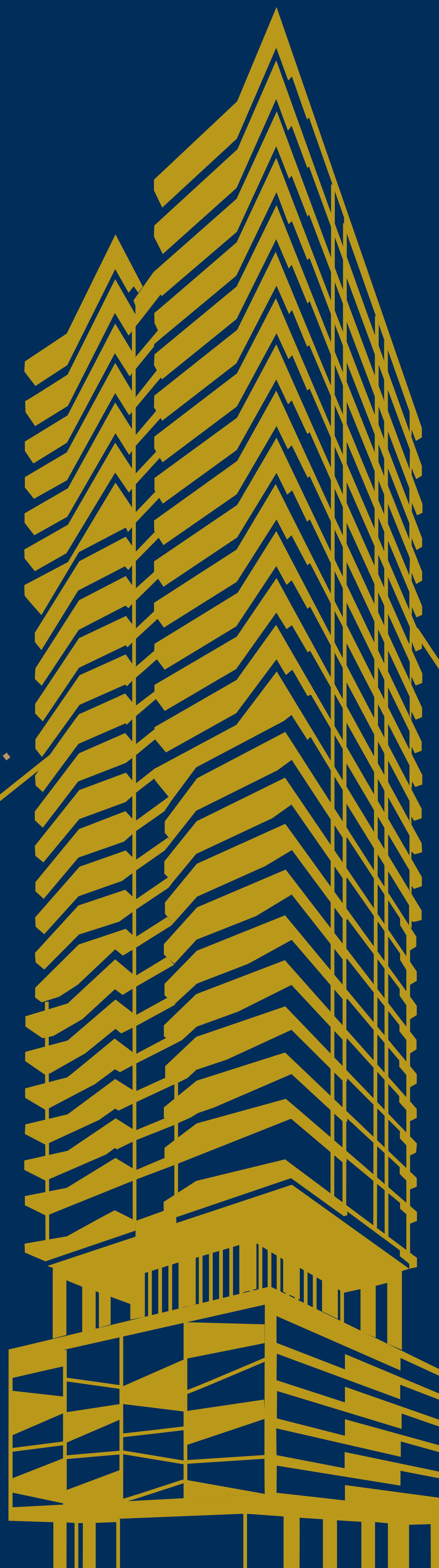
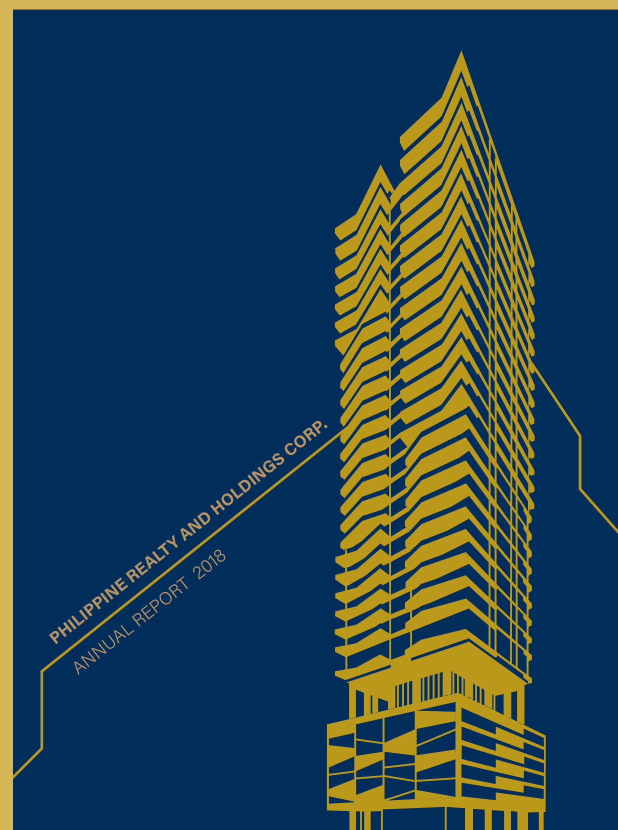
PHILIPPINE REALTY AND HOLDINGS CORP.

ANNUAL REPORT 2018



About the cover

The cover of the 2018 Annual Report of Philippine Realty and Holdings Corporation ("RLT") emphasizes RLT's core competency in the Philippine real estate industry, which is the development of luxurious and spacious condominium units in prime locations that truly address the needs of its discriminating clientele. In the challenging field of property development, RLT has been able to hold its own against competitors and the ever-changing business and regulatory environment and customer preferences.



With its legacy projects such as the Philippine Stock Exchange Centre (formerly known as Tektite Towers), The Alexandra and La Isla Condominium to name a few, RLT solidified itself as a powerhouse in the Philippine real estate landscape particularly in the high-end, mid-rise and high-rise commercial, office and residential building segments, whose developments are still being sought by discriminating buyers long after these projects have been completed and sold.

The year ahead will stay true to the Company's mission of giving fair return to its shareholders, developing luxury, spacious high-rise projects in very prime locations thus providing excellent and superior value proposition to its customers.

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Vision

A premium property development and holdings company in the Philippines delivering superior shareholder value.

Mission

We are committed to providing individuals, families and businesses premium and high-end residential condominiums, offices, commercial spaces, master-planned townships and leisure developments in the Philippines using best-of-class, grade-A materials, top-of-the-line fixtures, latest and state-of-the-art equipment and facilities.

We aim at all times to give a continuing, equitable and fair return to our shareholders and excellent customer value, at the same time giving just and equitable compensation to our officers and employees.

We do not believe in gains made by taking unfair advantage of others nor do we sacrifice long-term objectives for short-term profits. We value enduring relationship with our stakeholders.

We create spacious living in intimate communities, combining aesthetics with functionality while preserving the environment. We affirm our duties as a good corporate citizen. We commit to assist underprivileged sectors of society in improving the quality of their lives.

Message to the Stockholders

Dear Stockholders,

In the year 2018, Philippine Realty and Holdings Corporation ("RLT" or the "Company") kept in step with the industry giants to maintain its status as one of the premier property development companies in the country.

We are proud to report the significant progress that your Company has achieved in 2018, as well as the exciting prospects for the year ahead.

Alfredo S. Del Rosario, Jr.
PRESIDENT & CEO

Gerardo O. Lanuza, Jr.
CHAIRMAN

Financial Performance

I. Review of Consolidated Net Income after Tax for the Period Ending 31 December 2018 vs. 31 December 2017

Your Company posted a consolidated net income after tax of ₱391 Million, a hefty 48% increase compared to the ₱263 Million net income after tax reported in the same period last year. This is explained by the following:

Income

Sales of real estate

Sales of real estate increased by ₱223 Million or by 28% for the 12 months ended 31 December 2018 compared to the sales of real estate for the same period last year. Sales of real estate pertains to units sold at Skyline and SkyVillas Towers located in Quezon City, and at Icon Plaza located in Bonifacio Global City. The increase in sales in 2018 is due to the aggressive sales and marketing efforts of the Parent Company.

Rent

Rental income increased ₱55 Million or by 117% due to the increase in leasable spaces and additional lease agreements entered into by the Parent Company.

Management fees

This item was also higher by 12% due to additional engagements obtained by one of the Company's subsidiaries.

Gain on sale of property and equipment

Gain on sale of property and equipment increased by ₱4 Million due to the sale of an office unit by one of the Parent Company's subsidiaries.

Other income

Other income for the twelve months ended 31 December 2018 increased by ₱302 Million or by 70% compared to the twelve months ended 31 December 2017. Other income consists of gain on fair value changes in investment property, which increased by ₱157 Million or a 44% increase due to the increase in the fair value of investment properties consisting of commercial, office and storage condominium units for lease as well as parking units for lease located in the Philippine Stock Exchange Centre (PSEC), also known as Tektite Towers, and at the Icon Plaza located in Bonifacio Global City ("BGC").

Costs and Expenses

Cost of service and units sold

For the twelve months ended 31 December 2018 compared to the twelve months ended 31 December 2017, cost of service and unit sold increased by 23%, but this is due to the proportionate increase in sales of real estate registered in 2018. In terms of percentage to sales of real estate, cost of service and unit sold decreased in 2018 at 60%, whereas it was at 65% of sales of real estate for the same period in 2017.

General and administrative expenses

General and administrative expenses increased by ₱188 Million or by 59%, but the higher level of expenses was accounted for by the ₱108 Million increase in marketing, commission and sales expenses.

II. Review of Consolidated Statement of Financial Position for the Period Ending in 31 December 2018 vs. 31 December 2018

Total Assets

The Company's total assets stood at ₱5 Billion as of 31 December 2018, higher by ₱559 Million compared to the ₱4.5 Billion level of total assets as of 31 December 2017.

The Company's real estate assets accounted for 62% of the total assets of the Company as of 31 December 2018.

Real estate inventories decreased by ₱474 Million from 31 December 2017 to 31 December 2018, or by 25%, due to the hugely successful effort of the Parent company to sell its Skyline and SkyVillas inventory of condominium units.

The decrease in real estate inventories is somehow compensated for by the ₱203 Million increase in net trade and other receivables that increased by 19% from 31 December 2017 to 31 December 2018, as a result of selling terms granted to some of the Company's buyers.

Investment properties increased by ₱828 Million or from ₱865 Million in 2017 to ₱1.693 Billion in 2018 due largely to: i) acquisition by the Parent Company of condominium units and parking slots at PSEC below market prices as part of a deliberate strategy of the Parent Company to acquire properties for lease to increase its recurring income; ii) acquisition by the Parent Company of condominium units and parking slots from Xcell Property Ventures Inc. ("Xcell") at sub-market prices as part of the settlement by Xcell of its payables to the Parent Company; and iii) recognition of gain on fair value adjustments on the Company's Investment properties.

Total liabilities

Total consolidated liabilities increased by ₱170 Million largely due to the accrual of the Parent Company's liability to Universal Leisure Corporation (for itself and as assignee of URPHI and DMCI-PDI) as a result of an amicable settlement to fully settle and satisfy the judgement of the courts in Civil Case No. 67092, by returning to Universal Leisure Corporation ("ULC") the amounts that ULC paid and deemed to have paid in favor of the Company in the total amount of ₱231.150 Million, covering the cancellation of sale of a penthouse unit located at the 34th Floor, West Tower of the PSEC containing a floor area of 2,370 sq.m. and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the PSEC.

Total Equity

Total equity was recorded at ₱3.476 Billion as of 31 December 2018 compared to ₱3.088 Billion as of 31 December 2017.

Total equity increased by ₱389 Million from 31 December 2017 to 31 December 2018.

Retained earnings increased by ₱464 Million during the same period. The net income for the period and the reclassification in 2018 of ₱140.3 Million from appropriated retained earnings for buy-back of shares to unappropriated retained earnings caused the 303% increase in unappropriated retained earnings in December 2018.

III. Key Performance Indicators

The table below presents the comparative performance indicators of the Company and its subsidiaries.

Performance Indicators	31 DEC 2018 Audited	31 DEC 2017 Audited
Current ratio[1]	4.15:1	11.13:1
Debt-to-equity[2]	0.45:1	0.45:1
Asset-to-equity[3]	1.45:1	1.45:1
Book per value per share[4]	₱0.74	₱0.66
Earnings per share[5]	₱0.08	₱0.05

[1] *Current assets / current liabilities*
[2] *Total debt / consolidated stockholders' equity*
[3] *Total assets / Total stockholders' equity*
[4] *Total stockholders' equity plus Subscriptions receivable/ No. of shares outstanding*
[5] *Net income attributable to equity holders of Parent Company/ Weighted average no. of common shares issued and outstanding*

The table reflects the continuing improvement of the Company in terms of liquidity, solvency and profitability.

Current ratio

The Company's current ratio decreased by 63% from December 2017 to December 2018 mainly due to a combined increase in current liabilities and decrease in current assets. However, the current ratio of 4.15:1 as of 31 December 2018 is still extremely healthy.

Debt-to-equity ratio

Similarly, the RLT's debt-to-equity ratio remained very healthy and conservative for the periods under review as the Company's financial leverage stayed steady at 0.45:1.

Asset-to-equity ratio

The asset-to-equity ratio of the Company also showed steadiness over time as it is stood unchanged at 1.45:1 from December 2017 to December 2018.

The steady performance of debt-to-equity ratios and asset-to-equity ratios of the Company for the periods under review clearly demonstrate that the Company's real estate business is currently being financed primarily by funds provided by its shareholders and a small amount of debt.

Book value per share

The performance of the Company's book value per share has also been very encouraging. It has been consistently improving from ₱0.66 per share as of end-December 2017 and to ₱0.74 per share as of 31 December 2018 or an improvement of 12%.

Earnings per share

Due largely to the Parent Company's improving earnings performance, the Company's earnings per share improved by 60% in 2018 from ₱0.05 per share to ₱0.08 per share.

Other Significant Developments

In 2018, the Company started laying the groundwork for further enlarging its capital base while at the same time acquiring very prime properties for development into future projects as well as settling a long-standing legal case.

I. Increase in the Company's authorized capital stock to accomodate property infusion by existing stockholders

Your Company's Board of Directors approved on 18 April 2018 the amendment in the Company's Articles of Incorporation ("AOI") to increase the Company's authorized capital stock from ₱4,000,000,000.00 divided into 8,000,000,000 shares at a par value of ₱0.50 per share to ₱8,000,000,000.00 divided into 16,000,000,000 shares at a par value of ₱0.50 per share, which was also approved by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at the meeting of the stockholders of the Company held at its principal office on 23 July 2018.

The increase in the authorized capital stock of RLT is necessary to accommodate the issuance of new, primary shares from the increased capital stock in favor of Greenhills Properties Inc. ("GPI") and Meridian Assurance Corp. ("MAC") in exchange for prime real properties that the two (2) entities will contribute into RLT as capital.

Under the agreement executed by and among the Company, GPI and MAC, it was agreed that GPI will be contributing into RLT two (2) vacant lots located in BGC more particularly described as follows: 1) Lot 1 Block 8 containing 1,600 sq.m., located at the corner of 6th Avenue and 24th Street; and 2) Lot 4 Block 8 also containing 1,600 sq.m., located at 6th Avenue corner 25th Street. Lot 1 Block 8 is registered under the name of GPI, and GPI also acquired Lot 4 Block 8 from its wholly-owned subsidiary, Lochinver Assets Inc. ("LAI"), by way of merger approved by the SEC on 28 November 2012, with GPI as the Surviving Corporation and LAI as the Absorbed Corporation.

Also based on the above-mentioned agreement, MAC on the other hand, will be contributing three (3) office condominium units and six (6) parking units in the PSEC in Ortigas Center with a total floor area of 699 sq.m. In addition, MAC will also contribute two (2) commercial condominium units and two (2) parking units in Icon Plaza located in BGC containing a total floor area of 223 sq.m.

On 14 May 2019, the Securities and Exchange Commission ("SEC") approved the Amended Articles of Incorporation (amending Article VII) of the Company increasing its authorized capital stock from ₱4,000,000,000.00 divided into 8,000,000,000 shares at a par value of ₱0.50 per share to ₱8,000,000,000.00 divided into 16,000,000,000 shares at a par value of ₱0.50 per share.

II. Amicable settlement/termination of legal proceedings

In 2018, RLT initiated discussions for an amicable settlement with Universal Leisure Corporation (for itself and as assignee of Universal Rightfield Property Holdings Inc. and DMCI Project Developers, Inc.) to fully settle and satisfy the judgement of the courts in Civil Case No. 67092. On 12 November 1998, the Company filed Civil Case No. 67092 before the Regional Trial Court of Pasig City Branch 161 against Universal Leisure Corporation ("ULC"), Universal Rightfield Property Holdings Inc. ("URPHI") and DMCI Project Developers, Inc. ("DMCI-PDI") for sum of money and damages.

Early in 2019, RLT finally closed the more than 20-year-old legal case with ULC by returning the amounts that ULC paid and deemed to have paid in favor of RLT in the total amount of ₱231,150,000, covering the purchase of a penthouse unit located at the 34th Floor, West Tower of the PSEC containing a floor area of 2,370 sq.m. and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the PSEC.

With the agreement that also fully satisfied the judgement of the courts, RLT recovered a penthouse unit located at the 34th Floor, West Tower of the PSEC and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the PSEC. The fair value of the penthouse unit and the 74 parking slots have been determined recently by an independent property appraisal company accredited with the Securities and Exchange Commission and with the PSE to be higher than the ₱231,150,000 returned by RLT to ULC.

Your Company has been actively buying back condominium units and parking spaces in the PSEC, which was the first commercial development of RLT, for lease, and as a reliable source of recurring income.

On the Years Ahead

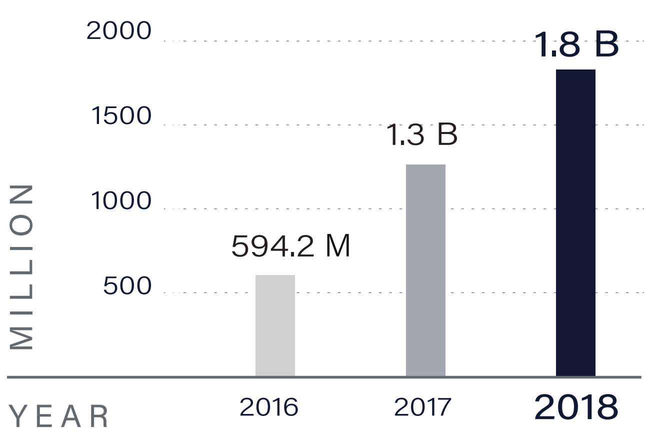
The Company looks at 2019 with great optimism especially with current global and local financial developments seemingly favoring business prospects for the year.

The US economy continues to be on a healthy path, keeping inflation at bay and prompting the Federal Reserve to say that it is holding interest rates steady at this point. The credit ratings upgrade that our country received from Standard & Poor's, which cited our strong growth trajectory, healthy external position and sustainable public finances, will spur more investments and consumer spending.

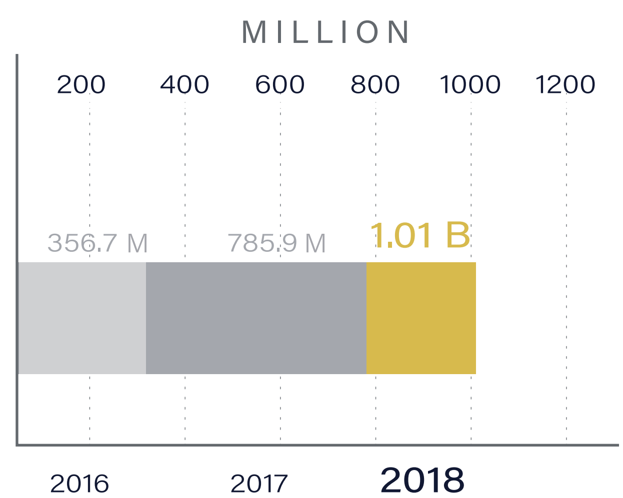
The Company has been sustained by strong market fundamentals in 2018. Keeping this in mind, while taking note of the management's plans for the Company in the year ahead, we can guarantee a continous upward performance for 2019.

