



# CONTINUING THE LEGACY

Philippine Realty and Holdings Corporation  
**2019** ANNUAL REPORT

## About the Cover



The cover of the 2019 annual report of Philippine Realty and Holdings Corporation (RLT or the Company) highlights the Company's commitment in shaping the country's real estate industry. This year's annual report adopts a warm, classic aesthetic, sporting shades of cream and forest green reminiscent of the intimate and peaceful community that is One Balete—the Company's foremost development to date.

This is in line with the continued celebration of the distinctive SkyVillas project that signaled the homecoming of the Company in 2014. The SkyVillas tower is a remarkably luxurious vertical residence that promises spacious living in every home, meticulously crafted and planned by

premier designers. The cover displays a tasteful interior design of a three-bedroom SkyVillas unit as well as the grand, welcoming lobby of the residents, showcasing the Company's philosophy of providing only the most suitable for its distinguished clientele.

While One Balete is RLT's master-planned vision for the future, the Company also took this opportunity to look back on its legacy and performance as one of the premier real estate companies in the country.

The success of SkyVillas strengthens RLT's portfolio and displays the direction of the Company as it takes into account the future of real estate in the country. As RLT keeps up with its competitors to bring top-notch luxury spaces, it also strives to address its market's ever-demanding preferences for sustainable communities and thriving spaces.

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# 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 give 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 relationships 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.

# Vision

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

# Message to the Stockholders

## Dear Stockholders,

For the year 2019, your company, Philippine Realty and Holdings Corporation (RLT or the Company), continued to build on the achievements of previous years in keeping with its medium-term plan. Although our revenues increased by a modest 4% from last year's level to P1.885 billion, our net income significantly improved by 24% versus that of 2018 to P485 million. This contributed to a return on average equity (ROAE) of 13%, an improvement from the prior year's 12% ROAE.

We are pleased to present the Company's achievements and progress in 2019, as well as the exciting prospects for the years ahead.

**Alfredo S. Del Rosario, Jr.**  
PRESIDENT & CEO

**Gerardo Domenico  
Antonio V. Lanuza**  
CHAIRMAN



# Financial Performance

## I. Review of Consolidated Net Income after Tax for the Period Ending 31 December 2019 vs. 31 December 2018

The Company posted a consolidated net income of ₱485 million, an increase of 24% compared to the ₱390.9 million net income after tax reported in the same period last year.

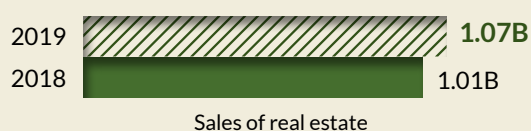
**▲24%**  
**₱485 MILLION**  
Consolidated net income

This is explained by the following:

### Sales of Real Estate

Sales of real estate for this year that amounted to ₱1.074 billion increased ₱65.4 million or by 6% for the 12 months ended 31 December 2019 compared to the sales of real estate for the same period last year.

**₱P1.074 BILLION**  
increase for the 12 months ended 31 December 2019



### Rent

Rental income decreased ₱51 million or by 50%

### Interest

Along with sales of real estate, interest increased ₱11.13 million or by 312% for the 12 months ended 31 December 2019.

### Other income

Other income for the 12 months ended 31 December 2019 increased ₱34.90 million or by 5% compared to the 12 months ended 31 December 2018.

### Cost of services and real estate sold

In spite of the increase in sales of real estate, the cost of real estate sold and services for the 12 months ended 31 December 2019 decreased ₱8.5 million compared to the same period the year before.

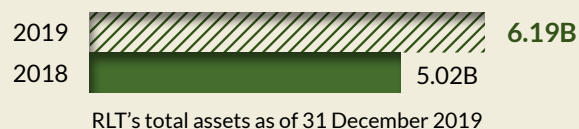
## General and administrative expenses

General and administrative expenses increased ₱5.8 million or by just 1%.

## II. Review of Consolidated Statement of Financial Position for the Period Ending in 31 December 2019 vs. 31 December 2018

### Total Assets

RLT's total assets as of 31 December 2019 exceeded ₱6 billion, increasing ₱1.169 billion or by 23% compared to the ₱5 billion level of total assets as of 31 December 2018.



The Company's current assets decreased by 24% while noncurrent assets increased ₱1.856 billion or by 85% from just above ₱2 billion in 2018.

