	+200	**₱7,517**
	-200	**(₱7,517)**
2017	+200	₱23,306
	-200	(₱23,306)

The sensitivity analysis shown above is based on the assumption that interest rate movement will most likely be limited to a two hundred basis point upward or downward fluctuation. The Group, used as basis of these assumptions, the annual percentage change of three-month PDST-F rate for the past five years as obtained from Philippine Dealing and Exchange Corp. (PDEx). Effect on the Group's income before tax is computed on the carrying amount of the Group's floating rate loans payable as of December 31, 2018 and 2017.

The following tables set out the carrying amount, by maturity, of the Group's loans payable that are exposed to interest rate risk (amounts in thousands):

	91-day Treasury bill plus 1% to 2% margin					
Variable interest rate	Below 1 Year	1-2 Years	> 2 Years but < 3 Years	3 Years to 4 Years	Over 4 Years	Total
As of December 31, 2018	**₱57,895**	**₱317,966**	**₱–**	**₱–**	**₱–**	**₱375,861**
As of December 31, 2017	740,129	57,895	317,635	–	–	1,115,659

Changes in liabilities arising from financing activities for the years ended December 31 follows:

	2018			
	January 1, 2018	**Cash flows**	**Noncash movement**	**December 31, 2018**
	(In Thousands)			
Loans payable	**₱23,308,536**	**₱1,658,662**	**(₱18,725)**	**₱24,948,473**
Bonds payable	**34,775,665**	**–**	**58,601**	**34,834,266**
Accrued interest	**293,868**	**(3,132,467)**	**3,197,032**	**358,433**
Due to related parties	**199,315**	**(18,044)**	**–**	**181,271**
	₱58,577,384	**(₱1,491,849)**	**₱3,236,908**	**₱60,322,443**

	2017			
	January 1, 2017	Cash flows	Noncash movement	December 31, 2017
	(In Thousands)			
Loans payable	₱24,456,598	(₱1,145,198)	(₱2,864)	₱23,308,536
Bonds payable	28,796,051	6,000,000	(20,386)	34,775,665
Accrued interest	292,062	(2,861,384)	2,863,190	293,868
Due to related parties	243,736	(44,421)	–	199,315
	₱53,788,447	₱1,948,997	₱2,839,940	₱58,577,384

'Noncash movement' column includes amortization of debt issuance costs and interest expense for loans payable and bonds payable, dividend declaration and share in the net income of noncontrolling interest.

31. Contingencies and Commitments

Contingencies
The Group is involved in various legal actions, claims, assessments and other contingencies incidental to its ordinary course of business. Management believes that any amount the Group may have to pay in connection with any of these matters would not have a material adverse effect on the consolidated financial position or operating results. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* is not disclosed as they may prejudice the outcome of the ongoing proceedings.

Development of South Road Properties in Cebu
In connection with the joint venture agreement entered into by the Parent Company with Cebu City Government, the Parent Company is committed to (a) purchase 10.60 hectares of the property payable in six (6) years, to be developed into a modern urban center and (b) develop 40 hectares of the property in four (4) phases, mainly mid-rise residential buildings, over a 20-year period (see Note 10).

Build, Transfer and Operate (BTO) Agreement with Cebu Province
In connection with the BTO Agreement with the Cebu Province, the Group is committed to develop and construct a BPO Complex on the properties owned by Cebu Province located at Salinas, Lahug, Cebu City and transfer the ownership of the BPO Complex to the Cebu Province upon completion in exchange for the right to operate and manage the BPO Complex for the entire term of the agreement and its renewal (see Note 15).

Assignment of Development Rights under a Build, Transfer and Operate Agreement
On June 26, 2015, the Parent Company and a third party entered into an agreement whereby the latter agreed to assign its project development rights and benefits under its BTO Agreement with Cebu Province to the Parent Company. In consideration of this assignment, the Parent Company paid upfront fee amounting ₱50.0 million and ₱150.0 million in 2016 and 2015, respectively. As of December 31, 2018, project construction has not started and this upfront fee is recorded as part of 'Other noncurrent assets' in the consolidated statement of financial position (see Note 15).

Development Agreement with Bases Conversion Development Authority (BCDA)
In 2015, the Parent Company won the contract to develop a 288-hectare area in Clark Green City in Tarlac and paid 10% of the bid premium as bid security amounted to ₱16.0 million. On January 8, 2016, the Joint Venture Agreement with BCDA was signed and pursuant to the terms of the development of the project, the Parent Company paid the ₱160.0 million bid premium representing the right to own 55% of the equity on the joint venture company to be formed with BCDA (see Note 1).

On February 11, 2016, the Parent Company incorporated FCGC Corporation, the entity that will handle the development of the Clark Green City Project (see Note 1). The bid premium is presented as part of investment properties in the consolidated financial statements (see Note 13).

Deed of Sale on Installment of the 19.2-hectare South Road Properties (SRP)
In July 2015, FLI, CPI and FAI (collectively referred to as Filinvest Consortium) won the bidding for a 19.20-hectare lot in Cebu's SRP (see Notes 10 and 13). Thereafter, on August 7, 2015, Filinvest Consortium entered into a Deed of Sale on Installment (DSI) with the Cebu City Government. In a letter dated January 6, 2017, the Cebu City Mayor questioned the validity of the sale and gave the buyers the option to withdraw from the sale at buyer's discretion. In a letter to the Cebu City Mayor dated February 7, 2017 (the Letter), Filinvest Consortium expressed its intention to rescind the DSI. Under the DSI, Cebu City undertook to comply with several covenants, undertakings and obligations no later than February 7, 2016 (or 180 days from execution of the DSI). The Letter pointed out that as of February 7, 2017, the said covenants, undertakings and obligations have not been complied with and it does not appear that these will be complied with within a foreseeable reasonable period of time.