Financial Highlights

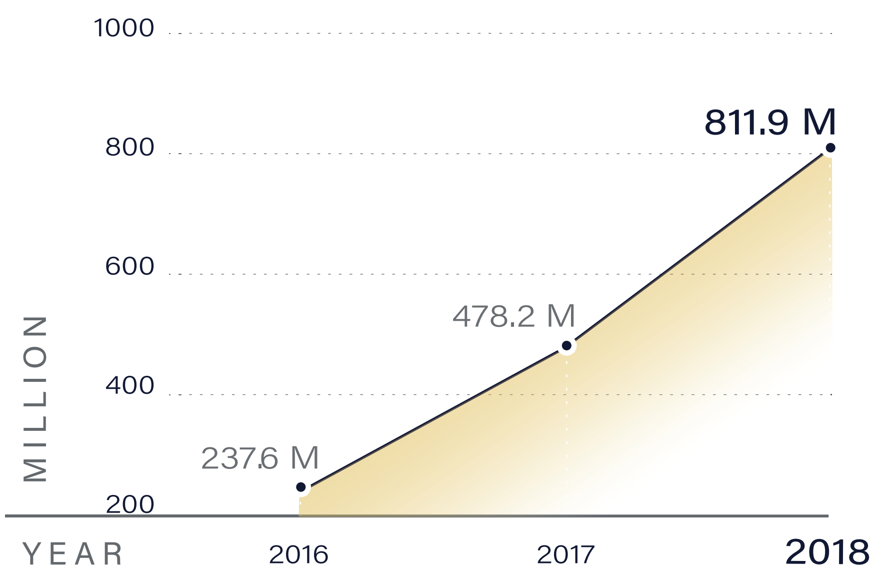
Total Revenue



Sales of Real Estate



Other Income



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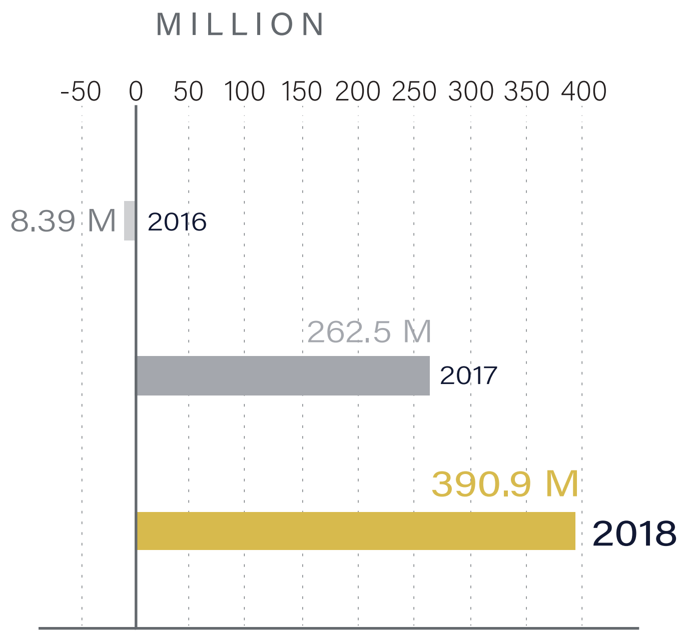
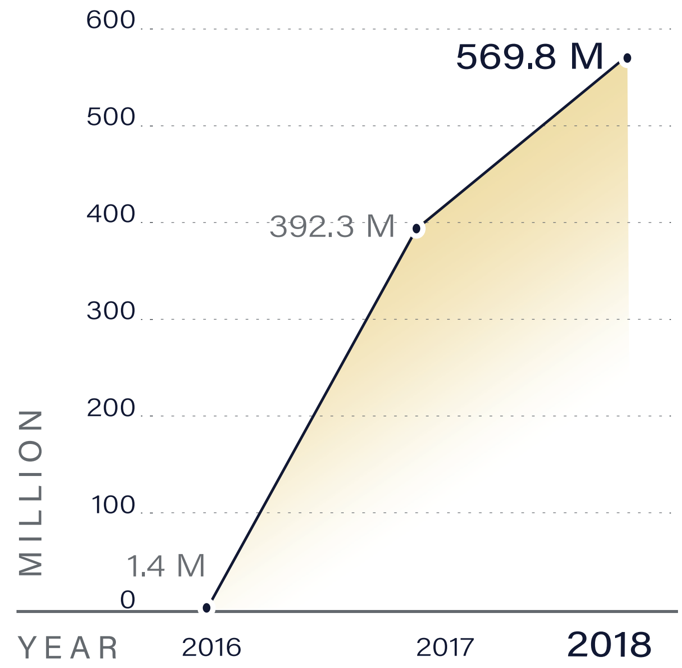
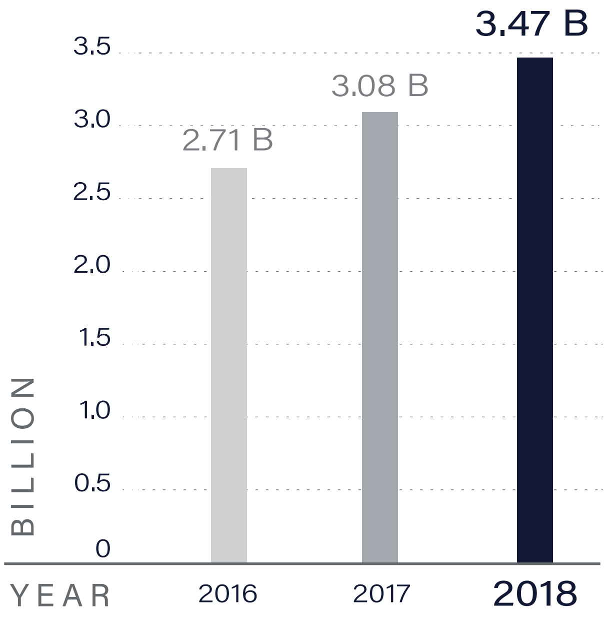
Net Income (Loss)



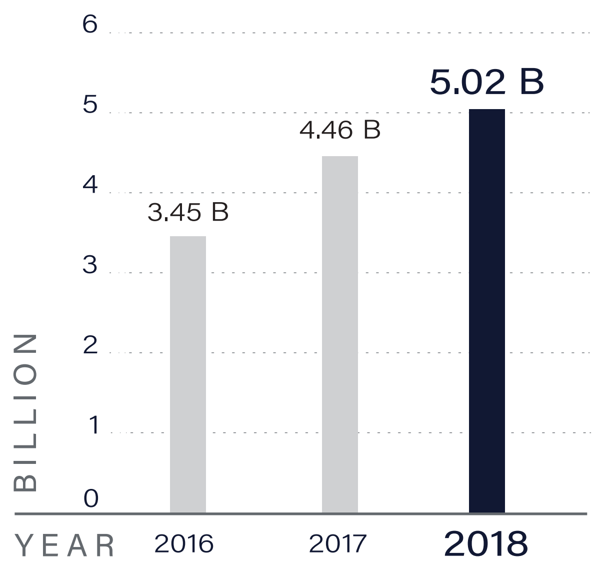
Income (Loss) Before Tax



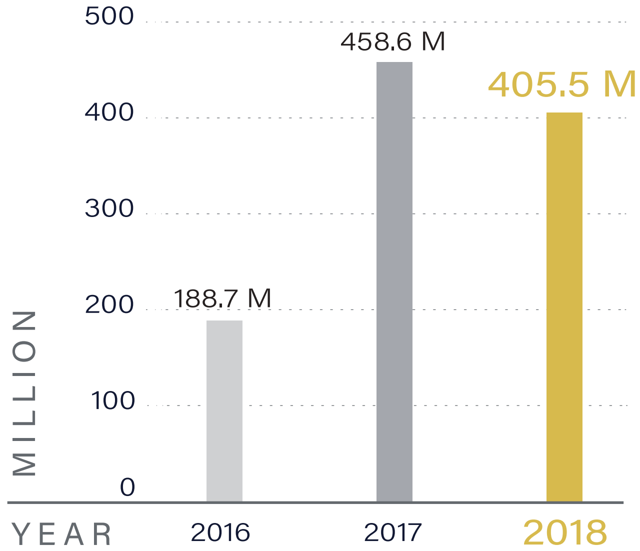
Net Worth



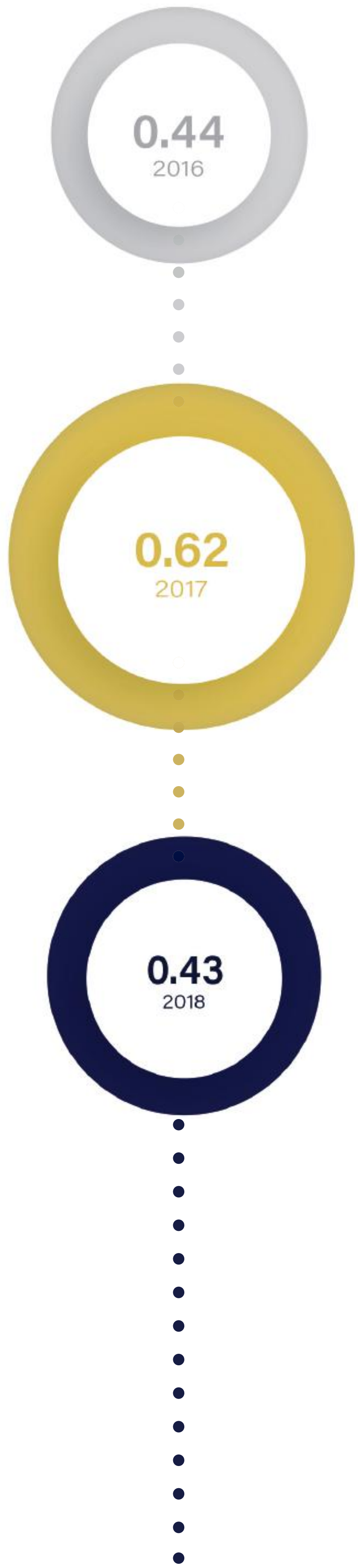
Total Assets



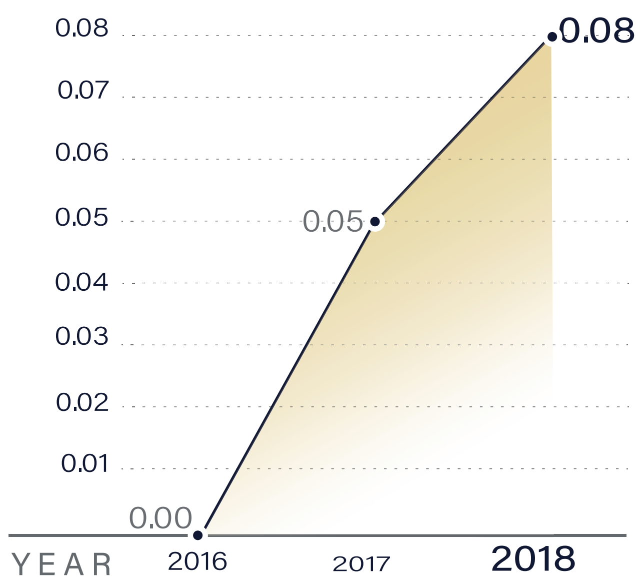
Real Estate Held for Sale and Development



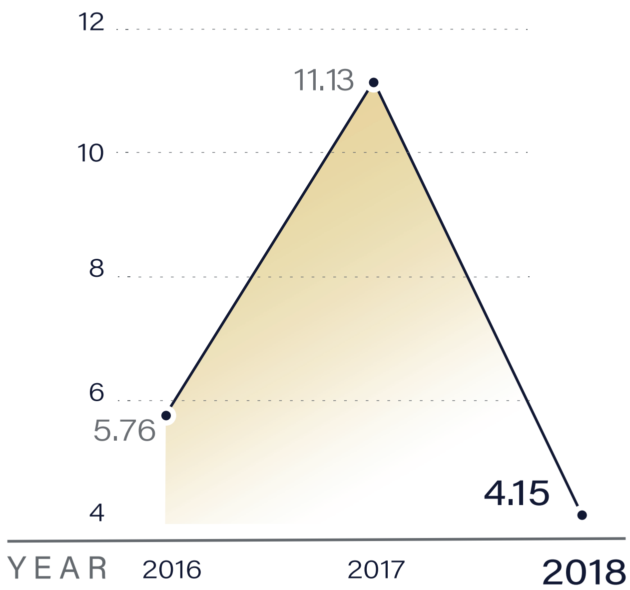
MV per Share



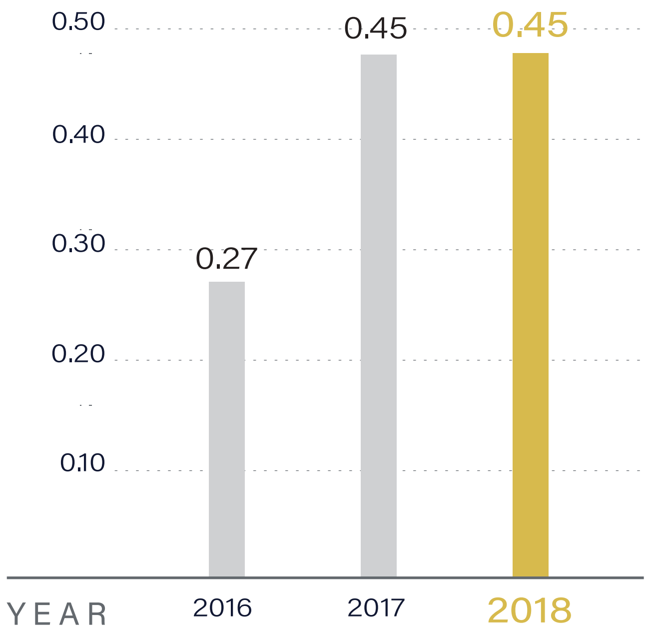
Per Share Earnings (Loss)



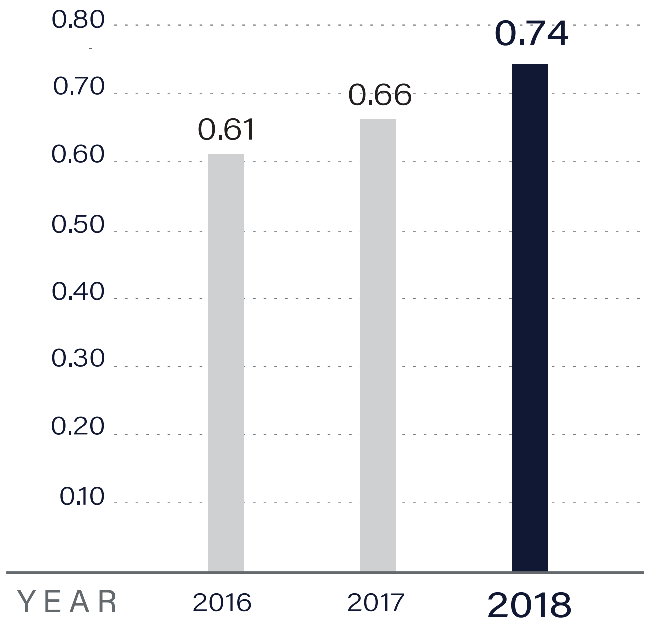
Current Ratio



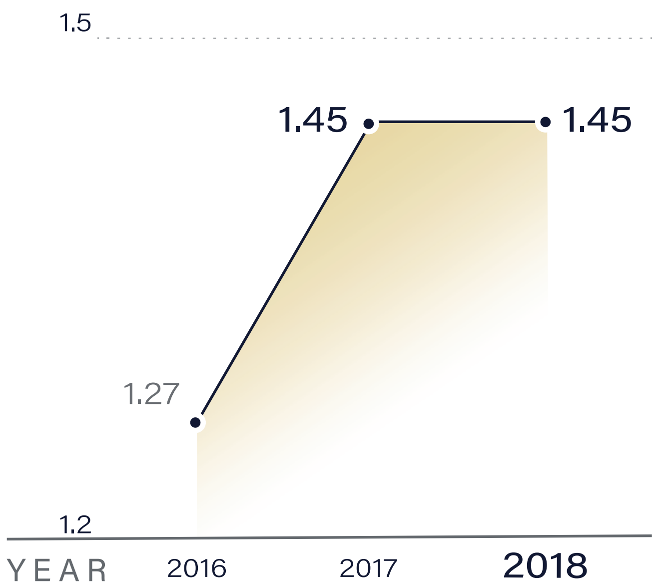
Debt-to-equity



Book Value per Share



Asset-to-equity



Board of Directors

Gerardo O. Lanuza, Jr.
CHAIRMAN

Antonio O. Olbes
VICE-CHAIRMAN

Alfredo S. Del Rosario, Jr.
DIRECTOR

Gerardo Domenico Antonio V. Lanuza
DIRECTOR

Gregory G. Yang
DIRECTOR

Andrew C. Ng
DIRECTOR

Renato G. Nuñez
INDEPENDENT DIRECTOR

Lorenzo V. Tan
INDEPENDENT DIRECTOR

Amador C. Bacani
DIRECTOR

Jomark O. Arollado
INDEPENDENT DIRECTOR

Alfonso Martin E. Eizmendi
INDEPENDENT DIRECTOR

EDILYNDA G. ENRIQUEZ
Human Resources Head

ERWIN V. CIAR
VP and Head - Project Construction and Management

ADELINE SUSAN C. CARAG
VP and Head - Property Management Services

GERARDO DOMENICO ANTONIO V. LANUZA
Executive Vice President and Chief Operating Officer

ALFREDO S. DEL ROSARIO, JR.
President and Chief Executive Officer

Management Committee

EDMUNDO C. MEDRANO
Senior VP, Chief Financial Officer, Treasurer, Compliance Officer and Chief Subsidiary Management Officer

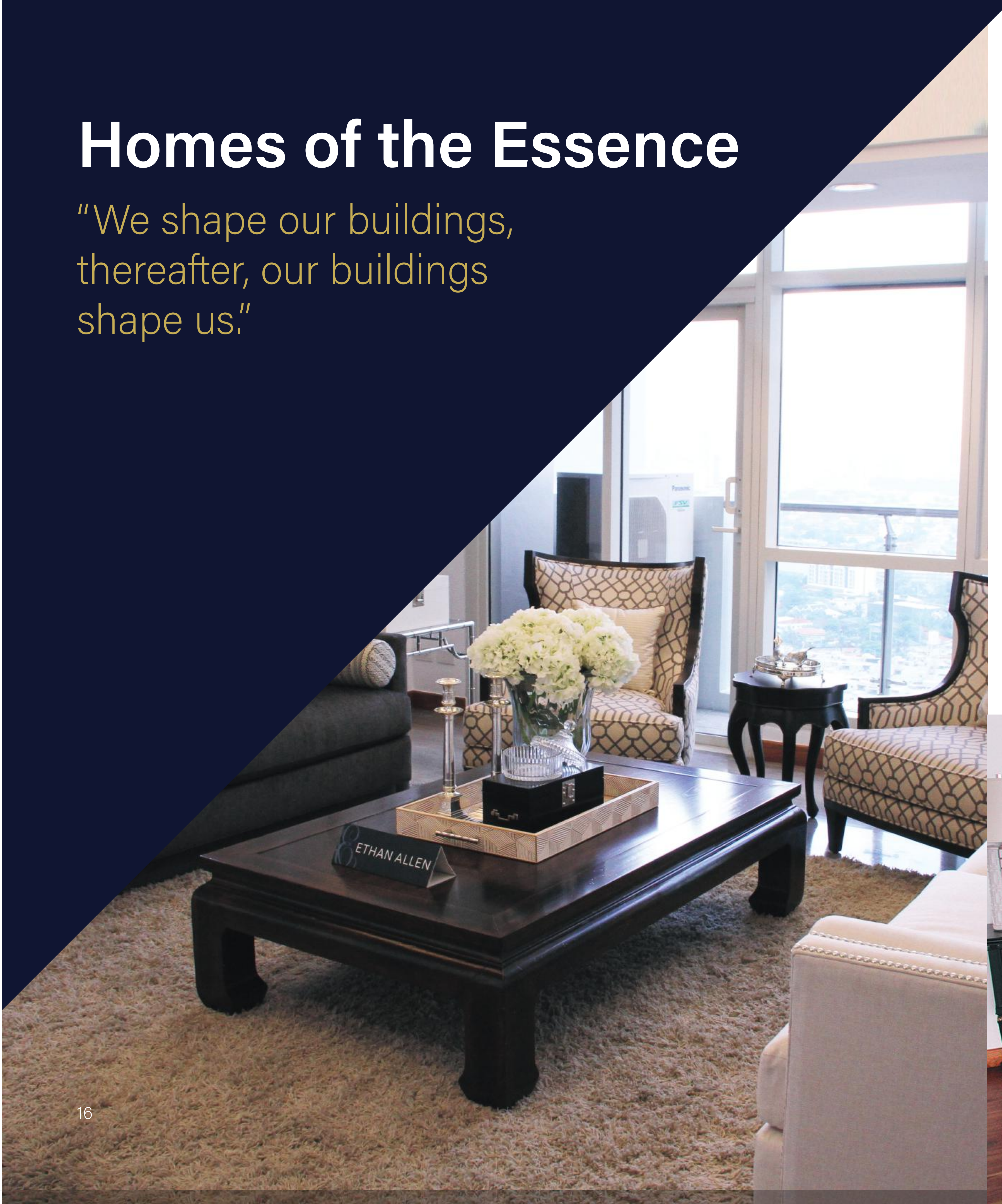
CARLOS MIGUEL T. PACA
VP and Head - Business Development and Investment Relation Officer

MARISSA S. BONTOGON
VP and Controller

RICHARD NICOLAS K. GO
VP and Head - Sales

Homes of the Essence

"We shape our buildings, thereafter, our buildings shape us."