**▼24%**  
Decrease in Company's  
current assets

**▲85%**  
Increase in Company's  
noncurrent assets

Real estate inventories decreased ₱272 million or by 19% as of 31 December 2019, a steady decrease in numbers since 2017. This decrease is compensated by the ₱353 million increase in trade and other receivables, an increase by 28% as of 31 December 2019.

**▼19%**  
**₱272 MILLION**  
Decrease in real estate  
inventories

**▲28%**  
**₱353 MILLION**  
Increase in trade and  
other receivables

For noncurrent assets, investment properties increased ₱530 million or by 31%, exceeding ₱2 billion as of 31 December 2019.

### Total Liabilities

Total liabilities increased ₱705 million or by 45% as of 31 December 2019. This is in comparison to the ₱1.5 billion total liabilities recorded as of 31 December 2018.

**₱2.3 BILLION**

Total liabilities as of 31 December 2019

**₱1.6 BILLION**

Total liabilities as of 31 December 2018

### Total Equity

Total equity as of 31 December 2019 stood at almost ₱4 billion, an increase by 13% or ₱464 million compared to the ₱3.5 billion worth of total equity recorded as of 31 December 2018.

**▲ 13%**



Increase of total equity as of 31 December 2019

Capital stock retained roughly the same amount of ₱2 billion, increasing ₱27,000 or only by a slight percentage as of 31 December 2019. Retained earnings increased ₱496 million or by 80% during the same period.

## III. Key Performance Indicators

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

Performance Indicators	31 December 2019	31 December 2018
Current ratio	2.91	4.15
Debt-to-equity	0.57	0.45
Asset-to-equity	1.57	1.45
Return on Average Equity	13.1%	11.9%
Return on Average Assets	8.7%	8.2%
Book per value per share	₱0.84	₱0.74
Earnings per share	₱0.10	₱0.08

### Current ratio

As more real estate buyers in 2019 availed of more liberal payment terms to complete the down payment, the Company's current ratio decreased by 93% in 2019, the ratio now standing at 2.91 from 4.15.

### Debt-to-equity ratio

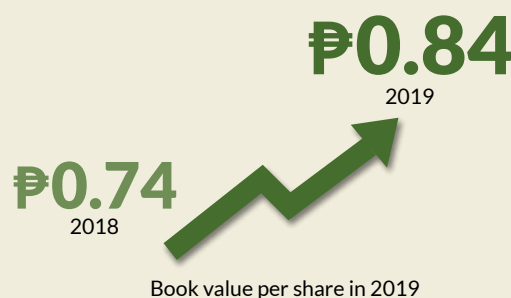
The debt-to-equity ratio increased slightly from the Company's steady record in 2017 and 2018, hopping from 0.45 to 0.57 in 2019 and maintaining an ideal level.

### Asset-to-equity ratio

Along with the debt-to-equity ratio, the asset-to-equity ratio of the Company as of 31 December 2019 also increased slightly. From its unchanged record of 1.45 in 2017 and 2018, the asset-to-equity ratio is now at 1.57.

### Book value per share

The Company's book value per share has been consistently improving. The book value per share as of 31 December 2019 is at ₱0.84, an equivalent to 14% improvement from ₱0.74 as of 31 December 2018.



Book value per share in 2019

### Earnings per share

Following the Company's continuous progress in earnings performance, earnings per share increased by 13% from ₱0.08 per share to ₱0.09 per share as of 31 December 2019.