The rescission of the DSI shall only take effect upon return by Cebu City of the down payment and installment payments made to Cebu City by Filinvest Consortium, plus interests, within ninety (90) days from receipt of the Letter in accordance with Section 5.7 of the DSI. Pending receipt of such payments, the DSI shall remain valid and subsisting by and among the parties.

As of February 27, 2019, such payment has not been received and no formal and definitive legal proceeding has been undertaken by the parties on this matter. Consequently, as of said date, the DSI remains valid and Filinvest Consortium has the sole and rightful claim over the property.

The 19.2-hectare property mentioned above is a separate property from the other two properties within the SRP which were acquired from Cebu City: a) the 40-hectare property under a joint venture undertaking with Cebu City; and b) the 10-hectare property which was already paid in full by FLI to Cebu City.

32. Registration with PEZA

On February 13, 2002, the Parent Company, FAC and CPI were registered with Philippine Economic Zone Authority (PEZA) pursuant to the provisions of RA No. 7916 as the Ecozone Developer/Operator to lease, sell, assign, mortgage, transfer or otherwise encumber the area designated as a Special Economic Zone (Ecozone). The same shall be known as Filinvest Technology Park-Calamba.

Under the registration, the Parent Company shall enjoy 5% preferential tax privilege on income generated from the Ecozone in lieu of the regular income tax rate.

On June 11, 2001, FAC was registered with PEZA as the developer/operator of PBCom Tower not entitled to any incentives. However, IT enterprises which shall locate in PBCom Tower shall be entitled to tax incentives pursuant to RA No. 7916.

On June 6, 2000, CPI was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, it is also entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

On December 15, 2015, PDDC was registered with PEZA as an ECOZONE Facilities Enterprise. As a registered enterprise, PDDC is entitled to certain tax and non-tax benefits such as exemption from payment of national and local taxes and instead a special tax rate of five percent (5%) of gross income.

The Group is also entitled to zero percent (0%) value-added tax for sales made to ECOZONE enterprises.

33. Registration with the Board of Investments (BOI)

The Group has registered the following New Developer of Low-Cost Mass Housing Projects with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226) as of December 31, 2018:

Name	Reg. No.	Date Registered
Valle Dulce Phase 1	2014-140	8/29/2014
One Spatial (Fairmont and Greenwich)	2014-141	8/29/2014
One Oasis CDO - Bldg. 1	2014-212	12/4/2014
Studio City Tower 2	2015-058	3/5/2015
One Spatial (Hampstead and Kensington)	2015-228	10/27/2015
Sorrento Oasis J	2015-229	10/27/2015
Villa Montserrat 1D	2015-261	11/25/2015
Villa Montserrat 3B	2015-262	11/25/2015
Villa Montserrat 3C	2015-263	11/25/2015
One Oasis Davao 6	2015-264	12/2/2015
Studio A	2016-008	1/8/2016
Meridian Place	2016-030	2/5/2016
Bali Oasis (Banjar)	2016-031	2/5/2016
Anila Park Townhomes	2016-052	3/7/2016
Futura Homes, San Pedro	2016-053	3/7/2016
One Spatial (Richmond)	2016-244	12/1/2016
One Spatial Iloilo	2016-243	12/1/2016
Futura Homes Mactan Subdivision	2016-270	12/27/2016
One Spatial Victoria	2017-030	1/27/2017
Studio 7	2017-031	1/27/2017
8 Spatial Davao 1&2	2017-047	2/28/2017
8 Spatial Davao Bldg 3	2017-130	5/23/2017
8 Spatial Davao Bldg 4	2017-131	5/23/2017
Marina Spatial Marina Town Bldg. A	2017-129	5/23/2017
One Oasis CDO 2	2017-184	6/20/2017
Ventura Real	2017-298	11/08/2017
Meridian Place Phase 2	2017-354	12/22/2017
Savannah Fields 1	2017-355	12/22/2017
Savannah Fields 4A	2017-357	12/27/2017
Valle Dulce 2	2017-356	12/27/2017
New Fields	2018-016	01/22/2018
Futura Homes Palm Estates	2018-156	07/20/2018
Futura Homes Zamboanga	2018-200	09/24/2018

As a registered enterprise, the Group is entitled to certain tax and nontax incentives, subject to certain conditions.

FILINVEST LAND, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Filinvest Land, Inc.
79 EDSA, Brgy. Highway Hills
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Filinvest Land, Inc. and its subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this SEC Form 17-A and have issued our report thereon dated February 27, 2019. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of Filinvest Land, Inc.'s management. These schedules are presented for purposes of complying with the 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 financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Michael C. Sabado
Partner
CPA Certificate No. 89336
SEC Accreditation No. 0664-AR-3 (Group A),
March 16, 2017, valid until March 15, 2020
Tax Identification No. 160-302-865
BIR Accreditation No. 08-001998-73-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332607, January 3, 2019, Makati City

February 27, 2019

GROUP SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AND 68.1 AS AMENDED

DECEMBER 31, 2018

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribes the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68 and 68.1 as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

Below is the detailed schedule of the Group's financial assets in equity securities as of December 31, 2018:

Name of Issuing entity and association of each issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at end of year	Income Received and Accrued
		(In Thousands Except Number of Shares)		
Financial assets at FVTOCI				
Quoted:				
Philippine Long Distance Telephone Company	26,100	₱348	₱348	₱–
Manila Electric Company (MERALCO)	1,153,694	6,197	6,197	–
		6,545	6,545	–
Unquoted:				
The Palms Country Club, Inc.	1,000	₱3,060	₱3,060	₱–
Cebu Country Club	1	6,017	6,017	–
		9,077	9,077	–
		₱15,622	₱15,622	₱–

The Group's investment in MERALCO is an unlisted preferred shares acquired in connection with the infrastructure that it provides for the Group's real estate development projects. These are carried at cost less impairment, if any.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2018:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of year
		(In Thousands)		
Santiago, Rochiel Macalalad	–	₱275	(₱54)	₱221
Jo Ann Paña	–	112	(56)	56

Related Party Transactions

Due from related parties

Below is the list of outstanding receivables from related parties of the Group presented in the consolidated statements of financial position as of December 31, 2018 (amounts in thousands):

	Relationship	**Nature**	**Balance as of December 31, 2018**
Filinvest Alabang, Inc	Associate	A, C	₱384,000
Filinvest Mimosa, Inc	Associate	A, C	32,482
East West Banking Corporation	Affiliate	A	8,272
Davao Sugar Central Corp.	Affiliate	A	5,810
Pabahay Dreamhome/FDC - Misamis Power Corp.	Affiliate	A	1,976
Filinvest Hospitality Corporation	Affiliate	A	252
GCK Realty	Affiliate	C, D	235
Entrata Hotel Services, Inc.	Affiliate	A	193
Mimosa Cityscapes, Inc.	Affiliate	A	24
Filinvest Corporate City	Affiliate	A	11
FDC Forex Corp.	Affiliate	A	9
FDC Utilities, Inc.	Affiliate	A	8
ALG Holdings, Corp.	Ultimate Parent	A	8
The Palms Country Club	Affiliate	A	5
Duawon Seascapes Resort Inc.	Affiliate	A	2
			₱433,287

Nature of intercompany transactions

The nature of the intercompany transactions with the related parties is described below:

a. Expenses - these pertain to the share of the related parties in various common selling and marketing and general and administrative expenses.
b. Management and marketing fee
c. Reimbursable commission expense
d. Dividends

Schedule C. Amounts Receivables (Payables) from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with related parties which are eliminated in the consolidated financial statements as of December 31, 2018. All are noninterest-bearing and to be settled within the year (amounts in thousands):

		Volume of Transactions	Receivable (Payable)
Filinvest Lifemalls Tagaytay, Inc.	Share in expenses	₱2,224,474	₱2,225,485
Filinvest Cyberzone Mimosa, Inc.	Share in expenses	549,577	1,320,368
Homepro Realty Marketing, Inc.	Share in expenses	109,282	840,990
Property Maximizer Professional Corporation	Share in expenses	(166,148)	124,598
	Marketing fee expenses	78,916	–
Filinvest AII Philippines, Inc.	Share in expenses	40,187	92,047
Pro Excel Property Managers, Inc.	Share in expenses	71,750	70,368
	Management Fee	6,555	–
Dreambuilders Pro, Inc.	Share in expenses	31,304	47,148
Cyberzone Properties, Inc.	Share in expenses	9,344	26,790
	Rental Income	241,114	–
Filinvest Clark Green City Corporation	Share in expenses	13,594	24,020
Filinvest Asia Corporation	Share in expenses	24,003	23,984
Proleads Philippines, Inc.	Share in expenses	7,304	10,528
Timberland Sports and Nature Club	Share in expenses	2,142	7,742
Leisurepro, Inc.	Share in expenses	45	6,370
Realpros Philippines, Inc.	Share in expenses	3,506	5,176
Filinvest BCDA Clark, Inc.	Share in expenses	2,978	3,006
Gintong Parisukat Realty & Devt Inc.	Share in expenses	2,192	2,192
Filinvest Lifemalls Corporation	Share in expenses	679	725
Philippined DCS Development Corporation	Share in expenses	(303)	423
Filinvest Lifemalls Mimosa, Inc.	Share in expenses	–	210
Property Leaders International, Ltd.	Share in expenses	–	111
FSM Cinemas, Inc.	Share in expenses	2	9
Property Specialist Resources, Inc.	Share in expenses	(11,338)	–
Festival Supermall, Inc. (Management)	Share in expenses	(17,232)	(17,232)
Filinvest Cyberparks, Inc.	Share in expenses	(543,292)	(536,064)
		₱2,680,635	₱4,278,994

The table below shows the movement of the receivables (payables) from related parties:

Name	Balance at beginning of year	Additions	Collections	Balance as of December 31, 2018
Filinvest Lifemalls Tagaytay, Inc.	₱1,011	₱2,225,485	(₱1,011)	₱2,225,485
Filinvest Cyberzone Mimosa, Inc.	770,791	549,577	(0)	1,320,368
Homepro Realty Marketing, Inc.	731,708	109,282	–	840,990
Property Maximizer Professional Corporation	290,746	(66,448)	(99,700)	124,598
Filinvest AII Philippines, Inc.	51,860	40,187	–	92,047
Pro Excel Property Managers, Inc.	(1,382)	71,782	(32)	70,368
Dreambuilders Pro, Inc.	15,844	32,248	(944)	47,148
Cyberzone Properties, Inc.	17,446	84,474	(75,130)	26,790
Filinvest Clark Green City Corporation	10,426	13,594	–	24,020
Filinvest Asia Corporation	(19)	24,003	–	23,984
Proleads Philippines, Inc.	3,224	7,304	–	10,528
Timberland Sports and Nature Club	5,600	2,155	(13)	7,742