In his 1944 speech addressed to the British Parliament, Winston Churchill was referring to the House of Commons, badly damaged by warfare in World War II. Today, the adage couldn't be more true despite it having been said more than seven decades ago. The passage of time further proves that the places where you live, work, eat, shop, and play, do become part of you, and eventually becomes you.

Consequently, there's no greater feat than finding a home that truly speaks to you. It can be a life-long search for one that not only addresses your needs but elevates your experiences and strengthens your values. More than just a physical structure, your home has powerful influence over your everyday living, possibly molding you bit by bit into becoming the best version of yourself. This is how homes are done by Philippine Realty and Holdings Corporation ("RLT" or the "Company").

The homes we build is centered on serving your lifestyle. It functions as an extension and a tool to help you with all of your activities. For the work-from-home businessman, more than ample working spaces guarantee productivity. Home theaters and personal pools allow for convenient and quality family relaxation. Everyday gourmet dining is within reach with fully-equipped kitchens. The jetsetter's prized collectibles and artworks from travelling all over the world have a special place in spacious viewing rooms and galleries.

Pinning down the personal style of our esteemed patrons and customizing the design of the residential unit accordingly, is the Company's philosophy in buildings homes that are of the essence, balancing overall aesthetics and functionality. Each aspect designed to nurture passions and interests. Its totality meant to be a reflection of a complete persona.

Meanwhile, every home is part of a community that is just as important to foster and curate. For like-minded individuals and groups, who upholds the same values, to come together and form a community, it brings the living experience to new heights. Indeed there is comfort in the unspoken familiarity of living with those who are as gracious and agreeable as you. RLT builds home and communities, more than buildings and structures. It is our expression, all designed for you, all meant for you.

"More than just a physical structure, your home has powerful influence over your everyday living, possibly molding you bit by bit into becoming the best version of yourself."

Why Invest in Upscale Properties in the Philippines?

Real estate has always proven to be a sound investment option, especially when grounded on solid fundamentals, such as growing demand, economic growth, and the emergence of distinctive opportunities. As it happens, this is the case with the Philippines, which is now on the cusp of a property boom that will ultimately be rewarding for those who invest early enough.

Overview of the Philippines

The Philippines stands out among its neighbors in the Southeast in that it is perhaps the most Westernized nation in the region, owing to its three centuries of Spanish colonization, followed by half a century of American occupation that has resulted in a population that is very comfortable with American popular culture, tempered with traditional Spanish and Filipino values.

As is typical with rapidly developing countries, development in the Philippines tends to focus on key highly urbanized megacities. In particular, Metro Manila, the capital region of the Philippines and seat of government, serves as the primary engine for growth and development, especially when it comes to real estate. Composed of 16 cities and a municipality, this area covers almost 620 square kilometers and is home to some of the fastest-growing cities in Asia, including Makati, Taguig, and Pasay. In all, Metro Manila is responsible for some 37 percent of the country's gross domestic product (GDP).

The Economy

The Philippines has been gaining global recognition as a true service economy, and this can be seen in its growth industries of business process outsourcing, construction, and online gaming and leisure.

One of the country's greatest strengths is its conservative financial policies that have managed to make it one of the most resilient economies in the world, surviving the Asian Financial Crisis of 1998, countless natural calamities, and the occasional political discord. This has allowed the Philippines to rack up 80 consecutive quarters of GDP growth, with growth rates ranging from 6 to 8 percent per annum. It has also made it the fifth fastest-growing economy in Southeast Asia, outpacing even Singapore, Indonesia, and Malaysia. It is recognized as one of the top twenty best-performing economies in the world. Credit rating agencies have favorably rated the Philippines. Standard & Poor's credit rating for Philippines stands at BBB+ with stable outlook; Moody's credit rating for Philippines was last set at Baa2 with stable outlook; and Fitch's credit rating for Philippines was last reported at BBB with stable outlook. Because of this, international interest in investing in the Philippines has increased, with foreign direct investments growing by 31 percent for 2018.

While the Philippine economy has historically been driven by exports of agriculture and semiconductors, the 2000s saw the rapid growth of the Business Process Outsourcing (BPO) sector, which has seen the country becoming one of the top destinations for outsourced services from firms in the United States, Europe and Australia. Today, the Philippines is the second-largest supplier of BPO services in the world, with 15 percent of the global market, thanks to its high literacy rate, excellent English language skills, and its understanding of Western culture.

Another key driver of Philippine GDP growth is its 2.2 million overseas Filipino workers, or OFWs. Seen as the pillar of the country's exported services, the huge OFW sector is responsible for bringing in regular cash remittances, totaling some US$31 billion in 2018, and growing by at least three percent per annum.

Outsourced services plus OFW services have translated to a growing middle class that, in turn, has led to increases in disposable income, purchasing power, and demand for capital goods among Filipinos. In fact, the Philippine middle class is expected to outspend Italy's middle class by 2030. The country is already home to some 67 million internet users and 61 million mobile services users.

The Real Estate Market

The Philippines is currently in the midst of a property boom, and this is driven by a confluence of factors, including the rapid growth of the BPO industry, the continuous inflow of OFW remittances (some 12 percent of which is typically used for real property investments), the government's accelerated infrastructure development program that is further raising the values of real property, and even by the rise of the offshore gaming industry, which has led to a burst of demand for housing from a wave of immigrant workers in this sector.

Residential condominiums, particularly premium or luxury residences in prime areas of Metro Manila, have become a sound investment asset. One big advantage that the Philippine property market offers is that it allows foreigners to own up to 40 percent of the units in any condominium development. This provides foreign investors with an opportunity to invest in some of the highest-yielding real properties in Asia. On average, property prices in Metro Manila have been yielding a compounded annual growth rate of 17 percent, with average rental yield on investment of 6 percent.

Luxury condominiums, in particular, have a rarified target market in the form of (1) the Philippine upper class, and (2) high-end foreign investors. With property values appreciating by as much as 30 percent per annum among the most exclusive residential offerings, luxury condominiums have become speculative currency. Buyers typically purchase multiple units, with the most premium units often being reserved for personal use or as vacation units. Many families whose children have also moved off to start their own families and are therefore in an empty nest stage are also opting to downsize, preferring to live in premium condominiums rather than in their ancestral homes.

Finally, a growing trend also involves bulk purchasers who convert the units into AirBnB rental residences, demanding premium overnight rates for "staycation" experiences. To this end, premium residential condominium units are being transformed into virtual serviced residences.

The fastest-appreciating properties can be found in Pasay, which is enjoying a growth spurt due to its being the location of choice for the fast-growing online gaming industry. On the other hand, the most expensive residential condominiums can be found at the Bonifacio Global City development in Taguig, where units are approximately pre-selling in from ₱215,000 to ₱400,000 per square meter, while Makati City comes at a close second, with properties approximately pre-selling in from ₱145,000 to ₱345,000 per square meter. These two areas serve as the most sought-after central business districts in the country today, known for their dynamic and world-class business and leisure hubs. This is the very reason why Philippine Realty and Holdings Company is gearing up as it forays into developing premium real estate properties in Bonifacio Global City, gradually but surely laying the groundwork.

The bottom line is that the Philippines is experiencing an era of high growth, fueled by a growing middle class, high-growth service industries, government spending, and stable financial and economic fundamentals. And with real estate riding on this growth curve, there is no better time than now to invest in Philippine properties.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018, 2017 and 2016

Philippine Realty & Holdings Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PHILIPPINE REALTY AND HOLDINGS CORPORATION** (the "Company") and **SUBSIDIARIES** (the "Group") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and 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 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 or members.

Maceda Valencia and 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.

GERARDO O. LANUZA, JR.
Chairman of the Board

ALFREDO S. DELARIO, JR.
Chief Executive Officer and President

EDMUNDO C. MEDRANO
Senior Vice President and Chief Financial Officer, Treasurer,
Compliance Officer and Chief Subsidiary Management Officer

Signed this 4th day of April 2019.

1 Balete Drive corner N. Domingo Street, Barangay Kaunlaran, District 4, Quezon City 1111 Tel. Na.: 631-3179 Fax No.: (632) 634-1504

Philippine Realty & Holdings Corporation

SUBSCRIBED AND SWORN TO before me this APR 01 2019 day of ________ 2019, affiants exhibiting to me his validly-issued Taxpayer's Identification Numbers as follows:

Name	Tax Identification No.	Issued by
Gerardo O. Lanuza, Jr.	121-199-566	Bureau of Internal Revenue
Alfredo S. Del Rosario, Jr.	108-160-980	Bureau of Internal Revenue
Edmundo C. Medrano	134-515-229	Bureau of Internal Revenue

NOTARY PUBLIC
ATTY. RUBEN M. AZAÑES, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2020
PTR NO. 7324188, 01-04-2019, Quezon City
IBP NO. AR49322076 11CY-1/7/19 QC Chapter
Roll of Attorney's No. 46427
Admin Matter No. 053
MCLE-V-0024616
TIN: 140-394-386-000

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Series of 2019.

1 Balete Drive corner N. Domingo Street, Barangay Kaunlaran, District 4, Quezon City 1111
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Maceda Valencia & Co
Certified Public Accountants and Management Consultants

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REPORT OF INDEPENDENT AUDITORS

The Shareholders and Board of Directors
Philippine Realty and Holdings Corporation and Subsidiaries
One Balete, 1 Balete Drive corner N. Domingo Street
Brgy. Kaunlaran District 4
Quezon City

Opinion

We have audited the consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of total comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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 consolidated 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 Financial Statements section* of our report.

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the 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.

Valuation of Real Estate Inventories

The Risk

Real estate inventories constitute a material component in the Group's consolidated statement of financial position. Real estate inventories amounted to Pl.43 billion representing 28% of the total assets as at December 31, 2018. Real estate inventories include properties under construction, newly built properties that are held for sale in the ordinary course of business and land held for development. Real estate inventories are valued at the lower of cost or market and net realizable value.

The valuation of real estate inventories are influenced by assumptions and estimates regarding construction costs to be incurred, and future selling prices. Weak demand and the consequential over supply of residential units might exert downward pressure on transaction volumes and selling prices of residential properties.

OurResponse

Based on a sample selected according to qualitative and quantitative factors, our audit procedures included the following:

- Evaluation of recognized costs for selected projects in terms of eligibility for capitalization and allocation on the basis of the respective financial forecast;

- Identification of deviations between financial forecasts and the respective project accounts together with a critical assessment of these deviations through discussions with project managers, and reconciliation of actual costs with construction cost statements; and

- Analysis of realizable values by inspecting the most recent sales contracts and comparing expected future costs, costs already capitalized and expected sales proceeds from remaining properties.

Allowance for Impairment Losses on Trade and Other Receivables

The Risk

The allowance for impairment losses on trade and other receivables is considered to be a matter of significance as it requires the application of judgment and use of subjective assumptions by management. As of December 31, 2018, trade and other receivables has a total carrying amount of Pl.27 billion contributing 25% of the Group's total assets. Out of the total trade and other receivables, P258.93 million are already past due for more than a year but considered not impaired.

OurResponse

Our audit procedures included the following:

- Testing the Group's controls over the receivables collection processes.

- Testing the adequacy of the Group's provisions against trade receivables by assessing management's assumptions, taking account of externally available data on trade credit exposures and our own knowledge of recent bad debt experience in this industry.

- We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.

Adoption of PFRS 9. Financial Instruments

The Risk

On January 1, 2018, the Group adopted Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments.* PFRS 9, which replaced PAS 39, *Financial Instruments: Recognition and Measurement,* provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group adopted the modified retrospective approach in adopting PFRS 9.

The Group's adoption of the Expected Credit Loss (ECL) model is significant to our audit as it involves the exercise of significant management judgment and estimation. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining what comprises default; determining assumptions to be used in the ECL model such as the expected life of the trade and other receivables and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating the ECL.

The effect of the adoption of the PFRS 9 ECL model was disclosed in Note 34 to the consolidated financial statements.

Our Response

We obtained an understanding of the approved methodologies and models used for the Group's 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 the expected loss.

Further, 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 or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

Responsibilities of Management and Those Charged with Governance for the 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.

MVCo
Maceda Valencia & Co
Certified Public Accountants and Management Consultants

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 financial statements, including the disclosures, and whether the 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 group 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 audits.

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.

A member of Nexia International

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 Jose T. Valencia.

MACEDAVALENCIA&CO.

JOSE T. VALENCIA
Partner
CPA License No.
P 32659 7394089
Issued on January 31, 2019 at Makati City
SEC Accreditation No. (individual) as general auditor 1535-AR-1 Category A,
Effective until January 30, 2022
SEC Accreditation No. {firm) as general auditors 0196-FR-2;
Effective until March 29, 2020
TIN 119-894-676
BIR Accreditation No. 08-001987-008-2018
Issued on April 6, 2018; effective until April 5, 2021
BOA/PRC Reg. No. 4748, effective until June 26, 2021

April 4, 2019
MakatiCity

Securities and Exchange Commission HEAD OFFICE
ICTD APR 3 0 2019

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017 AND JANUARY 1, 2017

	Note	December 31, 2018	December 31, 2017 (As restated - Note 8)	January 1, 2017 (As restated - Note 8)
ASSETS				
Current Assets				
Cash and cash equivalents	3	**P78,462,791**	P140,866,864	P55,843,067
Financial assets at fair value through profit or loss (FVPL)	4	**6,750,000**	26,006,562	23,439,020
Trade and other receivables - current portion	7	**1,006,530,211**	981,209,865	307,809,090
Real estate inventories	8	**1,431,248,954**	1,905,209,318	1,858,974,888
Prepayments and other assets - net	9	**305,369,994**	204,163,452	159,434,610
Total Current Assets		**2,828,361,950**	3,257,456,061	2,405,500,675
Non-current Assets				
Financial assets at fair value through other comprehensive income (FVOCI)	5	**41,333,478**	-	-
Available-for-sale (AFS) financial assets	5	**-**	38,000,567	130,555,203
Held-to-maturity (HTM) financial assets	6	**-**	1,000,000	1,000,000
Trade and other receivables - non current portion	7	**265,669,488**	88,313,370	500,769,478
Investments in and advances to associates - net	10	**76,673,455**	84,878,451	81,750,944
Investment properties - net	12	**1,693,172,141**	865,348,710	196,982,999
Property and equipment - net	13	**118,444,300**	129,293,232	90,750,569
Deferred tax assets - net	28	**-**	-	42,495,050
Total Non-current Assets		**2,195,292,862**	1,206,834,330	1,044,304,243
		P5,023,654,812	P4,464,290,391	P3,449,804,918
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities				
Trade and other payables - current portion	14	**P408,874,330**	P195,320,065	P262,280,120
Unearned income	15	**899,787**	4,797,416	18,018,915
Loans payable	16	**271,896,088**	92,462,966	137,131,075
Total Current Liabilities		**681,670,205**	292,580,447	417,430,110
Non-current Liabilities				
Trade and other payables - net of current portion	14	**176,447,232**	154,427,282	26,822,814
Loans payable - net of current portion	16	**388,782,961**	764,358,197	150,584,964
Retirement benefit obligation	18	**25,399,477**	30,911,040	143,908,920
Deferred tax liabilities – net	28	**242,606,874**	75,250,972	-
Other non-current liabilities	22	**38,015,065**	65,063,582	-
Total Non-current Liabilities		**871,251,609**	1,090,011,073	321,316,698
		1,552,921,814	1,382,591,520	738,746,808

Forward

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017 AND JANUARY 1, 2017

	Note	December 31, 2018	December31, 2017 (As restated - Note 8)	January 1, 2017 (As restated - Notes)
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	*29,30*	**P2,344,198,495**	P2,344,198,495	P2,257,878,523
Additional paid-in capital	*29,30*	**557,014,317**	557,014,317	557,014,317
Reserves	*31*	**66,940,178**	195,307,585	177,517,992
Retained earnings (deficit)		**617,459,124**	153,038,847	(111,274,009)
Treasury stock	*29*	**(109,712,439)**	(160,904,214)	(163,383,895)
		3,475,899,675	3,088,655,030	2,717,752,928
Equity Attributable to Non-Controlling Interest	*32*	**(5,166,677)**	(6,956,159)	(6,694,818)
		3,470,732,998	3,081,698,871	2,711,058,110
		P5,023,654,812	P4,464,290,391	P3,449,804,918

See Notes to the Consolidated Financial Statements.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Note	**2018**	2017	2016
INCOME				
Sales of real estate		**P1,009,230,247**	P785,934,606	P356,678,738
Rent	*22*	**102,120,869**	47,053,723	19,481,398
Management fees	*20*	**34,047,671**	30,159,048	31,581,353
Commission	*21*	**6,676,026**	7,561,923	7,721,013
Gain on sale of property and equipment		**3,952,737**	238,988	-
Interest	*23*	**3,574,804**	11,515,074	11,105,288
Gain on sale of AFS financial assets		**-**	19,205,993	41,947
Equity in net income of an associate	*10*	**-**	3,127,507	-
Gain on sale of land invested in a joint arrangement	*11*	**-**	-	156,916,474
Other income	*24*	**661,531,938**	359,288,714	10,738,406
		1,821,134,292	1,264,085,576	594,264,617
COSTS AND EXPENSES				
Cost of real estate sold	*8*	**594,013,963**	471,047,441	223,046,461
Cost of services	*25*	**70,491,179**	70,322,494	51,444,181
General and administrative expenses	*26*	**506,541,946**	318,574,003	305,415,883
Finance cost	*16*	**8,474,222**	9,547,530	7,435,094
Equity in net loss of an associate	*10*	**8,204,998**	-	2,082,666
Other expenses	*27*	**63,633,979**	2,293,579	3,469,949
		1,251,360,287	871,785,047	592,894,234
INCOME BEFORE INCOME TAX		**569,774,005**	392,300,529	1,370,383
INCOME TAX EXPENSE	*28*	**178,840,222**	129,790,383	9,758,491
NET INCOME (LOSS)		**P390,933,783**	P262,510,146	(P8,388,108)
Attributable to:				
Equity holders of the parent		**P392,632,613**	P264,361,753	(P3,902,319)
Non-controlling interest	*32*	**(1,698,830)**	(1,851,607)	(4,485,789)
		P390,933,783	P262,510,146	(P8,388,108)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be subsequently reclassified to profit or loss				
Unrealized holding gain on available-for-sale financial assets	*5*	**-**	26,929,544	36,350,074
Transfer of loss on sale of available-for-sale investments to profit or loss		**-**	(48,897)	(41,947)
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligation, net of tax	*31*	**8,137,444**	(7,549,685)	(541,767)
Unrealized holding loss on financial assets at FVOCI	*5,31*	**(15,449,604)**	-	-
		(7,312,160)	19,330,962	35,766,360
Total Comprehensive Income		**P383,621,623**	P281,841,108	P27,378,252
BASIC EARNINGS (LOSS) PER SHARE	*33*	**P0.08**	P0.05	(P0.00)

See Notes to the Consolidated Financial Statements.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Equity Attributable to Equity Holders of the Parent Company							
	Capital Stock (Notes 29 and 30)	Additional Paid-in Capital (Notes 29 and 30)	Reserves (Note 31)	Retained Earnings (Deficit)	Treasury Stock (Note 29)	Total	Non-controlling Interest (Note 32)	Total Equity
Balance at January 1, 2016	P4,515,726,645	P114,751	P142,656,538	(P1,808,992,212)	(P163,383,895)	P2,686,121,827	(P2,691,969)	P2,683,429,858
Comprehensive income (loss)								
Net loss for the year	-	-	-	(3,902,319)	-	(3,902,319)	(4,485,789)	(8,388,108)
Other comprehensive income for the year	-	-	34,861,454	671,966	-	35,533,420	232,940	35,766,360
Total comprehensive income (loss) for the year	-	-	34,861,454	(3,230,353)	-	31,631,101	(4,252,849)	27,378,252
Transactions with owners								
Reduction of par value of capital stock	(2,257,848,122)	556,899,566	-	1,700,948,556	-	-	-	-
Share in capital stock of minority interest	-	-	-	-	-	-	250,000	250,000
Total transactions with owners	(2,257,848,122)	556,899,566	-	1,700,948,556	-	-	250,000	250,000
Balance at December 31, 2016	2,257,878,523	557,014,317	177,517,992	(111,274,009)	(163,383,895)	2,717,752,928	(6,694,818)	2,711,058,110
Comprehensive income (loss)								
Net income (loss) for the year	-	-	-	264,361,753	-	264,361,753	(1,851,607)	262,510,146
Other comprehensive income (loss) for the year	-	-	17,789,593	(48,897)	-	17,740,696	1,590,266	19,330,962
Total comprehensive income (loss) for the year	-	-	17,789,593	264,312,856	-	282,102,449	(261,341)	281,841,108
Transactions with owners								
Collections of subscriptions receivable	86,319,972	-	-	-	-	86,319,972	-	86,319,972
Reissuance of shares	-	-	-	-	2,479,681	2,479,681	-	2,479,681
Total transactions with owners	86,319,972	-	-	-	2,479,681	88,799,653	-	88,799,653
Balance at December 31, 2017	2,344,198,495	557,014,317	195,307,585	153,038,847	(160,904,214)	3,088,655,030	(6,956,159)	3,081,698,871
Comprehensive income (loss)								
Net income (loss) for the year	-	-	-	392,632,613	-	392,632,613	(1,698,830)	390,933,783
Other comprehensive loss for the year	-	-	(7,312,160)	-	-	(7,312,160)	-	(7,312,160)
Total comprehensive income (loss) for the year	-	-	(7,312,160)	392,632,613	-	385,320,453	(1,698,830)	383,621,623
Effect of reclassification of financial assets at FVPL to financial assets at FVOCI	-	-	17,308,122	(17,308,122)	-	-	-	-
Disposal of financial assets at FVOCI	-	-	1,924,192	-	-	1,924,192	3,488,312	5,412,504
Reissuance of shares	-	-	-	(51,191,775)	51,191,775	-	-	-
Reversal of appropriation	-	-	(140,287,561)	140,287,561	-	-	-	-
	-	-	(121,055,247)	71,787,664	51,191,775	1,924,192	3,488,312	5,412,504
Balance at December 31, 2018	**P2,344,198,495**	**P557,014,317**	**P66,940,178**	**P617,459,124**	**(P109,712,439)**	**P3,475,899,675**	**(P5,166,677)**	**P3,470,732,998**

See Notes to the Consolidated Financial Statements.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Note	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P569,774,005**	P392,300,529	P1,370,383
Adjustments for:				
Impairment loss on trade and other receivables	*26*	**26,262,781**	1,576,440	1,257,943
Impairment loss on other assets	*26*	**16,637,343**	-	-
Depreciation and amortization	*25,26*	**13,478,898**	26,316,175	24,995,539
Provision for retirement benefits	*18*	**11,008,355**	9,885,206	82,398,786
Finance costs	*16*	**8,474,222**	9,547,530	7,435,094
Equity in net loss (income) of an associate	*10*	**8,204,997**	(3,127,507)	2,082,666
Gain on fair value adjustment of investment properties	*24*	**(511,432,937)**	(354,123,354)	-
Reversal of various liabilities	*24*	**(109,006,274)**	(1,058,516)	(1,354,928)
Gain on sale of property and equipment – net	*24,27*	**(3,644,424)**	(238,988)	-
Interest income	*23*	**(3,574,804)**	(11,515,074)	(11,105,288)
Unrealized foreign exchange loss (gain) – net	*24*	**(1,809,732)**	161,501	(109,258)
Dividend income	*24*	**(626,337)**	(400,915)	(306,679)
Gain on sale of land invested in a joint arrangement	*11*	**-**	-	(156,916,474)
Holding gain on trading investments	*24*	**-**	-	(7,559,983)
Gain on sale of AFS financial assets		**-**	(19,205,994)	(41,947)
Operating income (loss) before working capital changes		**23,746,093**	50,117,033	(57,854,146)
Decrease (increase) in:				
Trade and other receivables		**(425,662,730)**	(251,671,949)	(74,709,538)
Prepayments and other assets		**(132,871,065)**	(43,299,511)	28,252,613
Real estate inventories		**473,960,364**	(46,234,430)	(452,955,447)
Increase (decrease) in:				
Trade and other payables		**346,390,221**	125,727,619	42,212,283
Unearned income		**(3,897,629)**	(13,221,499)	(25,447,424)
Other non-current liabilities		**(27,048,517)**	-	-
Cash generated from (used in) operations		**254,616,737**	(178,582,736)	(540,501,660)
Interest received		**3,574,804**	11,515,074	11,105,288
Dividends received		**626,337**	400,915	306,679
Contributions to retirement fund	*18*	**(4,500,000)**	(800,000)	(665,579)
Retirement benefit paid	*18*	**(395,000)**	(132,868,347)	-
Net cash provided by (used in) operating activities		**253,922,878**	(300,335,094)	(529,755,272)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of AFS financial assets	*5*	**21,952,385**	118,817,906	-
Proceeds from disposal of property and equipment		**9,902,823**	1,493,191	915,550
Proceeds from sale of HTM Investments		**1,000,000**	-	-
Additions to investment properties	*12*	**(135,765,653)**	(329,274,552)	-
Additions to property and equipment	*13*	**(8,800,170)**	(52,432,611)	(8,060,924)
Proceeds from sale of land invested in a joint arrangement		**-**	-	218,299,727
Decrease in AFS financial assets		**-**	-	1,077,871
Net cash provided by (used in) investing activities		**(111,710,615)**	(261,396,066)	212,232,224

Forward

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Note	**2018**	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans	*16*	**P9,287,000**	P827,554,118	P246,098,000
Finance cost paid		**(8,474,222)**	(8,670,139)	(7,549,824)
Payments of loans payable	*16*	**(205,429,114)**	(258,448,994)	(17,641,958)
Collection of subscriptions receivable	*29*	**-**	86,319,972	-
Net cash from (used in) financing activities		**(204,616,336)**	646,754,957	220,906,218
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(62,404,073)**	85,023,797	(96,616,830)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**140,866,864**	55,843,067	152,459,897
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P78,462,791**	P140,866,864	P55,843,067

See Notes to the Consolidated Financial Statements.

1. Corporate Information

Philippine Realty and Holdings Corporation (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 13, 1981 with a corporate life of fifty (50) years. The principal activities of the Parent Company include the acquisition, development, sale and lease of all kinds of real estate and personal properties, and as an investment and holding company.

The Parent Company was listed with the Philippine Stock Exchange (PSE) on September 7, 1987.

The Parent Company is 35.67% owned by Greenhills Properties, Inc. (GPI), a corporation incorporated under the laws of the Philippines. The remaining shares are owned by various individuals and institutional stockholders.

The financial position and results of operations of the Parent Company and its subsidiaries (collectively referred to as the "Group") are consolidated in these financial statements (see Note 39).

During the Stockholders meeting last July 23, 2018, the Stockholders approved the amendment of Article VII of the Parent Company's Articles of Incorporation to increase the Parent Company's Authorized Capital Stock from 8,000,000,000 common shares with a par value of PhP0.50 per share to 16,000,000,000 common shares with a par value of PhP0.50 per share. The Parent Company's application with the SEC for the approval of the increase in authorized capital is still pending as of the reporting date.

Upon approval by the SEC of the increase in authorized capital, GPI plans to contribute two vacant lots in Bonifacio Global City (BGC) in exchange for the Parent Company's shares of stock. Meridian Assurance Corporation (MAC), an associate, on the other hand plans to contribute various condominium units and parking slots located at the Philippine Stock Exchange Centre (PSEC) in Pasig City and at the Icon Plaza in Taguig City also in exchange for the Parent Company's shares of stock.

The Parent Company's registered office is at One Balete, 1 Balete Drive Corner N. Domingo St. Brgy. Kaunlaran, District 4, Quezon City 1111, Philippines.

Status of Operations

On March 18, 2014, as recommended by the Rehabilitation Receiver for the successful implementation of the court-approved Rehabilitation Plan, the Parent Company's Motion to Terminate Rehabilitation Proceeding on Account of the Successful Implementation of the Rehabilitation Plan was granted. Accordingly, the Stay Order issued in this case was lifted. As a result, the Parent Company was able to resume normal business operations without the supervision of a court approved receiver. On January 4, 2017, the Regional Trial Court Branch 93 of Quezon City has issued a Certificate of Finality to certify that the order issued dated March 18, 2014 has become final and executory.

On February 9, 2016, the SEC approved the Parent Company's quasi-reorganization reducing the par value of its shares from P1.00 to P0.50 and the additional paid in capital arising from the reduction of the par value was applied to the Parent Company's accumulated deficit (see Note 30).

The Parent Company earned total comprehensive income of P393.3 million in 2018, P265.1 million in 2017 and P65.7 million in 2016. The Parent Company plans to leverage its key understanding of the property market through its Medium-Term Business and Financial plan. The objective of the plan is to serve as a roadmap which will drive the Parent Company's profitability primarily by generating operating income from recurring revenue sources and the proposed projects to be undertaken. First, major properties owned by the Parent Company and GPI, who has undertaken to provide operational and financial support to the Parent Company, will be developed for sale and lease. The Parent Company plans to also maximize the utilization of all its existing developments and investment properties. The Parent Company is likewise looking to grow its business through acquisition of revenue generating assets or developments in key cities within and outside Metro Manila. Lastly, aside from internallygenerated funds, the Parent Company will continue to consider securing necessary and sufficient funding from various financial sources.

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of the 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 Adoption of New and Amended Accounting Standards and Interpretations. PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The accompanying consolidated financial statements as at and for the year ended December 31, 2018 were approved and authorized for issuance by the Board of Directors (BOD) on April 4, 2019.

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the following which are measured using alternative basis at each reporting date:

Financial assets at FVPL	Fair value
Financial assets at FVOCI	Fair value
Investment properties	Fair value
Retirement benefit obligation	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the presentation and functional currency of the Group. All financial information presented have been rounded to the nearest peso, unless otherwise stated.

Use of Estimates and Judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Note 35.

3. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash in banks	**P68,368,920**	P114,017,663
Cash on hand	**42,000**	103,576
Cash equivalents	**10,051,871**	26,745,625
	P78,462,791	P140,866,864

Cash in banks earn average annual interest ranging from 1.0% to 1.25% in 2018 and 2017. Cash equivalents represent short-term money market placements with maturities up to three months and earn annual interest at the prevailing short-term investment rates.

Loss on money market investment amounted to P0.89 million as at December 31, 2018 (see Note 27).

Interest income recognized amounted to P2.40 million, P0.51 million and P0.12 million as at December 31, 2018, 2017 and 2016, respectively (see Note 23).

4. Financial Assets at FVPL

The movements of financial assets at FVPL are summarized as follows:

	Note	2018	2017
Balance, January 1		**P26,006,562**	P23,439,020
Reclassification to financial assets at FVOCI			
Cost	*5*	**(1,948,440)**	-
Accumulated unrealized holding gain	*5*	**(17,308,122)**	-
Fair value adjustments		**-**	2,567,542
Balance, December 31		**P6,750,000**	P26,006,562

These financial assets are equity securities of various listed companies. The fair values of these securities are based on quoted market prices.

This account is composed of the following securities at fair value:

	2018	2017
Property company	**P6,750,000**	P6,750,000
Holding firms	**-**	19,256,562
	P6,750,000	P26,006,562

Dividend income recognized in profit or loss amounted to P400,915 and P306,679 in 2017 and 2016, respectively (see Note 24).

5. Financial Assets at FVOCI and AFS Financial Assets

As disclosed in Note 34, the Group adopted PFRS 9, *Financial Instruments* effective January 1, 2018 and opted not to restate comparative information. The Group's investments classified as "Available-for-sale financial assets" as at December 31, 2017 were reclassified as "Financial assets at fair value through other comprehensive income" as at December 31, 2018 to conform with the new classification categories under PFRS 9.

As at December 31, 2018, financial assets at FVTPL consist of investments in:

	Note	**2018**
At cost:		
Listed shares of stock		**P58,332,806**
Golf and country club shares		**3,350,000**
		61,682,806
Accumulated unrealized holding loss	*31,32*	**(20,349,328)**
		P41,333,478

As at December 31, 2017, available-for-sale financial assets consist of investments in:

	Note	2017
At cost:		
Listed shares of stock		P61,766,112
Trust funds		504,805
Golf and country club shares		3,350,000
		65,620,917
Accumulated unrealized holding loss	*31,32*	(27,620,350)
		P38,000,567

The movements in the financial assets at FVOCI and AFS financial assets are summarized as follows:

	Note	**2018**	2017
January 1		**P38,000,567**	P130,555,203
Disposals		**(474,047)**	(119,435,283)
		37,526,520	11,119,920
Fair value adjustments	*31,32*	**(15,449,604)**	26,929,544
Reclassification from financial assets at FVPL			
Cost	*4*	**1,948,440**	-
Accumulated unrealized holding gain	*4*	**17,308,122**	-
Transfer to consolidated statements of total comprehensive income on sale of AFS investments		**-**	(48,897)
December 31		**P41,333,478**	P38,000,567

The movements in the accumulated unrealized holding loss are summarized as follows:

	Note	**2018**	2017
January 1		**(P27,620,350)**	(P54,549,894)
Fair value adjustments	*31,32*	**(15,449,604)**	26,929,544
Reclassification from financial assets at FVPL	*4*	**17,308,122**	-
Disposal	*31,32*	**5,412,504**	-
		(P20,349,328)	(P27,620,350)

Investments in shares of stock consist of investment in various listed equity securities and golf and country club shares that management intends to continually hold for opportunity for return through dividend income and membership purposes, respectively. The fair values of these investments are based on quoted market prices. Unrealized holding gains or losses from market value fluctuations are recognized as part of the Group's reserves.

The above investments in equity instruments are not held for trading and the Group irrevocably elected to present subsequent changes in fair values in OCI.

Unrealized holding gain (loss) recognized in other comprehensive income from financial assets at FVOCI/AFS financial assets amounted to (P15.4) million in 2018, P25.3 million in 2017 and P36.1 million in 2016 (see Note 31).

Proceeds from disposal of investments amounted to P1,924,192 and P118,817,906 in 2018 and 2017, respectively.

Dividend income recognized in profit or loss amounted to P626,337 in 2018 (see Note 24).

6. Held-to-Maturity (HTM) Financial Assets

As disclosed in Note 34, the Group adopted PFRS 9, *Financial Instruments* effective January 1, 2018 and opted not to restate comparative information. The Group's investments classified as "HTM Investments" as at December 31, 2017 were reclassified as "Financial assets at amortized cost" as at January 1, 2018 to conform with the new classification categories under PFRS 9.

This account consists of P1.0 million unsecured subordinated note issued by a universal bank with interest rate of 5.375% and has a term of 10 years. In 2018, the Group disposed the investment at its face value.

7. Trade and Other Receivables

This account is composed of:

	2018	2017
Trade:		
Sale of real estate	**P1,052,682,768**	P725,975,729
Lease	**22,533,032**	26,626,894
Management fees	**5,954,270**	6,168,145
Commission	**4,983,724**	4,829,540
Premiums receivable	**4,400,104**	3,654,748
Advances	**44,116,719**	60,612,247
Other receivables	**163,458,986**	279,464,772
	1,298,129,603	1,107,332,075
Less: allowance for impairment loss	**25,929,904**	37,808,840
	P1,272,199,699	P1,069,523,235

Trade receivables from sale of real estate include amounts due from buyers of the Parent Company's condominium projects, generally over a period of three (3) or four (4) years. The condominium certificates of title remain in the possession of the Parent Company until full payment has been made by the customers. Trade receivables due after one year amounted P265.67 million in 2018 and P88.31 million in 2017. Trade receivables carry yield-to-maturity interest rates of 5.64% in 2018, 2017 and 2016. Interest income recognized amounted to P1,020,842, P879,085 and P746,775 as at December 31, 2018, 2017 and 2016, respectively (see Note 23).

Certain trade receivables with total carrying value of P11.9 million and P13.4 million as at December 31, 2018 and 2017 are pledged to a local bank as collateral to the Parent Company's loans payable (see Note 16).

Other receivables as at December 31, 2018 and 2017 include the outstanding receivables from Xcell Property Ventures, Inc. (Xcell) amounting to P15.8 million and P265 million, respectively (see Note 11). This also includes P98.4 million receivable in relation to the parcels of land sold in 2014. Cash amounting to P18.8 million deposited under the name of the joint venture which was released as part of the settlement agreement in 2018 was also included under this account (see Note 19). The rest of the balances are receivables from lessees and concessionaires.

Receivables amounting to P25.9 million and P37.8 million as of December 31, 2018 and 2017, respectively, were impaired and fully provided for. The allowance for doubtful accounts for trade receivables has been determined as follows:

	2018	2017
Collectively impaired	**P25,929,904**	P22,301,040
Individually impaired	**-**	15,507,800
Total	**P25,929,904**	P37,808,840

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries. As of December 31, 2018, the exposure at default amounts to P670.98 million. The expected credit loss rate is 3.86% that resulted in the ECL of P25.9 million as at December 31, 2018 (see Note 37).

Movements in allowance for impairment losses on receivables in 2018 and 2017 are as follows:

	Note	2018	2017
Balance at beginning of year		**P37,808,840**	P37,747,557
Provisions for the year	*26*	**26,262,781**	61,283
Reversal of provisions		**(38,141,717)**	-
Balance at end of year		**P25,929,904**	P37,808,840

Receivables amounting to nil and P1,576,440 were directly written-off in 2018 and 2017, respectively.

8. Real Estate Inventories

This account consists of:

	2018	2017	2016
In progress:			
Andrea North Skyvillas Tower	**P631,496,290**	P1,102,134,283	P1,347,240,380
Andrea North Estate	**55,536,289**	67,094,101	31,963,304
BGC Project	**54,522,805**	-	-
Others	**37,712,881**	16,973,867	14,245,924
	779,268,265	1,186,202,251	1,393,449,608

Forward

	2018	2017	2016
Completed units:			
Andrea North Skyline Tower	**219,779,747**	228,314,325	239,185,202
The Icon Plaza	**19,846,249**	25,251,249	30,791,051
Casa Miguel	**6,895,314**	6,895,314	6,895,314
	246,521,310	260,460,888	276,871,567
Land held for development:			
Baguio	**269,892,466**	269,892,466	-
New Manila, Quezon City	**135,566,913**	188,653,713	188,653,713
	405,459,379	458,546,179	188,653,713
	P1,431,248,954	P1,905,209,318	P1,858,974,888

BGC Project and Others represent the cost of the master plan design of the new towers in BGC and Andrea North project, respectively.

In July 2011, the Parent Company had a joint arrangement with Xcell for the development of a residential/commercial condominium on the Parent Company's Fort Bonifacio lot to be called "The Icon Plaza." The Parent Company contributed lot 9-4 to the joint arrangement and in return will receive twenty percent (20%) of the aggregated area of all the completed and saleable units of the project, plus 35% of the joint arrangement's pre-tax profits from the project. The Parent Company's share on the saleable area of The Icon Plaza under joint arrangement with Xcell is recorded as real estate inventories. The percentage of completion of The Icon Plaza is 100% as at December 31, 2018.

In 2018, although not yet approved by the Board of Accountancy, the Parent Company adopted PIC Q&A 2018-11, *Classification of Land by Real Estate Developer.* Based on this interpretation, real estate inventories include land which the BOD has previously approved to be developed into residential development for sale. This was previously presented as real estate held for development under non-current assets. Before the adoption of PIC Q&A 2018-11, the classification was based on the Parent Company's timing to start the development of the property. This was reclassified under inventories in the consolidated statements of financial position.