(Forward)

Name	Balance at beginning of year	Additions	Collections	Balance as of December 31, 2018
Leisurepro, Inc.	₱6,325	₱45	₱–	₱6,370
Realpros Philippines, Inc.	1,670	3,506	–	5,176
Filinvest BCDA Clark, Inc.	28	2,978	–	3,006
Gintong Parisukat Realty & Devt Inc..	-	2,192	–	2,192
Filinvest Lifemalls Corporation	46	698	(19)	725
Philippine DCS Development Corporation	725	1,535	(1,837)	423
Filinvest Lifemalls Mimosa, Inc.	210	–	–	210
Property Leaders International, Ltd.	111	–	–	111
FSM Cinemas, Inc.	7	5	(3)	9
Property Specialist Resources, Inc.	11,338	1	(11,339)	–
Festival Supermall, Inc. (Management)	–	(17,232)	–	(17,232)
Filinvest Cyberparks, Inc.	7,227	(539,193)	(4,098)	(536,064)
	₱1,924,942	₱2,548,178	(₱194,126)	₱4,278,994

The intercompany transactions between FLI and the subsidiaries pertain to share in common expenses, rental charges, marketing fee and management fee. There were no amounts written off during the year and all amounts are expected to be settled within the year.

Schedule D. Intangible Asset

As of December 31, 2018, the Company's intangible assets consist of Goodwill. Goodwill in the Company's consolidated statements of financial position arose from the acquisition of two major assets consisting of (amounts in thousands):

Festival Supermall structure	₱3,745,945
FAC	494,744
CPI	326,553
	₱4,567,242

Schedule E. Long term debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Developmental loans			
Unsecured loan obtained in January 2015 with interest rate equal to 4.95% per annum (fixed rate for 3 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in January 2017 and 50% is payable at maturity in January 2020.	₱200,000	₱50,000	₱150,000
Unsecured loan obtained in June 2016 with interest rate equal 3.91% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal installments starting September 2018 and the remaining 50% balance is payable in June 2021.	458,333	83,333	375,000

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in May 2015 with interest rate equal to 4.47% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in August 2017 and 50% is payable at maturity in May 2020.	₱225,000	₱50,000	₱175,000
Unsecured loan obtained in August 2013 with interest rate equal to 4.24% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% balance of principal is payable in 20 equal quarterly installments starting November 2015 and the remaining 50% balance is payable in August 2020.	337,500	50,000	287,500
Unsecured loan obtained in December 2013 with interest rate equal to 4.58% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in December 2015 and 50% is payable at maturity in December 2020.	472,500	70,000	402,500
Unsecured loan obtained in July 2016 with interest rate equal to 3.81% per annum (fixed for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortization to commence in October 2018 and 50% is payable at maturity in July 2021.	335,417	58,334	277,083
Unsecured loan obtained in March 2014 with interest rate equal to 4.50% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 11 equal quarterly amortizations to commence in June 2016 and 50% is payable at maturity in March 2019.	250,000	250,000	–
Unsecured loan obtained in July 2014 with interest rate equal to 4.88% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in October 2016 and 50% is payable at maturity in July 2021.	542,500	70,000	472,500
Unsecured loan obtained in November 2016 with interest rate equal to 4.75% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity in November 2023.	400,000	–	400,000
Unsecured loan obtained in April 2015 with interest rate equal to 4.32% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable in twelve (12) equal quarterly installments starting July 2017 to January 2020.	236,364	157,576	78,788
Unsecured loan obtained in May 2015 with interest rate equal to 4.50% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal payable in 12 equal quarterly amortizations to commence in May 2017 and 50% is payable at maturity in May 2020.	67,292	15,833	51,459
Unsecured loan obtained in July 2014 with interest rate equal to 4.88% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in October 2016 and 50% is payable at maturity in July 2021.	465,000	60,000	405,000
Unsecured loan obtained in February 2016 with interest rate equal to 5.10% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in May 2018 and 50% is payable at maturity in February 2021.	174,583	33,333	141,250