The impact of adoption is applied retrospectively which resulted to the following reclassifications in the consolidated statements of financial position as follows:

	As previously reported (January 1, 2017)	Adjustments	As restated (January 1, 2017)
Real estate inventories	P1,670,321,175	P188,653,713	P1,858,974,888
Real estate held for development	188,653,713	(188,653,713)	-
	P1,858,974,888	-	P1,858,974,888

	As previously reported (December 31, 2017)	Adjustments	As restated (December 31, 2017)
Real estate inventories	P1,446,663,139	P458,546,179	P1,905,209,318
Real estate held for development	458,546,179	(458,546,179)	-
	P1,905,209,318	**-**	**P1,905,209,318**

Certain real estate inventories are mortgaged as collaterals to loans (see Note 16).

The cost of real estate inventories recognized as cost of sales amounted to P594,013,963, P471,047,441 and P223,046,461 in 2018, 2017 and 2016, respectively.

9. Prepayments and Other Assets

This account consists of:

	2018	2017
Creditable withholding tax	P147,661,182	P135,871,413
Prepaid taxes	92,068,646	49,361,717
Prepaid expenses	41,023,462	-
Deferred input VAT	13,350,832	-
Utilities deposit	2,995,508	2,343,794
Input tax – net	115,589	645,114
Other assets	8,154,775	15,941,414
	P305,369,994	P204,163,452

Creditable withholding tax is the tax withheld by the customers from their payment to the Group and which tax is creditable against the income tax payable of the Group.

Prepaid taxes are unutilized creditable withholding taxes, a portion of which was filed for refund with the Bureau of Internal Revenue.

Prepaid expenses consist of advance payment for rent, real property tax, insurance premium and membership dues.

Deposits pertain to refundable deposits paid to utility companies. These also include security deposits paid in relation to an office lease agreement.

Other assets include advances made the Parent Company to a certain project amounting to P5.43 million and P4.43 million in 2018 and 2017, respectively, relating to master plan design.

10. Investments in and Advances to Associates

Details of the ownership interest in associates as at December 31 are as follows:

	2018	2017
Le Cheval Holdings, Inc. (LCHI)	45%	45%
Alexandra (USA), Inc. (AUI)	45%	45%
Meridian Assurance Corporation	30%	30%

Details of investment in and advances to associates are as follows:

	2018	2017
Meridian Assurance Corporation		
Investment - acquisition cost	P88,875,080	P88,875,080
Accumulated equity in net loss:		
Balance at beginning of year	(4,140,235)	(7,276,418)
Equity in net income (loss) for the year	(8,195,521)	3,136,183
Balance at end of year	(12,335,756)	(4,140,235)
	P76,539,324	P84,734,845

Forward

	2018	2017
Le Cheval Holdings, Inc.		
Investment - acquisition cost	**P11,250**	P11,250
Allowance for impairment loss	**(11,250)**	(11,250)
	-	-
Accumulated equity in net income:		
Balance at beginning of year	**143,606**	152,282
Equity in net loss for the year	**(9,477)**	(8,676)
Balance at end of year	**134,129**	143,606
	P134,129	P143,606
Alexandra (USA), Inc.		
Investment - acquisition cost	**P14,184,150**	P14,184,150
Allowance for impairment loss	**(14,184,150)**	(14,184,150)
	-	-
Advances to AUI	**132,417,765**	132,417,765
Allowance for unrecoverable advances	**(132,417,765)**	(132,417,765)
	-	-
	P76,673,455	P84,878,451

The Parent Company's management performed an assessment for impairment on its investment in and advances to associates. The imminent liquidation of Alexandra USA, Inc. (AUI) indicates the possible impairment in the value of investment in this entity. In 2011, the Parent Company provided an allowance for impairment loss amounting to P14,184,150 for investments in AUI. The advances was likewise provided with 100% allowance.

The Parent Company also provided an allowance for impairment loss amounting to P11,250 for investments in LCHI.

Aggregated amounts relating to associates are as follows:

	2018	2017
Meridian Assurance Corporation (MAC)		
Total assets	**P310,595,681**	P362,135,175
Total liabilities	**58,830,690**	82,184,648
Net assets	**251,764,991**	279,950,527
Income	**10,627,527**	83,309,791
Cost and expenses	**(37,945,930)**	72,855,848
Net income (loss)	**(P27,318,403)**	P10,453,943
Le Cheval Holdings, Inc. (LCHI)		
Total assets	**P45,362**	P45,362
Total liabilities	**122,293**	101,235
Net liabilities	**(76,931)**	(55,873)
Income	**-**	378
Cost and expenses	**(21,058)**	(19,657)
Net loss	**(P21,058)**	(P19,279)

The following are the principal activities of the Group's Associates:

Meridian Assurance Corporation
MAC was incorporated and registered with the SEC on March 16, 1960, renewed on November 13, 2007, primarily to engage in the business of insurance and guarantee of any kind and in all branches except life insurance, for consideration, to indemnify any person, firm or corporation against loss, damage or liability arising from any unknown or contingent event, and to guarantee liabilities and obligations of any person, firm or corporation and to do all such acts and exercise all such powers as may be reasonably necessary to accomplish the above purposes which may be incidental. Further, MAC's objective includes purchase or otherwise deal with any property or interest therein, real or personal, as may be permitted by law.

MAC did not comply with the minimum capital requirement set by the Insurance Commission as of December 31, 2016, as it is ceding its insurance business portfolio to another insurance company. MAC, however, will continue servicing the administrative requirements of all outstanding policies issued until their expiry. On March 30, 2017, MAC wrote the Insurance Commission to apply for a license as a servicing company and tendered its Certificate of Authority (CA) as non-life insurance company. Pending issuance of the servicing license, MAC still issued new policies up to April 30, 2017. On May 1, 2017, the Insurance Commission approved MAC's application as a servicing company and issued a servicing license. As a servicing insurance company, MAC's transactions are confined to: (i) accepting periodic premium payments from its policyholders; (ii) granting policy loans and paying cash surrender values of outstanding policies to its policyholders; (iii) reviving lapsed policies of its policyholders, and (iv) such other related services. Upon divestment of the insurance business, MAC plans to engage in the business of asset management.

The registered office of MAC is at the 7/F, West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City. Aside from its head office in Metro Manila, it maintains offices in the cities of Cebu and Davao.

Le Cheval Holdings, Inc.
LCHI was incorporated and registered with the SEC on August 30, 1994 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Philippine Racing Club, Inc. (PRCI), a holding company incorporated in the Philippines. In 1996, LCHI sold its shares of stock with PRCI. Thereafter, LCHI became inactive.

Alexandra (USA), Inc.
AUI was incorporated in the United States of America (USA). AUI is involved in property development in Florida, USA. AUI is jointly owned with GPI (45%) and Warrenton Enterprises Corporation (10%) of William Cu-Unjieng. AUI is in the process of liquidation after the completion of the projects in Naples and Orlando. No information was obtained in the financial status and operations of AUI since 2012.

11. Land Invested in Joint Arrangements

Xcell Property Ventures, Inc. (Xcell)
In 2014, the Parent Company and Xcell entered into a final arrangement that will be the final settlement for both parties since Icon Residences and Andrea North Skyline were 100% completed and the objectives of the agreement were already achieved. The land invested in the joint arrangement was transferred to Xcell during the year and the Parent Company's final settlement from the project amounted to a total of P891 million. The Parent Company recognized an income from the joint arrangement amounting to P84.67 million in 2014. Interest income on receivables arising from the joint arrangement amounting to P10,005,694 was recognized in 2017 and 2016 (see Note 23). The Parent Company did not recognize interest income in 2018 as agreed with Xcell.

Tagaytay Joint Arrangement
A parcel of land with an area of 39,975 square meters located in Iruhin West, Tagaytay City was purchased at a cost of P60.4 million exclusively for the development in relation to the arrangement. In 2016, the Parent Company sold the land for a total consideration of P218.30 million with a gain of P156.92 million.

12. Investment Properties

The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The effects are detailed below:

	Note	**2018**	2017
Balance, beginning		**P865,348,710**	P300,473,610
Cost of investment property returned	*19*	**180,624,841**	-
Additions		**135,765,653**	329,274,552
Gain on change in fair value	*24*	**511,432,937**	354,123,354
Accumulated depreciation prior to change to fair value method		**-**	(118,522,806)
Balance, ending		**P1,693,172,141**	P865,348,710

Xcell assigned certain Icon Plaza properties to the Parent Company as payment for the outstanding balance related to the joint venture agreement (see Note 7).

An independent valuation of the Group's investment properties was performed by appraisers as of November 7, 2018 and March 6, 2017 to determine their fair value. The external independent appraiser used sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at a different floor level of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

Details of investment properties are as follows:

	2018	2017
Condominium units and parking spaces		
PSE Tower I	**P971,197,140**	P765,798,892
PSE Tower II	**437,103,810**	159,863,785
Icon Plaza	**219,648,230**	-
	1,627,949,180	925,662,677
Accumulated depreciation	**-**	(118,522,806)
	1,627,949,180	807,139,871
Baguio - residential properties	**65,222,961**	58,208,839
	P1,693,172,141	P865,348,710

Prior to the change in accounting policy in 2017 from cost model to fair value model, depreciation and amortization expenses recognized in the consolidated statements of total comprehensive income are as follows:

	Note	2017	2016
Cost of services	*25*	P10,949,120	P12,533,633
General and administrative expenses	*26*	4,083,075	1,918,168
		P15,032,195	P14,451,801

Rental income from the investment properties amounted to P102.1 million in 2018, P47.1 million in 2017 and P19.5 million in 2016. Real property taxes attributable to investment properties amounted to P6,078,246 in 2018, P5,032,094 in 2017 and P3,082,791 in 2016, these are included as part of taxes and licenses in cost of services. Other direct operating expenses arising from investment properties that generate rental income represent depreciation of condominium units which amounted to nil in 2018, P10,949,120 in 2017 and P12,533,633 in 2016.

Certain investment properties are mortgaged as collateral to loans (see Note 16).

13. Property and Equipment

The details of the carrying amounts of property and equipment, the gross carrying amounts, and accumulated depreciation and amortization of property and equipment are shown below:

	For the Years Ended December 31, 2018 and 2017				
	Condominium Units, Building and Building Improvements	**Office Furniture, Fixtures and Equipment**	**Transportation and Other Equipment**	**Leasehold and Office Improvements**	**Total**
Cost					
January 1, 2017	P100,965,997	P23,077,167	P27,548,842	P2,303,560	P153,895,566
Additions	20,006,752	1,245,750	31,180,109	-	52,432,611
Disposals	-	(55,804)	(2,900,697)	-	(2,956,501)
December 31, 2017	120,972,749	24,267,113	55,828,254	2,303,560	203,371,676
Additions	-	1,769,541	7,030,629	-	8,800,170
Disposals	(5,476,051)	(709,685)	(6,317,429)	(1,082,379)	(13,585,544)
December 31, 2018	**115,496,698**	**25,326,969**	**56,541,454**	**1,221,181**	**198,586,302**
January 1, 2017	P23,850,494	P19,518,619	P18,162,722	P1,613,162	P63,144,997
Provision	3,898,409	1,060,519	7,306,932	45,450	12,311,310
Disposals	-	(42,628)	(1,335,235)	-	(1,377,863)
December 31, 2017	27,748,903	20,536,510	24,134,419	1,658,612	74,078,444
Provision	3,307,059	2,186,363	7,886,360	30,921	13,410,703
Disposals	(2,860,577)	(620,360)	(3,269,730)	(596,478)	(7,347,145)
December 31, 2018	**28,195,385**	**22,102,513**	**28,751,049**	**1,093,055**	**80,142,002**
At December 31, 2017	P93,223,846	P3,730,603	P31,693,835	P644,948	P129,293,232
At December 31, 2018	**P87,301,313**	**P3,224,456**	**P27,790,405**	**P128,126**	**P118,444,300**

Certain transportation equipment of the Group with total carrying value of P6.36 million as at December 31, 2018 are pledged as security under chattel mortgage (see Note 16).

14. Trade and Other Payables

This account consists of:

	Note	2018	2017
Payable to ULC	*19*	**P231,150,000**	P -
Trade payables		**119,833,572**	22,419,294
Retention fee payable		**90,701,060**	122,952,888
Customers' deposits		**53,797,689**	17,777,667
Accrued expenses		**36,783,698**	36,672,173
Refundable deposits	*22*	**16,589,745**	13,038,228
Due to government agencies		**7,049,380**	6,058,563
Output value added tax – net		**443,583**	97,533,421
Others		**28,972,835**	33,295,113
		P585,321,562	P349,747,347

Non-current portion of trade and other payables amounted to P176,447,232 and P154,427,282 as at December 31, 2018 and 2017, respectively.

Accrued expenses consist of unpaid liabilities on outside services, insurance, supplies and other miscellaneous expenses.

Retention fee payable pertains to retention fees withheld from the contractors of ongoing and completed projects.

Customers' deposits consist of downpayments representing less than 25% of the contract price of the condominium unit sold received from each customer which are deductible from the total contract price.

Due to government agencies consist mainly of payable to the Bureau of Internal Revenue, SSS, HDMF and Philhealth.

Others consist of refunds payable, commissions payable and unearned rent income.

15. Unearned Income

The Parent Company has an on-going project called the Andrea North Skyvillas Tower ("Skyvillas"). Skyvillas started construction in 2011 and is 99.96% and 99.56% complete as at December 31, 2018 and 2017, respectively.

Details of unearned income are as follows:

	2018	2017
Skyvillas Tower		
Total sales value of completed units	**P2,249,382,467**	P1,090,321,800
Percentage uncompleted	**.04%**	0.44%
	P899,787	4,797,416

16. Loans Payable

The movements in the loans payable is summarized as follows:

	2018	2017
Balance at beginning of year	P856,821,163	P287,716,039
Availments of loan	9,287,000	827,554,118
Payments of principal	(205,429,114)	(258,448,994)
Balance at end of year	P660,679,049	P856,821,163

Interest on loans payable amounted to P8,474,222, P9,547,530, and P7,435,094 as at December 31, 2018, 2017 and 2016, respectively. Interest on loans payable capitalized as part of real estate inventories amounted to P39,396,279 in 2018.

The account is composed of the following:

	2018	2017
Payable within one year:		
Philippine Bank of Communications	P111,111,111	P83,333,333
Maybank Philippines, Inc.	154,309,213	4,051,829
Union Bank of the Philippines	3,762,535	3,215,328
RCBC Savings Bank	2,713,229	1,862,476
	271,896,088	92,462,966
Payable after one year:		
Philippine Bank of Communications	304,355,555	416,666,667
Maybank Philippines, Inc.	14,561,586	168,842,100
Greenhills Properties, Inc.	-	107,845,898
Meridian Assurance Corporation	50,000,000	50,000,000
Union Bank of the Philippines	11,368,274	13,291,879
RCBC Savings Bank	8,497,546	7,711,653
	388,782,961	764,358,197
	P660,679,049	P856,821,163

Maybank Philippines, Inc. (Maybank)

In 2015, the Parent Company availed loans from Maybank with total principal amount of P75.51 million. These loans bear 6% interest and are secured by certain accounts receivable of the Parent Company with total carrying amount of P11.9 million and P13.4 million as at December 31, 2018 and 2017 (see Note 7).

In 2016, the Parent Company entered into a loan and hold-out agreement with Maybank. In April 2016, Maybank approved a P150 million credit line under which the Parent Company drewdown P80 million in April 2016 and P70 million in May 2016. These loans are payable three (3) years from date of drawdown. These loans bear 3.75% interest rate, payable monthly in arrears and secured by hold-out rights in favor of Maybank over the time deposit covering the total amount of P150 million maintained by GPI in Maybank Ortigas Branch.

Meridian Assurance Corporation (MAC)
On July 29, 2016 and August 5, 2016, the Parent Company entered into a real estate mortgage with Meridian Assurance Corporation. Loans from Meridian Assurance Corporation bear no interest and are secured by mortgages on certain investment properties of the Parent Company. The mortgaged properties have a total net book value of P83.67 million as at December 31, 2018 and 2017. No payment is expected to be made in 2018 and accordingly, loan was classified as noncurrent liability in the consolidated statements of financial position.

Greenhills Properties, Inc. (GPI)
On May 31, 2016, the Parent Company availed a P45 million loan from Greenhills Properties, Inc. which bears 4% interest rate and is payable on May 25, 2017. The loan was fully paid on February 23, 2017.

In 2017, the Parent Company availed additional loan amounting to P195 million payable between three (3) to five (5) years at a fixed interest rate of 8%, which shall be paid quarterly. In 2018, the Parent Company settled its full obligation to GPI amounting to P195 million plus accrued interest of P7.52 million. Of the total amount, P25 million was settled in cash, P154.44 million was settled through application of full payment on the three (3) units sold to GPI and the remaining balance amounting P23.08 million was settled through application of payment on the 25% of the contract price of six (6) units sold to GPI in 2017.

Union Bank of the Philippines (UBP)
In July 2016, the Parent Company availed car loans from Union Bank which bears 9.11% interest and is payable in installment over sixty (60) months. These loans are secured by certain transportation equipment of the Group (see Note 13).

RCBC Savings Bank (RCBC)
In July 2017, the Parent Company availed car loans from RCBC Savings Bank which bear 8.72% interest and are payable in installment over sixty (60) months. These loans are secured by certain transportation equipment of the Group (see Note 13).

Philippine Bank of Communications (PBCom)
In 2017, the Parent Company entered into a bridge funding agreement with PBCom. PBCom approved a P500 million credit line under which the Parent Company drewdown P500 million in September 2017. These loans are payable within five (5) years from date of drawdown. These loans bear 6% interest rate, payable quarterly in arrears and secured by certain condominium units and other properties mortgaged in favor of PBCom with total carrying amount of P271.6 million as at December 31, 2018 and 2017.

17. Related Party Transactions

The details of related party transactions and balances are as follows:

As at and for the year ended December 31, 2018:	**Transactions**	**Outstanding balance**	**Terms and conditions**
Sale of real estate inventories			Sales of condominium units to related parties are based on the effective price list and terms that would be available to third parties. The receivables are secured with related units until full payment; and payable monthly in two (2) years. See Note 16.
Principal Shareholder			
Greenhills Properties, Inc.			
Sale of real estate inventories	**P26,440,748**		
Collections during the year	**(122,590,634)**	**P165,312,421**	

As at and for the year ended December 31, 2018:	**Transactions**	**Outstanding balance**	**Terms and conditions**
Sale of service			Sales of services are negotiated with related parties on a cost-plus basis.
Principal Shareholder			The receivables are due 30 days after every end of the month.
Greenhills Properties, Inc.			The receivables are unsecured and bear no interest.
Management services	**1,106,057**		
Collections during the year	**(1,106,057)**	**-**	
Advances			Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.
Alexandra (USA), Inc., Associate	**-**	**132,417,765**	
Le Cheval Holdings, Inc., Associate	**21,058**	**102,293**	
Meridian Assurance Corp. Associate	**-**	**(643)**	
Less: Allowance for impairment loss	**-**	**(132,417,765)**	
Balance, net	**21,058**	**101,650**	
Loans payable			
Principal Shareholder			
Greenhills Properties, Inc.			
Payments during the year	**107,845,898**	**-**	See Note 16.
Associate			
Meridian Assurance Corporation			
Payments during the year	**-**	**50,000,000**	See Note 16.
Key management personnel			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement.
Short-term benefits			
Salaries and other short-term employee benefits	**39,800,315**		
Termination benefits			
Provision for retirement benefits/PVO	**5,638,264**		

As at and for the year ended December 31, 2017:	Transactions	Outstanding balance	Terms and conditions
Sale of real estate inventories			Sales of condominium units to related parties are based on the price list in force and terms that would be available to third parties. The receivables are secured; and payable monthly in two (2) years.
Principal Shareholder			
Greenhills Properties, Inc.			
Sale of real estate inventories	P348,616,409		
Collections during the year	(87,154,102)	P261,462,307	
Sale of service			Sales of services are negotiated with related parties on a cost-plus basis.
Principal Shareholder			The receivables are due 30 days after every end of the month.
Greenhills Properties, Inc.			The receivables are unsecured and bear no interest.
Management services	1,106,057		
Brokering services	847,738		
Collections	(1,953,795)	-	

Forward

As at and for the year ended December 31, 2017:	Transactions	Outstanding balance	Terms and conditions
Advances (Associates)			Advances are unsecured, non-interest bearing and settled in cash.
Alexandra (USA), Inc.	-	132,417,765	
Le Cheval Holdings, Inc.	19,657	81,235	
Meridian Assurance Corporation	-	(643)	
Less: Allowance for impairment loss	-	(132,417,765)	
Balance, net	19,657	80,592	
Loans payable			
Principal Shareholder			
Greenhills Properties, Inc.			
Availment of loan	195,000,000		
Payments during the year	132,154,102	107,845,898	See Note 16.
Associate			
Meridian Assurance Corp.			
Availment of loan	-		
Payments during the year	-	50,000,000	See Note 16.
Key management personnel			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement.
Short-term benefits			
Salaries and other short-term employee benefits	47,010,465	P -	
Termination benefits			
Provision for retirement benefits/PVO	13,819,273	12,250,682	

Management Services

The Group provides general management services and financial management and supervision over the janitorial and security services for the efficient administration of the properties of GPI, the ultimate parent company, and third parties, collectively referred herein as property owners. In consideration for said services, the Group charges the property owners a fixed monthly amount, with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both the Group and the property owners.

Advances to (from) related parties

The Parent Company's substantial receivables from AUI, an associate, which is intended to fund the latter's working capital requirement, represents non-interest bearing advances with no fixed term with the option to convert to equity in case of increase in capital. Advances contributed by AUI's stockholders were in accordance with the percentage of ownership of the stockholders in AUI. Outstanding receivables amounted to P132.42 million in 2018 and 2017 which is fully provided with an allowance for impairment loss and is included as part of advances to associates as disclosed in Note 10.

The Group has provided total allowance for unrecoverable advances amounting to P132.42 million as at December 31, 2018 and 2017.

18. Retirement Benefit Plans

The Parent Company and TIBI operate funded, non-contributory defined benefit retirement plans covering substantially all of their regular employees. The plans are administered by local banks as trustee and provide for a lump-sum benefit payment upon retirement. The benefits are based on the employees' monthly salary at retirement date multiplied by years of credited service. No other post-retirement benefits are provided.

PPMI has an unfunded, noncontributory defined benefit retirement plan.

Through their defined benefit retirement plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- *Asset volatility* - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

- *Inflation risk - Some of the Group retirement obligations are linked to inflation, and higher inflation will lead to* higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by an independent actuary on February 26, 2019 for the year ended December 31, 2018. The present values of the defined benefit obligations, the related current service costs and past service costs were measured using the Projected Unit Credit Method.

Key assumptions used for the Parent Company:

	Valuation at	
	2018	2017
Discount rate	**7.38%**	5.77%
Future salary increase	**4.00%**	4.00%

Key assumptions used for PPMI:

	Valuation at	
	2018	2017
Discount rate	**7.53%**	5.70%
Future salary increase	**6.00%**	6.00%

Key assumptions used for TIBI:

	Valuation at	
	2018	2017
Discount rate	**5.80%**	5.00%
Future salary increase	**5.00%**	3.00%

Assumptions regarding future mortality and disability are set based on actuarial advice in accordance with published statistics and experience.

The reconciliation of the present value of the defined benefit obligation (PVO) and the fair value of the plan assets to the recognized liability presented as accrued retirement liability in the consolidated statements of financial position is as follows:

	2018	2017
Present value of defined benefit obligation	**P56,239,182**	P56,460,438
Fair value of plan assets	**30,839,705**	25,549,398
Recognized liability	**P25,399,477**	P30,911,040

The movements in the present value of defined benefit obligation are shown below:

	2018	2017
Liability at beginning of year	**P56,460,438**	P168,178,855
Current service cost	**9,524,942**	7,632,425
Interest cost	**3,233,966**	2,798,894
Benefits paid	**(395,000)**	(132,868,347)
Remeasurement losses (gains)		
Changes based on experience	**382,752**	12,073,707
Changes in demographic assumptions	**(3,622,874)**	(39,445)
Changes in financial assumptions	**(9,345,042)**	(1,315,651)
Liability at end of year	**P56,239,182**	P56,460,438

The movements in the plan assets are shown below:

	2018	2017
Fair value of plan assets at beginning of year	**P25,549,398**	P24,269,935
Interest income	**1,750,553**	546,113
Contributions of the employers to the plans	**4,500,000**	800,000
Remeasurement loss		
Return on plan assets, excluding amounts included in interest income	**(960,246)**	(66,650)
Fair value of plan assets at end of year	**P30,839,705**	P25,549,398

The Group expects to contribute P11,141,563 to the retirement fund in 2019.

The major category of plan assets as a percentage of the fair value of total plan assets as of December 31, 2018 and 2017 are as follows:

	2018	2017
Cash and cash equivalents	**P22,204,588**	P22,738,964
Equity instruments	**8,635,117**	2,810,434
	P30,839,705	P25,549,398

The retirement expense recognized in profit or loss consists of:

	2018	2017	2016
Current service cost	**P9,524,942**	P7,632,425	P10,865,711
Net interest on defined benefit liability	**1,483,413**	2,252,781	2,728,054
Past service cost	**-**	-	68,805,021
	P11,008,355	P9,885,206	P82,398,786

The retirement expense is recognized as part of employees' benefits under operating expenses in the consolidated statements of total comprehensive income.

The sensitivity analysis of the defined benefit obligation is:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	1.00%	(P4,526,473)
	(1.00%)	5,300,463
Future salary increase	1.00%	5,620,384
	(1.00%)	(4,849,656)

The above sensitivity analyses are based on changes in principal assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized in the consolidated statements of financial position.

The BOD reviews the level of funding required for the retirement fund. This includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation.

As of December 31, 2018, the weighted average duration of defined benefit obligation is 20.31 years (2017: 24.43 years).

19. Provisions and Contingencies

Parent Company

In 1998, the Parent Company sued Universal Leisure Corporation (ULC) for failing to pay the remaining sales price of condominium units. ULC bought the penthouse unit located in the 34th floor of the West Tower of the Philippine Stock Exchange Centre and 74 parking slots located at the Podium 3 Parking Level of the West Tower under two Contracts to Sell. After paying the down payment, ULC refused to pay the balance due in the principal sums of P32.5 million and P32.4 million. In February 2004, a decision was rendered in favor of the defendant on the account that ULC is an assignee of receivables from DMCI Project Developers, Inc. (DMCI) and Universal Rightfield Property Holdings, Inc. (URPHI). These receivables are allegedly owed by the Parent Company to DMCI and URPHI as a result of cancellation of a joint venture agreement in 1996 entered into by the Parent Company, DMCI and URPHI. The Parent Company was ordered to either (i) deliver to ULC the titles of the condominium units and return to ULC, as assignee of defendants DMCI and URPHI, the amount of P24.7 million or; (ii) to return to ULC the amounts which have been paid including what have been deemed paid over the penthouse unit and the parking spaces, and pay attorney's fees of P600,000. The Parent Company appealed the decision to the Court of Appeals which affirmed the trial court's decision with modification that reduced the attorney's fees from a total of P600,000 to P150,000. During 2011, the Parent Company provided an allowance of P15,507,800 for accounts receivable that are deemed not recoverable from ULC. In December 2012, the Parent Company filed a motion for Reconsideration and the same was denied. Thereafter, the Parent Company filed a Petition for Review on Certiorari with the Supreme Court where the matter resulted to amicable settlement and termination of legal proceedings.

In October 2018, the Parent Company initiated discussions on amicable settlement with ULC offering the return of the amounts paid and deemed paid for the penthouse unit and the 74 parking slots in exchange for getting back the said properties. The parties were able to execute a settlement agreement on February 19, 2019, wherein the Parent Company will pay ULC a total amount of P231,000,000, covering the return of the amounts paid/deemed paid by ULC (for itself and as assignee of DMCI and URPHI) for the penthouse unit located in the 34th floor, West Tower of the Philippine Stock Exchange Centre (formerly Tektite Towers) containing a floor area of 2,370 square meters and 74 parking slots located at the Podium 3 Parking Level of the West Tower of the Philippine Stock Exchange Centre which shall all be returned to the Parent Company, plus total legal fees of P150,000 (see Note 14).

With the settlement, ULC allowed the Parent Company to withdraw P18,808,073 from the joint account set-up for the discontinued joint venture project by and among the Parent Company, DMCI and URPHI (see Note 7). DMCI and URPHI contributed the funds in the joint venture account. The Parent Company had to reverse the sale transactions it previously booked and reinstated the investment properties returned at their cost of P180.62 million (see Note 12) and had to recognize a net loss on the settlement of P62.07 million (see Note 27).

The Parent Company is also a party to legal claims that arise in the ordinary course of business, the outcome of which is not presently determinable. The Parent Company and its legal counsel, however, believe that final settlement, if any, will not be material to the Parent Company's financial results.

Subsidiaries
Certain subsidiaries are defendants or parties in various lawsuits and claims involving civil and labor cases. In the opinion of the subsidiaries' management, these lawsuits and claims, if decided adversely, will not involve sums having material effect on the subsidiaries' financial position or results of operations.

Management believes that the final settlement, if any, of the foregoing lawsuits or claims would not adversely affect the Group's financial position or results of operations.

Accordingly, no provision has been made in the accounts for these lawsuits and claims.

20. Management Fees

The Group provides general management services and financial management and supervision over the janitorial and security services through PPMI. In consideration for the said services, the Group charges the property owners a fixed monthly amount with a 10% escalation rate annually. These management contracts are renewable for a period of two (2) to three (3) years upon mutual agreement of both PPMI and the property owners. The Group is entitled to fixed reimbursement of actual cost of the on-site staff. The total income from management fees amounted to P34.0 million, P30.1 million and P31.6 million in 2018, 2017 and 2016, respectively.

21. Commission

The Group's commission income was derived from the following activities:

	2018	2017	2016
Insurance brokerage	**P6,583,300**	P5,690,633	P7,112,097
Property management	**-**	1,299,460	-
Others	**92,726**	571,830	608,916
	P6,676,026	P7,561,923	P7,721,013

22. Leases

The Group as lessor
The Group leases various condominium units to various lessees.

The rental income earned by the Group during 2018, 2017 and 2016 amounted to P102.12 million, P47.05 million and P19.48 million, respectively. The lease contracts between the Company and its lessees have a term of one year which are renewable annually.

Deferred rental income classified under other non-current liabilities amounting to P38.0 million and P64.8 million as of December 31, 2018 and 2017, respectively, pertains to advance rent received from lessees to be applied on the last three (3) months of the lease contract.

Refundable deposits on these lease agreements amounted to P16,589,745 in 2018 and P13,038,228 in 2017, and is included as part of trade and other payables as disclosed in Note 14.

The Group as lessee
The Group leases various office space and storage facilities from associates and third parties. Total rent expense charged to operations amounted to P663,572, P516,937 and P765,544 in 2018, 2017 and 2016, respectively (see Note 25).

23. Interest Income

The Group's interest income was derived from the following:

	Note	**2018**	2017	2016
Cash and cash equivalents	*3*	**P2,401,445**	P512,426	P117,319
Trade receivables	*7*	**1,020,842**	879,085	746,775
Joint arrangement	*11*	**-**	10,005,694	10,005,694
Others		**152,517**	117,869	235,500
		P3,574,804	P11,515,074	P11,105,288

Interest income from joint arrangement pertains to the agreed amount of interest due to the late remittance of the quarterly payments as mentioned in Note 11.

24. Other Income

The account consists of:

	Note	**2018**	2017	2016
Gain on fair value adjustment of investment properties	*12*	**P511,432,937**	P354,123,354	P -
Reversal of various payables and accruals		**109,006,274**	1,058,516	1,354,928
Reversal of allowance for impairment losses on receivables	*7*	**38,141,717**	-	-
Unrealized foreign exchange gain		**1,809,732**	48,897	109,258

Forward

	Note	2018	2017	2016
Dividend income	4,5	**P626,337**	P400,915	P306,679
Holding gain on trading investments		**-**	-	7,559,983
Miscellaneous		**514,941**	3,657,032	1,407,558
		P661,531,938	P359,288,714	P10,738,406

25. Cost of Services

The account consists of:

	Note	2018	2017	2016
Salaries, wages and other benefits		**P27,803,914**	P21,737,674	P19,413,715
Outside services		**11,065,543**	2,697,552	1,513,575
Condominium dues		**9,247,509**	14,291,435	3,009,642
Taxes and licenses		**6,172,262**	5,520,127	3,082,791
Utilities		**2,892,057**	2,254,456	2,301,922
Insurance and bond premiums		**2,270,615**	1,939,127	495,237
Employees welfare		**1,944,651**	1,921,456	1,960,440
Supplies and materials		**1,463,359**	927,596	897,461
SSS, Pag-ibig and other contributions		**1,298,923**	1,086,044	1,104,419
Repairs and maintenance		**1,226,447**	2,072,631	1,133,336
Commission		**864,270**	1,186,819	462,666
Rental	22	**663,572**	516,937	765,544
Depreciation and amortization				
Property and equipment	13	**68,195**	584,210	136,494
Investment properties	12	**-**	10,949,120	12,533,633
Transportation and travel		**25,648**	34,800	19,127
Others		**3,484,214**	2,602,510	2,614,179
		P70,491,179	P70,322,494	P51,444,181

26. General and Administrative Expenses

The account consists of:

	Note	2018	2017	2016
Marketing expense		**P194,616,920**	P86,524,655	P29,898,450
Salaries, wages, and benefits		**61,310,140**	57,915,644	64,998,883
Taxes and licenses		**40,926,242**	12,769,446	19,643,808
Transportation and travel		**35,247,324**	42,400,956	15,304,143
Professional fees		**27,994,929**	25,749,694	18,021,845
Provision for impairment loss on trade receivables	7	**26,262,781**	61,283	-
Representation and entertainment		**17,738,010**	25,800,335	82,944
Impairment loss on other assets		**16,637,343**	-	-
Depreciation and amortization				
Property and equipment	13	**13,410,703**	10,699,770	9,745,297
Investment properties	12	**-**	4,083,075	1,918,168
Condominium dues		**11,826,094**	3,012,019	5,804,952

Forward

	Note	2018	2017	2016
SSS, Pag-ibig, Medicare and other benefits		**P11,202,768**	P5,583,071	P5,132,801
Insurance and bond premiums		**11,108,663**	8,389,155	5,927,490
Provision for retirement benefits	*18*	**11,008,355**	9,885,206	82,398,786
Outside services		**6,974,218**	6,366,142	29,764,095
Utilities		**2,459,768**	2,421,130	2,705,158
Postage and communication		**1,920,092**	1,713,373	2,050,488
Corporate social responsibility		**869,372**	763,005	1,115,318
Repairs and maintenance		**144,552**	132,698	175,230
Supplies and materials		**141,468**	196,821	275,798
Write-off of trade receivables	*7*	**-**	1,576,440	1,257,943
Membership dues		**-**	2,600	173,804
Miscellaneous		**14,742,204**	12,527,485	9,020,482
		P506,541,946	P318,574,003	P305,415,883

Miscellaneous expenses include PSE fees, trainings and seminars, donations and contributions, and various petty expenses.

27. Other Expenses

The account consists of:

	Note	2018	2017	2016
Loss on settlement of lawsuit	*19*	**P62,066,927**	P -	P -
Loss on money market investment	*3*	**886,578**	-	-
Bank charges		**372,073**	707,777	123,949
Loss on disposal of property and equipment		**308,313**	-	-
Others		**89**	1,585,802	3,346,000
		P63,633,980	P2,293,579	P3,469,949

Others pertain to various individually insignificant expenses.

28. Income Taxes

The components of income tax expense (benefit) are as follows:

	2018	2017	2016
Current	**P15,037,882**	P8,808,783	P34,772,027
Deferred	**163,802,340**	120,981,600	(25,013,536)
	P178,840,222	P129,790,383	P9,758,491

The reconciliation of the provision for income tax expense computed at the statutory rate to the provision shown in the consolidated statements of total comprehensive income is as follows:

	2018	2017	2016
Income before income tax	**P569,774,005**	P392,300,529	P1,370,383
Income tax expense	**170,932,203**	117,690,159	411,115
Additions to (reductions in) income tax resulting from the tax effects of:			
Non-deductible expenses	**24,771,866**	4,707,481	507,973
Impairment loss on trade and other receivables and advances to associates	**7,500,598**	-	278,893
Limit on interest expense	**126,329**	58,425	-
Movement on unrecognized deferred tax assets	**(12,570,995)**	19,340,628	11,397,386
Reversal of accruals and payables	**(11,153,755)**	-	(441,681)
Interest income subjected to final tax	**(329,723)**	(153,728)	(35,196)
Gain on changes in fair value of investment property of a subsidiary	**(248,400)**	(5,200,248)	-
Dividend income	**(187,901)**	(120,274)	(92,004)
Gain on sale of shares of stocks	**-**	(5,761,798)	-
Unrealized gain on trading investments	**-**	(770,262)	(2,267,995)
	P178,840,222	P129,790,383	P9,758,491

The Group is subject to either the 30% regular income tax or 2% minimum corporate income tax (MCIT), whichever is higher. The excess MCIT over the regular income tax shall be carried forward and applied against the regular income tax due for the next three consecutive taxable years.

The details of the Parent Company's MCIT are as follows:

Year Incurred	Expiry date	Amount	Applied/Expired	Balance
2018	2021	P13,057,870	P -	P13,057,870
2017	2020	7,751,632	-	7,751,632
2016	2019	6,979,694	-	6,979,694
2015	2018	2,114,819	(2,114,819)	-
		P29,904,015	(P2,114,819)	P27,789,196

The details of the Group's NOLCO are as follows:

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2018	2021	P1,261,869	P -	P -	P1,261,869
2017	2020	38,457,992	-	-	38,457,992
2016	2019	27,238,477	-	-	27,238,477
2015	2018	104,807,694	(85,895,939)	(18,911,755)	-
		P171,766,033	(P85,895,939)	(P18,911,755)	P66,958,338

The components of the net deferred income tax assets and liabilities recognized by the Group are as follows:

	2018		2017	
	Tax Base	**Deferred Tax**	Tax Base	Deferred Tax
Deferred tax assets:				
Deferred rent income	**P38,051,067**	**P11,415,320**	P64,863,260	P19,458,978
Provision for retirement benefits	**23,765,513**	**7,129,654**	65,172,510	19,551,753
Impairment loss on receivables	**600,407**	**180,122**	328,300	98,490
	62,416,987	**18,725,096**	130,364,070	39,109,221
Deferred tax liabilities:				
Gain on fair value adjustment of investment properties	**847,394,133**	**254,218,240**	336,789,193	101,036,758
Accrued rent receivable	**21,833,700**	**6,550,110**	8,337,490	2,501,247
Unrealized foreign exchange gain	**1,878,733**	**563,620**	-	-
Revaluation surplus	**-**	**-**	36,073,960	10,822,188
	871,106,566	**261,331,970**	381,200,643	114,360,193
	(P808,689,579)	**(P242,606,874)**	(P250,836,573)	(P75,250,972)

The recognized deferred tax assets were from the Parent Company and PPMI.

The Group's unrecognized deferred tax assets pertain to the following:

	2018		2017	
	Tax Base	**Deferred Tax**	Tax Base	Deferred Tax
Allowance for impairment loss on advances to associates	**P170,204,107**	**P51,061,232**	P166,223,470	P49,867,041
Net operating loss carry-over	**66,958,338**	**20,087,501**	170,453,265	51,135,980
Allowance for impairment loss on receivables	**21,082,642**	**6,324,792**	37,240,467	11,172,140
Allowance for impairment loss on investments in subsidiaries and associates	**19,918,196**	**5,975,459**	19,918,193	5,975,458
Accrued retirement benefit expense	**-**	**-**	1,813,347	544,004
MCIT	**27,789,196**	**27,789,196**	9,866,450	9,866,450
	P305,952,479	**P111,238,180**	P405,515,192	P128,561,073

The deferred tax assets have not been recognized in respect of the above items because it is not probable that sufficient future profit will be available against which the Company can utilize the benefits there from.