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in March 2017 with interest rate equal to 5.00% per annum (fixed rate for 5 years). The 50% principal is payable in 12 equal amortization to commence in June 2019 and 50% is payable at maturity in March 2022.	₱498,375	₱62,500	₱435,875
Unsecured loan obtained in May 2016 with interest rate equal to 4.35% per annum (fixed rate for 5 years). The 50% of principal is payable in 12 equal amortization to commence in August 2018 and 50% is payable at maturity in May 2021.	365,733	66,666	299,067
Unsecured loan obtained in May 2015 with interest rate equal to 4.52% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal payable in 12 equal quarterly amortizations to commence in August 2017 and 50% is payable at maturity in May 2020.	375,000	83,333	291,667
Unsecured loan obtained in August 2015 with interest rate equal to 5.11% per annum (fixed rate for 5 years). The 50% of principal is payable in 12 equal quarterly amortizations to commence in November 2017 and 50% is payable at maturity in August 2020.	39,583	8,333	31,250
Unsecured loan obtained in September 2015 with interest rate equal to 4.67% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in September 2020.	600,000	–	600,000
Unsecured loan obtained in December 2016 with interest rate equal to 5.45% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% principal is payable in 16 equal amortizations to commence in March 2020 and 50% is payable at maturity in December 2023.	199,333	–	199,333
Unsecured loan obtained in September 2015 with interest rate equal to 4.50% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in December 2017 and 50% is payable at maturity in September 2020.	395,833	83,333	312,500
Unsecured loan obtained in December 2017 with interest rate equal to 5.46% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortizations to commence in March 2020 and 50% is payable at maturity in December 2022.	398,400	–	398,400
Unsecured loan obtained in June 2018 with interest rate equal to 6.37% per annum (fixed rate for 5 years). 6% of the principal balance is payable at 12 equal quarterly amortization to commence on September 2020 and 94% is payable maturity on June 2023.	496,688	–	496,688
Unsecured loan obtained in October 2016 with interest rate equal to 4.25% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in October 2021.	997,094	–	997,094
Unsecured loan obtained in October 2016 with interest rate equal to 4.47% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity in October 2023.	699,583	70,000	629,583

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in September 2016 with interest rate equal to 3.87% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in December 2018 and 50% is payable at maturity in September 2021.	₱764,716	₱133,333	₱631,383
Unsecured loan obtained in October 2016 with interest rate equal to 4.21% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly amortizations to commence in January 2019 and 50% is payable at maturity in October 2023.	1,299,044	130,000	1,169,044
Unsecured loan obtained in July 2018 with interest rate equal to 6.51% per annum (fixed rate for 5 years), payable quarterly in arrears. 50% of principal is payable in 12 equal quarterly amortizations to commence in October 2020 and 50% is payable at maturity in July 2023.	1,490,217	–	1,490,217
Unsecured loan obtained in June 2016 with interest rate equal to 3.90% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in June 2021.	997,410	–	997,410
Unsecured loan obtained in December 2016 with interest rate equal to 4.94% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2021.	149,533	–	149,533
Unsecured loan obtained in May 2016 with interest rate equal to 4.29% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in May 2021.	997,498	–	997,498
Unsecured loan obtained in December 2016 with interest rate equal to 4.94% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in December 2021.	498,430	–	498,430
Unsecured loan obtained in October 2013 with interest rate equal to 91-day PDS Treasury Reference Rate (PDST-R2) plus margins, plus GRT, payable quarterly in arrears. The 50% of principal is payable in 19 equal quarterly amortizations to commence in January 2016 and 50% is payable at maturity on October 2020.	375,862	57,896	317,966
Unsecured loan obtained in August 2017 with interest at 2.85%. The principal is payable at maturity on February 2018.	–	–	–
Unsecured loan obtained in June 2017 with interest rate equal to 5.76% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 15 equal quarterly amortizations to commence in September 2020 and 50% is payable at maturity in June 2024.	498,068	–	498,068
Unsecured loan obtained in February 2015 with interest rate equal to 4.70% per annum (fixed rate for 5 years), payable quarterly in arrears. The 20% of principal is payable in 4 equal annual amortizations to commence in February 2016, and 80% is payable at maturity in January 2020.	398,936	25,000	373,936
Unsecured loan obtained in July 2018 with interest rate equal to 6.65% per annum (fixed rate for 5 years), payable quarterly in arrears. The principal is payable at maturity in July 2023.	993,046	–	993,046
Unsecured loan obtained in November 2016 with interest rate equal to 5.20% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in February 2020 and 50% is payable at maturity in November 2023.	499,712	–	499,712
Unsecured loan obtained in June 2017 with interest rate equal to 5.07% per annum (fixed rate for 5 years), payable quarterly in arrears. The 3% principal is payable in three (3) annual amortizations to commence in June 2019 and 97% is payable at maturity in June 2022.	996,426	10,000	986,426

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Unsecured loan obtained in June 2018 with interest rate equal to 6.20% per annum (fixed rate for 5 years). The principal is payable at maturity in June 2023.	₱1,489,818	₱–	₱1,489,818
Unsecured loan obtained in November 2016 with interest rate equal to 7.65% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 16 equal quarterly amortizations to commence in December 2020 and 50% is payable at maturity in September 2025.	992,866	–	992,866
Unsecured loan obtained in February 2015 with interest rate equal to 4.95% per annum (fixed rate for first 3 years), payable quarterly in arrears. The principal is payable at maturity in January 2020.	998,816	–	998,816
Unsecured loan obtained in April 2015 with interest rate equal to 4.13% per annum (fixed rate for 5 years), payable quarterly in arrears. The 50% of principal is payable in 12 equal quarterly amortizations to commence in July 2017 and 50% is payable at maturity in April 2020.	374,496	83,334	291,162
Unsecured loan obtained in August 2013 with interest rate equal to 4.24% per annum (fixed rate for 7 years), payable quarterly in arrears. The 50% of principal is payable in 20 equal quarterly installments starting November 2015 and the remaining 50% is payable in August 2020.	674,100	100,000	574,100
Unsecured loan obtained in February 2015 with interest rate equal to 4.70% per annum (fixed rate for 5 years), payable quarterly in arrears. The 20% of principal is payable in 4 equal annual amortizations to commence in February 2016, and 80% is payable at maturity in January 2020.	450,000	25,000	425,000
Unsecured loan obtained in March 2016 with interest rate equal to 5.74% per annum (fixed rate for 7 years). The 50% of principal balance is payable in 20 equal quarterly amortizations to commence in June 2018 and 50% is payable at maturity in March 2023.	184,405	19,857	164,548
Unsecured loan obtained in September 2016 with interest rate equal to 3.80% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in December 2018 and 50% is payable at maturity in September 2021.	71,675	12,425	59,250
Unsecured loan obtained in February 2017 with interest rate equal to 4.65% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in May 2019 and 50% is payable at maturity in February 2022.	99,692	12,400	87,292
Unsecured loan obtained in July 2017 with interest rate equal to 4.78% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in October 2019 and 50% is payable at maturity in July 2022.	174,388	7,117	167,271
Unsecured loan obtained in March 2017 with interest rate equal to 4.86% per annum (fixed rate for 5 years). The 50% of principal balance is payable in 12 equal quarterly amortization to commence in June 2019 and 50% is payable at maturity in March 2022.	249,208	31,000	218,208
	₱24,948,473	₱1,969,936	₱22,978,537

(Forward)

Type of Obligation	Amount	Current	Noncurrent
		(In Thousands)	
Bonds			
Fixed rate bonds with aggregate principal amount of P8.00 billion issued by the Group on August 20, 2015. This comprised of P7.00 billion, 7-year fixed rate bonds due in August 2022 with a fixed interest rate of 5.36% per annum, and P1.00 billion, 10-year fixed rate bonds due in August 2025 with a fixed interest rate of 5.71% per annum.	₱7,948,926	₱-	₱7,948,926
Fixed rate bonds with principal amount of P7.00 billion and term of 7 years was issued by the Group on June 8, 2012 to mature in June 2019. The interest rate is fixed at 6.27% per annum.	6,993,574	6,993,574	-
Fixed rate bonds with aggregate principal amount of P7.0 billion issued by the Group on November 8, 2013. This comprised of P4.30 billion 7-year fixed rate bonds due in November 2020 with a fixed interest rate of 4.86% per annum, and P2.70 billion 10-year fixed rate bonds due in November 2023 with a fixed interest rate of 5.43% per annum.	6,974,741	-	6,974,741
Fixed rate bonds with aggregate principal amount of P7.0 billion issued by the Group on December 4, 2014. This comprised of P5.30 billion, 7-year fixed rate bonds due in December 2021 with a fixed interest rate of 5.40% per annum, and P1.70 billion, 10-year fixed rate bonds due in December 2024 with a fixed interest rate of 5.64% per annum.	6,968,088	-	6,968,088
Fixed rate bonds with principal amount of P6.00 billion and term of 5.5 years from the issue date was issued by the Company on July 7, 2017 to mature in January 2023 with fixed interest rate is 5.05% per annum.	5,948,937	-	5,948,937
	₱34,834,266	₱6,993,574	₱27,840,692
	₱59,782,739	**₱8,963,510**	**₱50,819,229**

Each loan balance is presented net of unamortized deferred costs. The agreements covering the abovementioned loans require maintaining certain financial ratios including debt-to-equity ratio ranging from 2.0x to 3.1x and minimum interest coverage ratio of 1.0x.

Each bond balance is presented net of unamortized deferred costs. The agreements covering the abovementioned bonds require maintaining certain financial ratios including maximum debt-to-equity ratio of 2.0x; minimum current ratio of 2.0x; and minimum debt service coverage ratio (DSCR) of 1.0x (except for CPI bonds which requires maximum debt-to-equity ratio of 2.33x and DSCR of 1.1x).

The agreements also provide for restrictions and requirements with respect to, among others, making distribution on its share capital; purchase, redemption or acquisition of any share of stock; sale or transfer and disposal of all or a substantial part of its capital assets; restrictions on use of funds; and entering into any partnership, merger, consolidation or reorganization.

The Group has complied with these contractual agreements. There was neither default nor breach noted for the year ended December 31, 2018.

Schedule F. Indebtedness to Related Parties

Below is the list of outstanding payables to related parties of the Group presented in the consolidated statements of financial position as of December 31, 2018:

	Relationship	Nature	Balance at beginning of period	Balance at end of period
			(In Thousands)	
Filinvest Alabang, Inc	Associate	A, C	₱59,609	₱119,457
Pacific Sugar Holdings, Corp.	Affiliate	A	27,007	27,007
Filinvest Development Corp.	Parent Company	A, C, E	88,516	9,968
Countrywide Water Services, Inc.	Affiliate	A	–	6,803

(Forward)

	Relationship	Nature	Balance at beginning of period	Balance at end of period
			(In Thousands)	
Quest Restaurants Inc.	Affiliate	A	₱–	₱6,243
Chroma Hospitality, Inc.	Affiliate	A	66	3,822
Entrata Hotel Services, Inc.	Affiliate	A	–	2,405
The Palms Country Club	Affiliate	A	495	2,263
Corporate Technologies, Inc.	Affiliate	A	20,429	2,221
Mactan Seascapes Services, Inc.	Affiliate	A	–	541
FDC Beaufort	Affiliate	A	–	299
East West Banking Corporation	Affiliate	A	128	189
Crimson Hotel	Affiliate	A	47	47
Seascapes Resort, Inc.	Affiliate	A	73	5
Boracay Seascapes, Inc.	Affiliate	A	–	1
Filinvest Mimosa, Inc	Associate	A, C	2,945	–
			₱199,315	**₱181,271**