29. Capital Stock

	Note	2018	2017	2016
Authorized				
8,000,000,000 common shares at P0.50 par value in 2018, 2017 and 2016	*30*	**P4,000,000,000**	P4,000,000,000	P4,000,000,000
Issued and outstanding 3,688,869,745 shares in 2018, 2017 and 2016	*30*	**1,844,434,873**	1,844,434,873	1,844,434,873
Subscribed 1,314,711,262 shares in 2018, 2017 and 2016;		**657,355,632**	657,355,632	657,355,632
Subscriptions receivable	*30*	**(157,592,010)**	(157,592,010)	(243,911,982)
		499,763,622	499,763,622	413,443,650
		2,344,198,495	2,344,198,495	2,257,878,523
Additional paid-in capital				
Balance at beginning of year		**557,014,317**	557,014,317	114,751
Movements during the year	*30*	**-**	-	800,841,947
Subscription receivable	*30*	**-**	-	(243,942,381)
Balance at end of year		**557,014,317**	557,014,317	557,014,317
		P2,901,212,812	P2,901,212,812	P2,814,892,840
Treasury stock		**P109,712,439**	P160,904,214	P163,383,895

30. Quasi-Reorganization/Reduction in Par Value

On November 21, 2014, the shareholders of the Parent Company approved the following:

Quasi-reorganization consists of the following:

- Reduction of par value of the Parent Company's common shares from One Peso (P1.00) per share to Fifty Centavos (P0.50) per share.
- Decrease in the authorized capital stock of the Parent Company from Eight Billion Pesos (P8,000,000,000) to Four Billion Pesos (P4,000,000,000), divided into Eight Billion (8,000,000,000) Common Shares.
- Resulting surplus from the reduction of par value to be credited to additional paid-in capital amounting to P1,700,948,556 as of December 31, 2014.
- Offset of the Parent Company's deficit as of December 31, 2014 against additional paid in capital.

The above was approved by the SEC on February 9, 2016.

31. Reserves

This account consists of:

	Note	**2018**	2017	2016
Appropriated retained earnings for:				
Treasury stock acquisitions				
Balance at beginning of year		**P250,000,000**	P250,000,000	P250,000,000
Movements during the year		**(140,287,561)**	-	-
Balance at end of year		**P109,712,439**	P250,000,000	P250,000,000
Revaluation on FVOCI				
Balance at beginning of year		**(24,132,038)**	(49,471,316)	(85,588,450)
Effect of adoption of PFRS 9	*5*	**17,308,122**	-	-
Disposal		**1,924,192**	-	-
Movements during the year		**(15,449,604)**	25,339,278	36,117,134
Balance at end of year		**(20,349,328)**	(24,132,038)	(49,471,316)
Remeasurement loss on retirement benefit obligation				
Balance at beginning of year		**(30,798,439)**	(23,248,754)	(22,706,987)
Movements during the year - gross		**11,624,918**	(10,785,264)	(773,954)
Movements during the year - tax		**(3,487,474)**	3,235,579	232,187
Balance at end of year		**(22,660,995)**	(30,798,439)	(23,248,754)
Others		**238,062**	238,062	238,062
		P66,940,178	P195,307,585	P177,517,992

The Parent Company's appropriated retained earnings amounting to P250,000,000 was allocated for the Parent Company's treasury stock acquisitions. On May 29, 2018, the Board of Directors approved the release of P140,287,561 from the appropriated retained earnings since the Parent Company will only restrict retained earnings equivalent to the cost of the treasury shares being held.

32. Non-controlling Interest

	2018	2017
UTC		
January 1	**P2,172,512**	P2,408,393
Share in net loss	**(130,595)**	(235,881)
December 31	**2,041,917**	2,172,512
Share in reserves		
Unrealized holding gain (loss) on valuation of FVOCI		
January 1	**(3,488,312)**	(5,078,578)
Disposal	**3,488,312**	-
Unrealized holding loss	**-**	1,590,266
December 31	**-**	(3,488,312)
	P2,041,917	(P1,315,800)

Forward

	2018	2017
Recon-X Energy Corporation		
January 1	**(P5,640,359)**	(P4,024,633)
Share in net loss	**(1,568,235)**	(1,615,726)
December 31	**(7,208,594)**	(5,640,359)
	(P5,166,677)	(P6,956,159)

33. Earnings (Loss) Per Share

	2018	2017	2016
Net income (loss) attributable to equity holders of Parent Company	**P392,632,613**	P264,361,753	(P3,902,319)
Weighted average no. of common shares issued and outstanding	**4,877,907,002**	4,877,907,002	4,877,907,002
Income (loss) per share	**P0.08**	P0.05	(P0.00)

The weighted average number of common shares was computed as follows:

	2018	2017	2016
Issued and outstanding shares	**3,688,869,745**	3,688,869,745	3,688,839,345
Subscribed shares	**1,314,711,262**	1,314,711,262	1,314,741,662
Treasury shares	**(125,674,005)**	(125,674,005)	(125,674,005)
Average number of shares	**4,877,907,002**	4,877,907,002	4,877,907,002

The Group has no potential dilutive shares as at December 31, 2018, 2017 and 2016.

34. Significant Accounting Policies

Adoption of New and Revised Standards, Amendments to Standards and Interpretations
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new standards and amended PFRS which became effective January 1, 2018.

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

- 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 applied PFRS 9 using modified retrospective approach, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other components of equity.

The nature of these adjustments are described below:

(a) Classification and measurement
Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

• Cash and cash equivalents, trade and other receivables and advances to associates previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortized cost beginning January 1, 2018.

• Equity investments in listed and non-listed companies previously classified as Available- for-sale (AFS) financial assets are now classified and measured as financial assets designated at fair value through OCI. The Group elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future (see Notes 4 and 5).

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018.

		PFRS 9 Measurement Categories		
PAS 39 Categories	**Balances**	**Fair value through profit or loss**	**Amortized cost**	**Fair value through OCI**
Loans and receivables				
Cash and cash equivalents	P140,866,864	P -	P140,866,864	P -
Trade and other receivables	1,069,523,235	-	1,060,848,146	-
Advances to associates	80,592	-	80,592	-
Available-for-sale financial assets	38,000,567	-	-	38,000,567
Financial assets at FVPL	26,006,562	26,006,562	-	-
	P1,274,477,820	P26,006,562	P1,201,795,602	P38,000,567

(b) Impairment
The adoption of PFRS 9 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 FVPL. 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.

For trade receivables, the Group has applied the standard's 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 uses historical loss rates as input to assess credit risk characteristics. The Group determines the appropriate receivables groupings based on shared credit risk characteristics such as revenue type, collateral or type of customer. The historical loss rates are adjusted to reflect the expected future changes in the portfolio condition and performance based on economic conditions and indicators such as inflation and interest rates that are available as at the reporting date.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payment are ninety (90) days past due. However, in certain cases, the Group may also consider a receivable 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.

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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 any credit enhancements, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law and cost to complete (for incomplete units).

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

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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 The Group uses the external independent ratings to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

- 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 recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  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 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 three years until December 31, 2020:

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

  The SEC Memorandum Circular 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 to the consolidated financial statements had the concerned application guideline in the PIC Q&A has 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.

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

  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&As. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2018 as well as a decrease in the revenue from real estate sales in 2018. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- 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.
- 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 its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

The Group adopted PFRS 15 using the modified retrospective method of adoption 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 adoption of PFRS 15 did not have a material impact on the Group's consolidated statements of total comprehensive income and consolidated statements of cash flows.

- 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 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 clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- 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 non-monetary 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 the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

Amended Standard Effective January 1, 2018 but Not Applicable to the Group

- Amendments to PFRS 2*, Share-based Payment, Classification and Measurement of Share-based Payments Transactions*
- Amendments to PFRS 4*,* Applying PFRS 9 *Financial Instruments* with PFRS 4 *Insurance Contracts*

New and Amended Standards and Interpretation Not Yet Adopted
A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2018 and have not been applied in preparing the financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the financial statements. The Group will adopt the following new and amended standards and interpretations on the respective effective dates:

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 (SPPI) 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.

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

- 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 standard's transition provisions permit certain reliefs.

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

- 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.

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

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

  The interpretation specifically addresses the following:

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

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

  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 to PFRSs 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 recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are relevant to the Group because dividends declared by the Group to non-corporate shareholders give rise to tax obligations under the current tax laws.

- 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 January 1, 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.

Deferred Effectivity

- 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. 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 deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

  The Group is currently assessing the impact of adopting these amendments.

New Standard Not Applicable to the Group

- PFRS 17, *Insurance Contracts*

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements except accounting policies for financial assets and liabilities, and revenue and cost recognition.

<u>Basis of Consolidation</u>
The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company, the subsidiaries, up to December 31 each year. Details of the subsidiaries are shown in Note 39.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including inter-company profits and unrealized profits and losses, are eliminated.

Subsidiaries
Subsidiaries are all entities over which the Group has control. The Parent Company controls an entity when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are deconsolidated from the date that control ceases.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired i.e. discount on acquisition is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the Parent Company.

Acquisition-related costs are expensed as incurred.

Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates and joint ventures
An associate is an entity over which the Parent Company is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. The investment is initially recognized at cost. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Parent Company's share in the net assets of the investee companies, less any impairment losses. The consolidated statements of total comprehensive income reflect the share of the results of the operations of the investee companies. The Parent Company's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Parent Company and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Upon loss of significant influence over the associate, the Group measures and recognizes any retaining 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 retaining investment and proceeds from disposal is recognized in profit or loss.

Business Combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate

classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

Segment Information
The Group's operating segments 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. Financial information on operating segments is presented in Note 39 to the financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

For management purposes, the Group is currently organized into five business segments. These divisions are the basis on which the Group reports its primary segment formation.

The Group's principal business segments are as follows:

a. Sale of Real Estate and Leasing
b. Property Management
c. Insurance Brokerage
d. Holding Company
e. Travel Services

The Group's resources producing revenues are all located in the Philippines. Therefore, geographical segment information is not presented.

Cash and Cash Equivalents
Cash includes cash on hand and in banks and is stated at its face value. Cash in banks earns interest at the prevailing interest rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three (3) months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Financial Assets and Liabilities

Accounting Policies Effective January 1, 2018 for Financial Instruments

Financial Assets

Recognition
Financial assets or a financial liability are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Financial assets are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Transaction costs are included in the initial measurement of the Group's financial assets, except for investments classified as at fair value through profit or loss. Subsequently, financial assets are recognized either at fair value or at amortized cost.

Classification
The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the business model of the Group for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

The Group's cash and cash equivalents, trade and other receivables and advances to associates are included under this category.

Financial Assets at FVOCI (equity instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of total comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes investments in quoted and unquoted equity instruments.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

The Group's investments in equity instruments at FVPL are classified under this category.

Impairment
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.

For trade receivables, the Group applies a simplified approach in calculating ECLs. 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 trade receivables and a vintage analysis for trade receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as accrued receivable, receivable from related parties and advances to other companies, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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. The Group uses the external independent ratings to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. 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.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12- months ECL.

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

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

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

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

Financial liabilities

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

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

The Group's financial liabilities include trade and other payables (except for payables to government), other non-current liabilities and loans payable.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of total comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized 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 statement of profit or loss.

This category generally applies to loans payable.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Accounting Policies Applied to Financial Instruments until December 31, 2017

Recognition
Financial assets are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Group's financial assets, except for investments classified as at fair value through profit or loss. Subsequently, financial assets are recognized either at fair value or at amortized cost.

Current financial assets include financial assets that are consumed or realized as part of the normal operating cycle even when they are not expected to be realized within twelve months after the reporting period, otherwise, they are classified as non-current assets.

Classification
The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. As of the reporting date, the Group has the following categories of financial assets:

Financial assets at fair value through profit or loss
Financial assets are classified as investments at fair value through profit or loss when these are acquired for trading or are designated upon initial recognition. Financial assets under this category are initially recorded and are subsequently measured at fair value with gains and losses arising from changes in fair value being included in profit or loss for the year. Transaction costs on purchases and sale of financial assets under this category are recognized as expense in profit or loss.

A financial asset is classified as at FVPL if:

a. it has been acquired principally for the purpose of selling in the near future; or
b. it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
c. it is a derivative that is not designated and effective as a hedging instrument.

The Group's investment in equity securities of various listed Companies presented as "financial asset at FVPL" in the consolidated statements of financial position are classified under this category.

Loans and receivables
Cash and cash equivalents, trade and other receivables and advances to associates that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale investments
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Available-for-sale financial assets are initially measured at fair value plus incremental direct transaction costs and subsequently are carried at fair value. Unrealized gains and losses arising from changes in fair value are recognized directly in other comprehensive income, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. When the available-for-sale financial asset is disposed of or is determined to be impaired, the cumulative unrealized gain or loss previously recognized in equity is included in profit or loss as a reclassification adjustment even if the financial asset (AFS) has not been derecognized.

The Group's investment in listed shares of stocks and golf and country club shares presented as available-for-sale financial assets in the consolidated statements of financial position are classified under this category.

Impairment
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Available-for-sale financial assets
In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Generally, the Group treats 'significant' as 20% or more and 'prolonged' as greater than twelve months. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss. Impairment losses for an investment in an equity instrument classified as Available-for-sale financial assets shall not be reversed through profit or loss but in other comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit and loss for the year, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss for the year.

Loans and receivables
For loans and receivables category, the Group first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant of not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables 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 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 effective interest rate, i.e., the effective interest rate computed at initial recognition. The carrying amount of the financial assets carried at amortized cost is reduced directly by the impairment loss, with the exception of trade receivables wherein the carrying amount is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 shall be reversed. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in the profit or loss for the year.

Other financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on financial assets carried at cost are not reversed.

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

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

The Group has transferred its right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities
Financial liabilities are recognized in the Group's consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Group's financial liabilities, which do not include any debt instruments classified as at fair value through profit or loss.

The Group classifies its financial liabilities in the following categories; financial liabilities at fair value through profit or loss and other financial liabilities.

A financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortized cost. Financial liabilities measured at amortized cost are subsequently measured using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period.

The Group has no financial liability at fair value through profit or loss. Other financial liabilities include trade and other payables (except for payables to government), other non-current liabilities and loans payable.

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

A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

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

Prepayments
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the consolidated statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year or the Group's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Real Estate Inventories
Property acquired or being developed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value.

Cost includes amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to complete and the estimated costs to sell.

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

The provision account, if any, is reviewed on a monthly basis to reflect the reasonable valuation of the Group's inventories. Inventory items identified to be no longer recoverable is written-off and charged as expense for the period.

Real estate held for development is measured at lower of cost and NRV. Expenditures for development and improvements of land are capitalized as part of the cost of the land. Directly identifiable borrowing costs are capitalized while the development and construction is in progress.

Property and Equipment
Property and equipment are initially measured at cost which consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use and are subsequently measured at cost less any accumulated depreciation, amortization and impairment losses, if any.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

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

	Number of years
Building	25
Building improvements	5 to 10
Office furniture, fixtures and equipment	3 to 10
Transportation and other equipment	5

The assets' residual values, estimated useful lives and depreciation and amortization methods are reviewed periodically to ensure that the amounts, periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

Derecognition
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time, the cost and their related accumulated depreciation are removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties
Investment properties comprised completed property and property under development or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment property is initially measured at cost incurred in acquiring the asset and subsequently stated at fair value. Revaluations are made with sufficient regularity by external independent appraisers to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the period. The external independent appraiser uses sales comparison approach in arriving at the value of the properties. In this approach, the value of the properties is based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at different floor levels of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

A transfer is 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. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Derecognition
Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statements of total comprehensive income in the year of retirement or disposal.

Impairment of Non-financial Assets
At each reporting date, the Group assesses whether there is any indication that any of its non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of the non-financial asset is the higher of fair value less costs 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 assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss reverses subsequently, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between participants at measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Parent Company after deducting all of its liabilities. Distribution to the Parent Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's Board of Directors.

Capital stock
Capital stock is classified as equity when there is no obligation to the transfer of cash or other assets. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Additional paid-in capital
Additional paid-in capital pertains to premium paid over the par value of shares.

Retained earnings (deficit)
Retained earnings (deficit) include all the accumulated income (losses) of the Group, dividends declared and share issuance costs. Retained earnings (deficit) is net of amount offset from additional paid-in capital arising from the quasi-reorganization.

Treasury stock
The Parent Company's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statements of total comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Employee Benefits

Short-term benefits
The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Post-employment benefits
The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligation (DBO) is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Revenue Recognition

Revenue recognition effective January 1, 2018

Revenue from contracts with customers

Revenue from real estate sales
The Parent Company primarily derives its real estate revenue from the sale of vertical 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 Parent Company expects to be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 35.

The Parent Company derives its real estate revenue from sale of condominium units. Revenue from the sale of these 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 Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company 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 monthly project accomplishment report prepared by the third party surveyor as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

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

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

The Group also derives its revenue from management fee, commission, rental and interest income for which the Group assessed that there is only one performance obligation. Revenue from contracts with customers is recognized at a point in time 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.

Management fee
Management fee is recognized when the related services have been performed in accordance with the terms and conditions of the management agreement and applicable policies.

Commission income
Commission income is recognized when the real estate brokering services have been performed in accordance with the terms and conditions of the agreement, commission scheme and applicable policies. Commission income recognized is the amount earned as an agent and excludes amounts collected on behalf of the principal.

Interest income
Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income
Rent income from operating leases is recognized as income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Miscellaneous income
Miscellaneous income is recognized when earned.

Revenue recognition prior to January 1, 2018
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sales of real estate
The Parent Company assesses whether it is probable that the economic benefits will flow to the Parent Company when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with PIC Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the physical proportion of contract work. The percentage of completion is determined by the Parent Company's project engineers.

Any excess of collections over the recognized receivables are included in the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other current liabilities" account in the liabilities section of the consolidated statements of financial position.

Management fee
Management fee is recognized when the related services have been performed in accordance with the terms and conditions of the management agreement and applicable policies.

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

Commission income
Revenue from commissions is recognized at the time it is earned, generally as of the effective date of the applicable policies. Revenue recognized is the amount of commission earned as an agent and excludes amounts collected on behalf of the principal.

Gain on sale of non-financial assets
Gain on sale of non-financial asset is recognized at the time of disposal of the non-financial asset. The difference between the net disposal proceeds and carrying amount of the non-financial asset is recognized in profit or loss.

Realized and unrealized gains on sale of financial assets at FVPL
Realized gains are recognized at the time of disposal of the securities on a trade date basis. Unrealized gains on changes in fair value of trading securities are recognized in profit or loss upon revaluation at each reporting date.

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

Dividend income
Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Other income
Other income is recognized when earned.

Unearned Income
Unearned income represents collections from customers which are as of the reporting period not yet earned. Unearned income are initially recorded as liability and recognized at the amount actually received. Subsequently, these are earned through profit or loss based on the percentage of completion of the property sold.

Cost recognition from real estate sales effective January 1, 2018
The Parent Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as 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.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Cost recognition from real estate sales prior to January 1, 2018
Cost of real estate sales is recognized consistent with the revenue recognition method applied and is determined with reference to the specific, including estimated costs, on the property allocated to sold area. Cost of residential and commercial lots and 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 Parent Company's in-house technical staff.

Estimated development costs include direct land development, shared development cost, building cost, external development cost, professional fees, post construction, contingency, miscellaneous and socialized housing. Miscellaneous costs include payments such as permits and licenses, business permits, development charges and claims from third parties which are attributable to the project. Contingency includes fund reserved for unforeseen expenses and/ or cost adjustments. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts are considered as special budget appropriations that are approved by management and are made to form part of total project costs on a prospective basis and allocated between costs of sales and real estate inventories.

Cost and Expense Recognition
Costs and expenses are recognized in profit or loss when a 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 profit or loss on the basis of: (i) a direct association between the costs incurred and the earning of specific items of income; (ii) systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (iii) immediately when an 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 statements of financial position as an asset.

Cost and expenses in the consolidated statements of total comprehensive income are presented using the function of expense method. General and administrative expenses are costs attributable to general, administrative and other business activities of the Group.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they were incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases

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

Group as Lessor
Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statements of total comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are restated at the rates prevailing on the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Income Tax
Income tax expense for the year comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted at the reporting date. Management periodically evaluates positions in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority and the same taxable entity.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation, either legal or constructive, as a result of a past event; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and; when the amount of the obligation can be estimated reliably. When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a consolidated asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities 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.

Related Party Relationships and Transactions
Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Earnings (Loss) per Share

Basic earnings (loss) per share
The Group computes its basic earnings (loss) per share by dividing net profit or loss attributable to common equity holders of the Parent Company by the weighted average number of common shares issued and outstanding during the period.

Diluted earnings (loss) per share
Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

Events After the Reporting Date

The Group identifies events after the reporting date as events that occurred after the reporting date but before the date the consolidated financial statements were authorized for issue. Any subsequent event that provides additional information about the Group's financial position at the reporting date is reflected in the consolidated financial statements. Non-adjusting subsequent events are disclosed in the notes to the consolidated financial statements when material.

35. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

Revenue and cost recognition on real estate projects
The Parent Company's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Parent Company's revenue from real estate and construction contracts is recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical

proportion of the contract work. Apart from involving significant estimates in determining the quantity of imports such as materials, labor and equipment needed, the assessment process for the POC is complex and the estimated project development costs requires technical determination by management's specialists (project engineers).

Similarly, the commission is determined using the percentage of completion.

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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 and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group uses vintage analysis approach to calculate ECLs for trade receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan 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 PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) 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 trade receivables is disclosed in Notes 7 and 37.

Estimating useful lives of assets
The useful lives of assets are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of assets would increase the recognized operating expenses and decrease non-current assets.

Evaluation of net realizable value of real estate inventories
The Parent Company adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the assets. In determining the recoverability of the assets, management considers whether those assets are damaged or if their selling prices have 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.

Results of management's assessment disclosed that there is no need for provision for impairment of inventories as at December 31, 2018 and 2017.

Revenue recognition
When a contract for the sale of a property upon completion of construction is judged to be a construction contract, revenue is recognized using the percentage-of-completion method as construction progresses. The Group considers the terms and conditions of the contract, including how the contract was negotiated and the structural elements that the customer specifies when identifying individual projects as construction contracts. The percentage of completion is estimated by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

The Group assesses its revenue arrangements to determine if it is a principal or an agent. The Group is acting as a principal when it has exposure to the significant risks and rewards with the sales transactions or rendering of services. The Group is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sales transactions or rendering of services.

Post-employment and other employee benefits
The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 18.

Retirement obligation as at December 31, 2018 and 2017 amounted to P25,399,477 and P30,911,040, respectively.

Estimating fair value of investment property
The Group obtained the services of an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. An independent valuation of the Group's investment properties was performed by appraisers to determine their fair values. The valuation was determined by reference to sales and listing of comparable properties.

Recoverability of deferred tax assets
The Group reviews the carrying amounts at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized. The Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the utilization of deferred tax assets.

Total unrecognized deferred tax assets amounted to P111,238,180 and P128,561,073 as at 2018 and 2017, respectively (See Note 28).

Impairment losses on non-financial assets
The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of non-financial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Group to conclude that non-financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

Critical Accounting Judgments

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

Existence of a contract
The Parent Company'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 reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company 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 past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria – for sales contracts receivable, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria
The customer meets unlikeliness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:
a. The customer is experiencing financial difficulty or is insolvent
b. The customer is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.

Incorporation of forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Revenue recognition method and measure of progress
The Parent Company concluded that revenue for real estate sales is to be recognized over time because: (a) the Parent Company's performance does not create an asset with an alternative use and; (b) the Parent Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Parent Company'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. In addition, the Parent Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Parent Company. The Parent Company considers that the initial and continuing investments by the buyer of about 25% would demonstrate the buyer's commitment to pay.

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

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

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

The Group determines that a property will also be classified as real estate inventory when it will be sold in the normal operating cycle or it will be treated as part of the Group's strategic land activities for development in the medium or long-term.

Contingencies
The Group is currently involved in various legal proceedings and tax assessments. Estimates of probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Group's strategies relating to these proceedings.

Operating lease
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating lease.

36. Fair Value Measurement

The fair values of the Group's financial instruments are equal to the carrying amounts in the consolidated financial position as at December 31, 2018 and 2017.

Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values are disclosed in the notes to the financial statements specific to that asset or liability.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, trade and other receivables and advances to associates – carrying amounts approximate fair values due to the relatively short-term maturities of these items.

Financial assets at FVPL and FVOCI – these are investments in equity securities, fair value for quoted equity securities is based on quoted prices published in markets as of reporting dates.

Trade and other payables – the carrying value of trade and other payables and loans payable - current approximate its fair value either because of the short-term nature of these financial liabilities or effect of discounting is immaterial.

Loans payable – carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting is not significant.

The table below analyzes financial and non-financial assets measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

December 31, 2018

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVPL				
Equity investments	**P6,750,000**	**P -**	**P -**	**P6,750,000**
Financial assets at FVOCI				
Equity investments	**41,333,478**	**-**	**-**	**41,333,478**

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVPL				
Equity investments	P26,006,562	P -	P -	P26,006,562
AFS financial assets				
Equity investments	37,495,762	-	-	37,495,762
Trust funds	504,805	-	-	504,805

37. Financial Risk Management Objectives and Policies

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. The policies for managing specific risks are summarized below.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. It monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market Risk

Foreign exchange risk
The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

Foreign exchange risk exposure of the Group is limited to its cash and cash equivalents. Currently, the Group has a policy not to incur liabilities in foreign currency. Construction and supply contracts, which may have import components, are normally denominated in Philippine peso.

The amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	2018		2017	
	US dollar Deposit	**Peso Equivalent**	US dollar Deposit	Peso Equivalent
Cash and cash equivalents	**$94,159**	**P4,964,439**	$283,502	P14,153,248

The closing rates applicable as at December 31, 2018 and 2017 are P52.724 and P49.923 to US$1, respectively.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their peso translation at the period end for a 5% change in foreign currency rates. A 5% weakening of Philippine peso against the US dollar will have an increase in net income or decrease in net loss amounting to P241,602 and P707,685 in 2018 and 2017, respectively. For a 5% strengthening of the Philippine peso against the US dollar, there would be an equal and opposite impact on the net income/loss.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The primary source of the Group's interest rate risk relates to its cash and cash equivalents and loans payable. The interest rates on cash and cash equivalents and loans payable are disclosed in Notes 3 and 16, respectively.

Cash and cash equivalents are short-term in nature and with the current interest rate level, any variation in the interest will not have a material impact on the profit or loss of the Group.

Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

Based on the sensitivity performed the impact on profit or loss of a 10% increase/decrease on interest rates on cash and cash equivalents and loans payable would be a maximum increase/decrease for 2018 and 2017 as follows:

	2018	2017
Cash and cash equivalents	**P240,145**	P51,243
Loans payable	**847,422**	954,753

Price risk
Price risk is the risk that the fair value of the financial instrument particularly equity instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Parent Company's Board of Directors reviews and approves all equity investment decisions.

At December 31, 2018, the impact of 10% increase/decrease in the price of listed equity securities, with all other variables held constant, would have been an increase/decrease of P5.2 million and P3.7 million for 2018 and 2017, respectively in the Group's total comprehensive income and equity for the year. The Group' sensitivity analysis takes into account the historical performance of the stock market.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its cash and cash equivalents and trade and other receivables as disclosed in Notes 3 and 7, respectively. The Group has adopted stringent procedure in evaluating and accepting risk by setting counterparty and transaction limits. In addition, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group's security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, financial assets at FVPL, financial assets at FVOCI and advances to subsidiaries and associates. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 are as follows:

	2018	2017
Cash and cash equivalents excluding cash on hand	**P78,420,791**	P140,763,288
Trade and other receivables	**1,272,144,313**	1,069,562,007
Held-to-maturity financial assets	**-**	1,000,000
	P1,350,565,104	P1,211,325,295

The credit quality of financial assets which are neither past due nor impaired is discussed below:

(a) Cash in banks and cash equivalents

The Group deposits its cash balance in reputable banks to minimize credit risk exposure amounting to P78,420,791 and P140,763,288 as at December 31, 2018 and 2017, respectively. Cash deposits are considered to be of high grade.

(b) Trade and other receivables

The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to internal credit ratings or to historical information about counterparty default rates:

	Group A	Group B	Group C	Total
2018				
Trade and other receivables	**P572,575,744**	**P272,105,125**	**P16,780,754**	**P861,461,623**
2017				
Trade and other receivables	P325,566,628	P5,582,239	P14,728,921	P345,877,788

- Group A - new customers
- Group B - existing customers with no defaults in the past.
- Group C - existing customers with some defaults in the past. All defaults were fully recovered.

As at December 31, 2018 and 2017, trade and other receivables of P437,246,827 and P723,645,447, respectively, were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these receivables is as follows:

	More than 90 days	More than one year	Total
2018			
Trade and other receivables	**P178,311,906**	**P258,934,921**	**P437,246,827**
2017			
Trade and other receivables	P101,489,274	P622,156,173	P723,645,447

As at December 31, 2018 and 2017, trade and other receivables of P26,564,137 and P37,747,557, respectively, were impaired and provided for. Provision for impairment loss recognized in 2018 is P26,262,781. It was assessed that a portion of the receivables is expected to be recovered. The aging of these receivables is as follows:

	More than 90 days	More than one year	Total
2018			
Trade and other receivables	**P -**	**P26,564,137**	**P26,564,137**
2017			
Trade and other receivables	P -	P37,747,557	P37,747,557

The condominium certificates of the title remain in the possession of the Parent Company until full payment has been made by the customers, thus no significant credit risk was assessed for trade receivables.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate based on days past due of all customers as they have similar loss patterns. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The security deposits and advance rental are considered in the calculation of impairment as recoveries. As of December 31, 2018, the exposure at default amounts to P670.98 million. The expected credit loss rate is 3.86% that resulted in the ECL of P25.9 million as of December 31, 2018.

(c) Held-to-maturity (HTM)

The P1.0 million HTM investment at December 31, 2017 is an unsecured note issued by a publicly-listed universal bank with a term of 10 years.

Credit risks associated with fixed income investments are managed using:

a. Detailed credit and underwriting policies
b. Aggregate counterparty exposure limits
c. Monitoring against pre-established limits

Liquidity risk
Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group maintains adequate highly liquid assets in the form of cash and cash equivalents to assure necessary liquidity.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

		Contractual Obligation			
	Carrying Amount	Less than One Year	One to Five Years	More than Five Years	Total
2018			(In Thousand Pesos)		
Trade and other payables*	**P577,829**	**P501,787**	**P76,042**	**P -**	**P577,829**
Loans payable	**660,679**	**232,222**	**388,295**	**488,198**	**1,108,715**
2017					
Trade and other payables*	P236,155	P30,361	P205,794	P -	P236,155
Loans payable	856,821	134,162	916,618	5,232	1,056,012

**excluding payables to government*

38. Capital Management

The Parent Company manages its capital to ensure that the Parent Company is able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Parent Company consists of equity, which comprises of issued capital, additional paid-in capital, reserves, retained earnings (deficit) and treasury stocks.

Management reviews the capital structure on a quarterly basis. As part of this review, management considers the cost of capital and the risks associated with it.

There were no changes in the Parent Company's approach to capital management during the year.

As part of the reforms of the Philippine Stock Exchange (PSE) to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Company has fully complied with this requirement in 2018 and 2017.

Tektite Insurance Brokers, Inc. (TIBI)
The operations of TIBI are subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain capital requirement.

In 2006, the IC issued Memorandum Circular No. 1-2006 which provides for the minimum capitalization requirements of all insurance brokers and reinsurance brokers. Under this circular, existing insurance brokers and reinsurance brokers must have a net worth in accordance with the amounts and schedule stipulated in the circular.

As at December 31, 2018 and 2017, the required statutory net worth for TIBI, being an existing insurance broker is P10 million.

TIBI has fully complied with the capitalization requirements of Memorandum Circular No. 1-2006 in 2018 and 2017.

39. Segment Information

Details of the Parent Company's subsidiaries as of December 31, 2018 and 2017 are as follows:

	Principal Activities	Ownership Interest 2017	2016
PRHC Property Managers, Inc. (PPMI)	Property Management	**100%**	100%
Tektite Insurance Brokers, Inc. (TIBI)	Insurance Brokerage	**100%**	100%
Sultan's Power, Inc. (SPI)	Holding Company	**100%**	100%
Universal Travel Corporation (UTC)	Travel and Tours Agency	**81.53%**	81.53%

Minority interests as of 2018 and 2017 represent the equity interests in Universal Travel Corporation not held by the Group.

The segment assets and liabilities as of December 31, 2018, 2017 and 2016 and the results of operations of the reportable segments for the years ended December 31, 2018, 2017 and 2016 are as follows:

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	2018							
	Parent	Subsidiaries						
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel services	Other Income	Eliminations	Consolidated
	(In Thousand Pesos)							
Revenue	P1,009,230	P37,986	P6,583	P -	P93	P771,180	(P3,938)	P1,821,134
Segment Result	212,258	1,915	(3,209)	(2,455)	(689)	-	(8,205)	199,625
Interest expense	8,474	-	-	-	-	-	-	8,474
Interest income	(3,477)	(1)	(66)	-	(31)	-	-	(3,575)
Dividend income	(626)	-	-	-	-	-	-	(626)
Equity in net loss of associates	8,205	-	-	-	-	-	-	8,196
Income taxes	177,748	886	195	-	12	-	-	178,841
Income (loss) before minority interest	402,582	2,800	(3,080)	(2,455)	(708)	-	(8,205)	390,934
Minority interest	-	-	-	-	-	-	1,699	1,699
Net Income (Loss)	402,582	2,800	(3,080)	(2,455)	(708)	-	(6,506)	392,633
Other Information								
Segment assets	4,834,778	64,770	15,514	1,258	25,010	-	5,652	4,946,982
Investments at equity method	178,809	-	-	-	-	-	(102,136)	76,673
Consolidated Total Assets	5,013,587	64,770	15,514	1,258	25,010	-	(96,484)	5,023,655
Segment liabilities	1,499,091	21,759	2,160	74,668	29,946	-	(74,702)	1,552,922
Consolidated Total Liabilities	1,499,091	21,759	2,160	74,668	29,946	-	(74,702)	1,552,922
Capital expenditure	8,800	-	-	-	-	-	-	8,800
Depreciation and amortization	12,970	62	365	-	82	-	-	13,479
Non-cash expenses other than depreciation	45,388	3,877	4,521	-	122	-	-	53,908

	2017							
	Parent	Subsidiaries						
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel services	Other Income	Eliminations	Consolidated
	(In Thousand Pesos)							
Revenue	P831,370	P32,668	P5,691	P -	P572	P397,025	(P3,241)	P1,264,085
Segment Result	123,883	17,091	(1,306)	(3,348)	(1,230)	-	3,128	138,218
Interest expense	9,547	-	-	-	-	-	-	9,547
Interest income	(11,428)	(1)	(39)	-	(47)	-	-	(11,515)
Dividend income	(401)	-	-	-	-	-	-	(401)
Equity in net gain of associates	(3,128)	-	-	-	-	-	-	(3,128)
Income taxes	129,522	81	187	-	-	-	-	129,790
Income (loss) before minority interest	247,995	17,171	(1,158)	(3,348)	(1,277)	-	3,128	262,510
Minority interest	-	-	-	-	-	-	1,851	1,851
Net Income (Loss)	P247,995	P17,171	(P1,158)	(P3,348)	(P1,277)	P -	P4,979	P264,361
Other Information								
Segment assets	P4,282,916	P57,367	P18,445	P22,253	P30,456	P -	(P31,986)	P4,379,451
Investments at equity method	204,898	-	-	-	-	-	(120,020)	84,878
Unallocated corporate assets	-	-	-	-	-	-	-	-
Consolidated Total Assets	P4,487,814	P57,367	P18,445	P22,253	P30,456	P -	(P152,044)	P4,464,290
Segment liabilities	P1,366,607	P24,080	P2,184	P74,366	P54,079	P -	(P133,780)	P1,387,536
Consolidated Total Liabilities	P1,361,663	P19,136	P2,184	P74,366	P54,079	P -	(P133,780)	P1,382,592
Capital expenditure	P362,373	P47	P8	P -	P -	P -	P -	P362,428
Depreciation and amortization	26,253	106	821	-	164	-	-	27,344
Non-cash expenses other than depreciation	8,603	2,578	1,633	-	-	-	-	12,814

	2016							
	Parent	Subsidiaries						
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel services	Other Income	Eliminations	Consolidated
	(In Thousand Pesos)							
Revenue	P374,624	P33,623	P7,112	P -	P609	P180,338	(P2,041)	P594,265
Segment Result	P21,426	(P435)	P698	(P34,716)	(P1,143)	P -	(P2,083)	(P16,253)
Interest expense	7,426	8	-	1	-	-	-	7,435
Interest income	(11,051)	(1)	-	(53)	-	-	-	(11,105)
Dividend income	(307)	-	-	-	-	-	-	(307)
Equity in net loss of associates	2,083	-	-	-	-	-	-	2,083
Income taxes	8,417	948	394	-	-	-	-	9,759
Income (loss) before minority interest	27,994	520	1,092	(34,768)	(1,143)	-	(2,083)	(8,388)
Minority interest	-	-	-	-	-	-	4,486	4,486
Net Income (Loss)	P27,994	P520	P1,092	(P34,768)	(P1,143)	P -	P2,403	(P3,902)
Other Information								
Segment assets	P3,261,018	P36,110	P18,427	P23,332	P8,281	P -	(P21,609)	P3,325,559
Investments at equity method	189,034	-	-	-	-	-	(107,283)	81,751
Unallocated corporate assets	37,300	5,297	(102)	-	-	-	-	42,495
Consolidated Total Assets	P3,487,352	P41,407	P18,325	P23,332	P8,281	P -	(P128,892)	P3,449,805
Segment liabilities	P717,557	P22,772	P2,598	P57,046	P54,189	P -	(P115,415)	P738,747
Consolidated Total Liabilities	P717,557	P22,772	P2,598	P57,046	P54,189	P -	(P115,415)	P738,747
Capital expenditure	P3,421	P171	P1,781	P2,688	P -	P -	P -	P8,061
Depreciation and amortization	22,177	1,150	1,505	-	164	-	-	24,996
Non-cash expenses other than depreciation	81,100	2,164	393	-	-	-	-	83,657

The following are the principal activities of the Parent Company's subsidiaries:

PRHC Property Managers, Inc. (PPMI)
PPMI was incorporated and registered with the SEC on May 24, 1991 to engage in the business of managing, operating, developing, buying, leasing and selling real and personal property either for itself and/or for others.

The registered office of PPMI is at 5/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Tektite Insurance Brokers, Inc. (TIBI)
TIBI was incorporated and registered with the SEC on January 2, 1989 to engage in the business of insurance brokerage.

The registered office of TIBI is at 20/F East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

Universal Travel Corporation (UTC)
UTC was incorporated and registered with the SEC on November 9, 1993 to engage in the business of travel services by providing, arranging, marketing, engaging or rendering advisory and consultancy services relating to tours and tour packages. On March 15, 2018, the Board of Directors of UTC approved the resolution on the cessation of its operations effective July 31, 2018 and sold all its existing assets and paid its liabilities from the proceeds and collections of receivables and sale of assets. Thereafter, UTC became inactive.

The registered office of UTC is at Ground Floor, West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

UTC holds 41,673,000 shares of the Parent Company which was acquired at P50.97 million. In 2018, UTC sold all its shares of the Parent Company.

Sultan's Power, Inc. (SPI)
SPI was incorporated under Philippine laws and registered with the SEC on March 19, 2015 as a holding company and commenced operations as such by acquiring the majority outstanding shares of stock of Recon-X Energy Corporation (Recon-X), a company incorporated in the Philippines, engaged in the business of converting plastic waste into fuel. Recon-X is currently in the initial stage of its test runs.

The registered office of SPI is at Unit 2001B East Tower PSE Centre, Exchange Road Ortigas, Pasig City.

OFFICE

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BANKS

Philippine National Bank
Philippine Bank of Communications
Maybank Philippines, Inc.
Rizal Commercial Banking Corp.
Union Bank of the Philippines
Metropolitan Bank and Trust Co.
BDO Unibank, Inc.

TRANSFER AGENT

Professional Stock Transfer, Inc.

AUDITOR

Maceda Valencia & Co.

LISTING

Philippine Stock Exchange