Nature of intercompany transactions
The nature of the intercompany transactions with the related parties is described below:

a. Expenses - these pertain to the share of the Group in various common selling and marketing and general and administrative expenses.
b. Management and marketing fee
c. Dividends

Schedule G. Guarantees of Securities of Other Issuers
The Group does not have guarantees of securities of other issuers as of December 31, 2018.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, Officers and Employees	Others
			(In Thousands)			
Common Shares	33,000,000	24,470,708	–	14,409,927	49,262	None
Preferred Shares	8,000,000	8,000,000	–	8,000,000	–	None

Standards adopted by the Group

Below is the list of all effective Philippines Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		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			✓
	Amendments to PFRS 1: Borrowing costs	✓		
	Amendments to PFRS 1: Meaning of 'Effective PFRSs'			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	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: Disclosures - Servicing Contracts			✓
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Measurement (2009 version)	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, Investment Entities: Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
(Revised)	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Presentation of Financial Statements - Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendments to PAS 19: Discount Rate: Regional Market Issue			✓
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	Borrowing Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
(Revised)				
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Amendments to PAS 27: Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Investment in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Tax effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	*PFRS 2 Group and Treasury Share Transactions*			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
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			✓

Schedule of Bond Issuances – Securities Offered to the Public

	2009 ₱5 Billion Bond	2011 ₱3 Billion Bond	2012 ₱7 Billion Bond	2013 ₱7 Billion Bond	2014 ₱7 Billion Bond	2015 ₱8 Billion Bond	2017 ₱6 Billion Bond
Expected gross and net proceeds as disclosed in the prospectus							
Gross Proceeds	₱5,000,000,000	₱3,000,000,000	₱7,000,000,000	₱7,000,000,000	₱7,000,000,000	₱8,000,000,000	₱6,000,000,000
Less: Expenses	63,850,625	34,290,625	97,225,625	67,594,379	82,327,087	85,330,750	68,308,996
Net Proceeds	₱4,936,149,375	₱2,965,709,375	₱6,902,774,375	₱6,932,405,621	₱6,917,672,913	₱7,914,669,250	₱5,931,691,004
Actual gross and net proceeds							
Gross Proceeds	₱5,000,000,000	₱3,000,000,000	₱7,000,000,000	₱7,000,000,000	₱7,000,000,000	₱8,000,000,000	₱6,000,000,000
Less: Expenses	65,936,000	21,165,000	84,023,040	82,906,997	77,906,937	86,811,468	96,582,653
Net Proceeds	₱4,934,064,000	₱2,978,835,000	₱6,915,976,960	₱6,917,093,003	₱6,922,093,063	₱7,913,188,532	₱5,903,417,347
Expenditure items where the proceeds were used							
Land Acquisition	₱2,960,438,400	₱417,036,900	₱249,938,096	₱2,965,648,318	₱–	₱88,961,000	₱–
Project Development	1,973,625,600	2,561,798,100	6,666,038,864	1,185,554,209	2,422,093,063	2,888,760,022	–
Investment Property	–	–	–	2,765,890,476	–	4,935,467,510	5,903,417,347
Debt refinancing	–	–	–	–	4,500,000,000	–	–
Net Proceeds	₱4,934,064,000	₱2,978,835,000	₱6,915,976,960	₱6,917,093,003	₱6,922,093,063	₱7,913,188,532	₱5,903,417,347
Balance of the proceeds as of December 31, 2017							
Net Proceeds	₱4,934,064,000	₱2,978,835,000	₱6,915,976,960	₱6,917,093,003	₱6,922,093,063	₱7,913,188,532	₱5,903,417,347
Capital Expenses	4,934,064,000	2,978,835,000	6,915,976,960	6,917,093,003	2,422,093,063	7,913,188,532	5,903,417,347
Debt refinancing	–	–	–	–	4,500,000,000	–	–
Net Proceeds	₱–	₱–	₱–	₱–	₱–	₱–	₱–

FILINVEST LAND, INC. AND SUBSIDIARIES

CONSOLIDATED UNAPPROPRIATED RETAINED EARNINGS EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION

(Amounts in Thousands of Pesos)

Retained Earnings, January 1, 2018		₱33,099,891
Adjustments:		
Equity in net earnings of subsidiaries and an associate		(7,556,428)
Impact of adoption of new accounting standards		(613,321)
Deferred tax assets recognized in the prior years		(256,968)
Prior-year adjustments		192,793
Unappropriated Retained Earnings, as adjusted, January 1, 2018		24,865,967
Net income based on the face of audited financial statements	5,894,408	
Less: Non-actual/unrealized income net of tax		
Equity in net income of subsidiaries and an associate	(929,385)	
Unrealized foreign exchange gain - net		
Unrealized actuarial gain		
Fair value adjustment (marked-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 PFRS		
Add: Non-actual/unrealized losses net of tax		
Depreciation on revaluation increment		
Adjustment due to deviation from PFRS/GAAP loss		
Loss on fair value adjustment of Investment Property		
Movement in deferred tax assets	(26,944)	
Net income actual/realized		4,938,079
Less: Dividend declarations during the year		(1,498,635)
Unappropriated Retained Earnings, as adjusted, December 31, 2018		₱28,305,411

Financial Soundness Indicator

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2018 and 2017:

Financial ratios		December 2018	December 2017
Current ratio [1]	Current assets / Current liabilities	**3.57**	3.90
Long-term debt-to-equity ratio	Long-term debt / Equity	**0.89**	0.91
Debt ratio	Total liabilities / Total assets	**0.58**	0.56
EBITDA to total interest paid	EBITDA / Total interest paid	**3.22**	3.07
Price Earnings Ratio	Closing price [2] / Earnings per share	**5.80**	8.02
Quick asset ratio	Current assets - Inventories / Current liabilities	**0.72**	1.02
Solvency ratio	Net income + Depreciation / Total liabilities	**0.08**	0.08
Interest coverage ratio	EBIT / Interest Expense	**7.52**	7.86
Net profit margin	Net Income / Revenue	**0.29**	0.30
Return on equity	Net Income / Equity	**0.09**	0.09
Asset-to-equity	Total assets / Equity	**2.36**	2.29

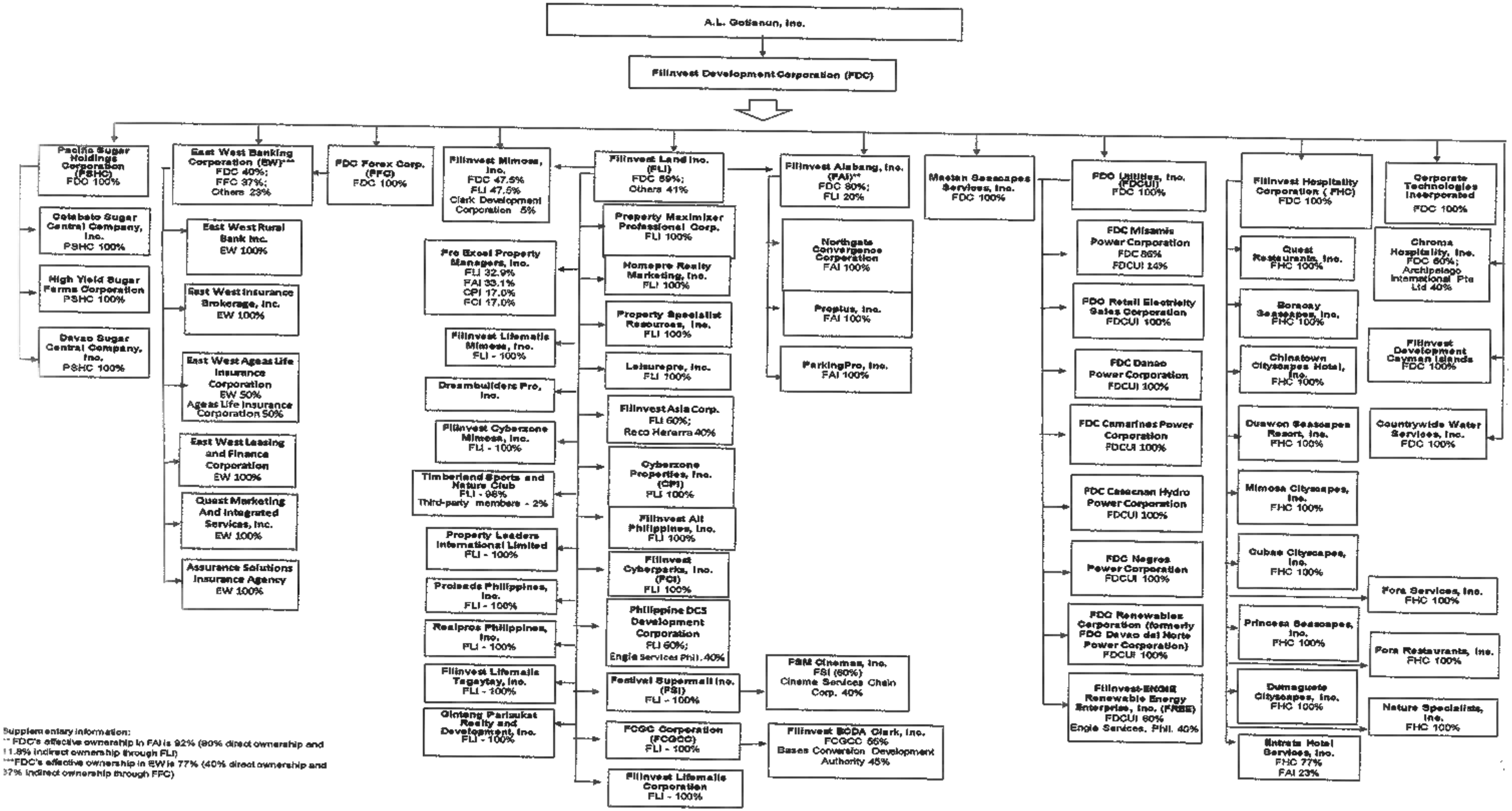
[1] In computing for the Group's current ratio, current assets include cash and cash equivalents, contracts receivables, other receivables, real estate inventories and other current assets and current liabilities include accounts payable and accrued expenses, due to related parties, income tax payable and loans payable. Determination of current accounts is based on their maturity profile of relevant assets and liabilities.

[2] Closing price at December 31, 2018 and December 31, 2017 is 1.41 and 1.88, respectively.

Group Structure

Below is a map showing the relationship between and among the Group and its ultimate Group, subsidiaries, and associates as of December 31, 2018:

A.L. GOTIANUN, INC.
Group Structure
(As of December 31, 2018)



Supplementary information:
** FDC's effective ownership in FAI is 92% (80% direct ownership and 11.8% indirect ownership through FLI)
***FDC's effective ownership in EW is 77% (40% direct ownership and 37% indirect ownership through FFC)