**₱0.08 ► ₱0.09**

Earnings per share in 2019

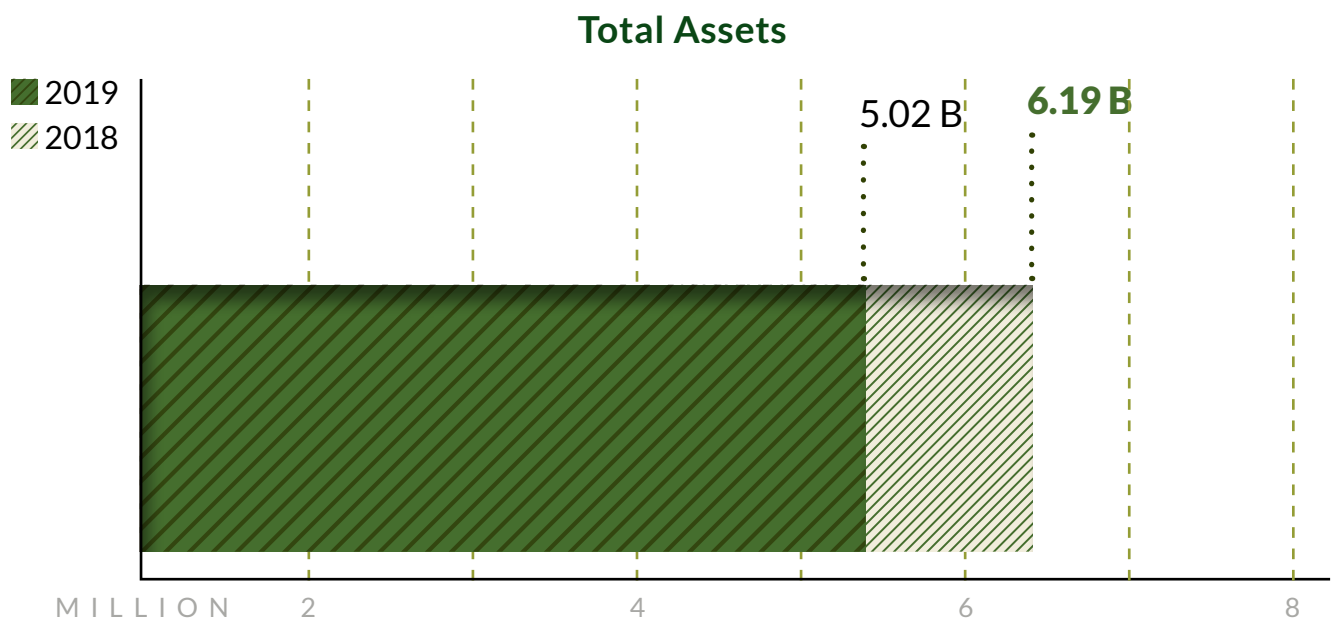
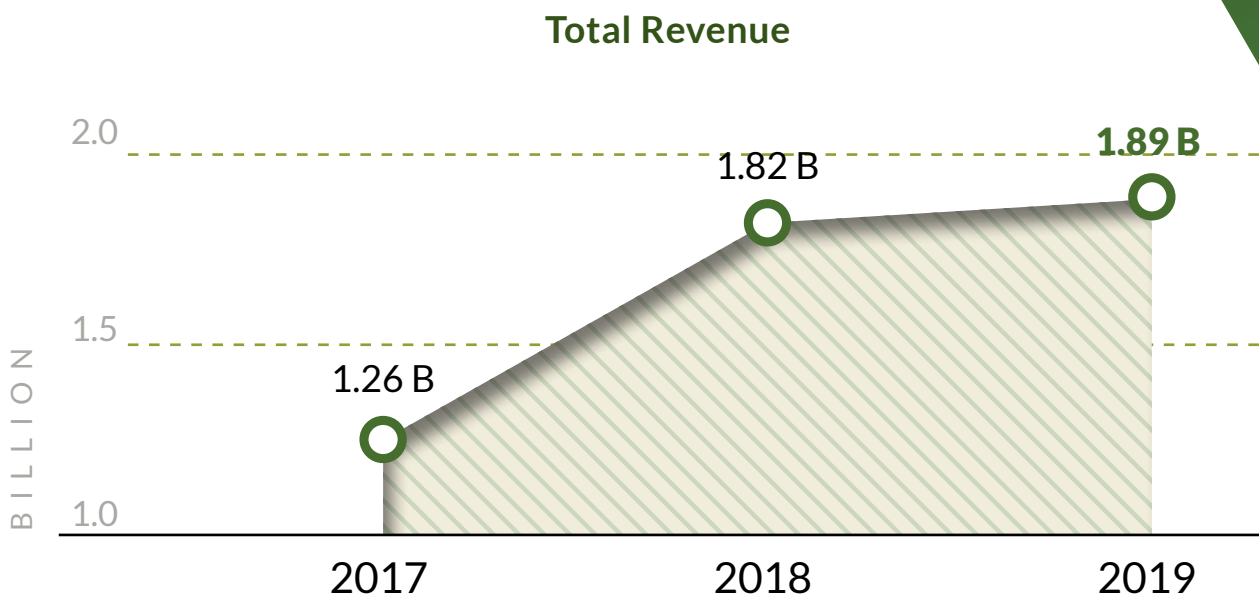
## IV. On the Years Ahead

As a new decade begins, the Company looks toward the years ahead with optimism as property and business developments continue to thrive.

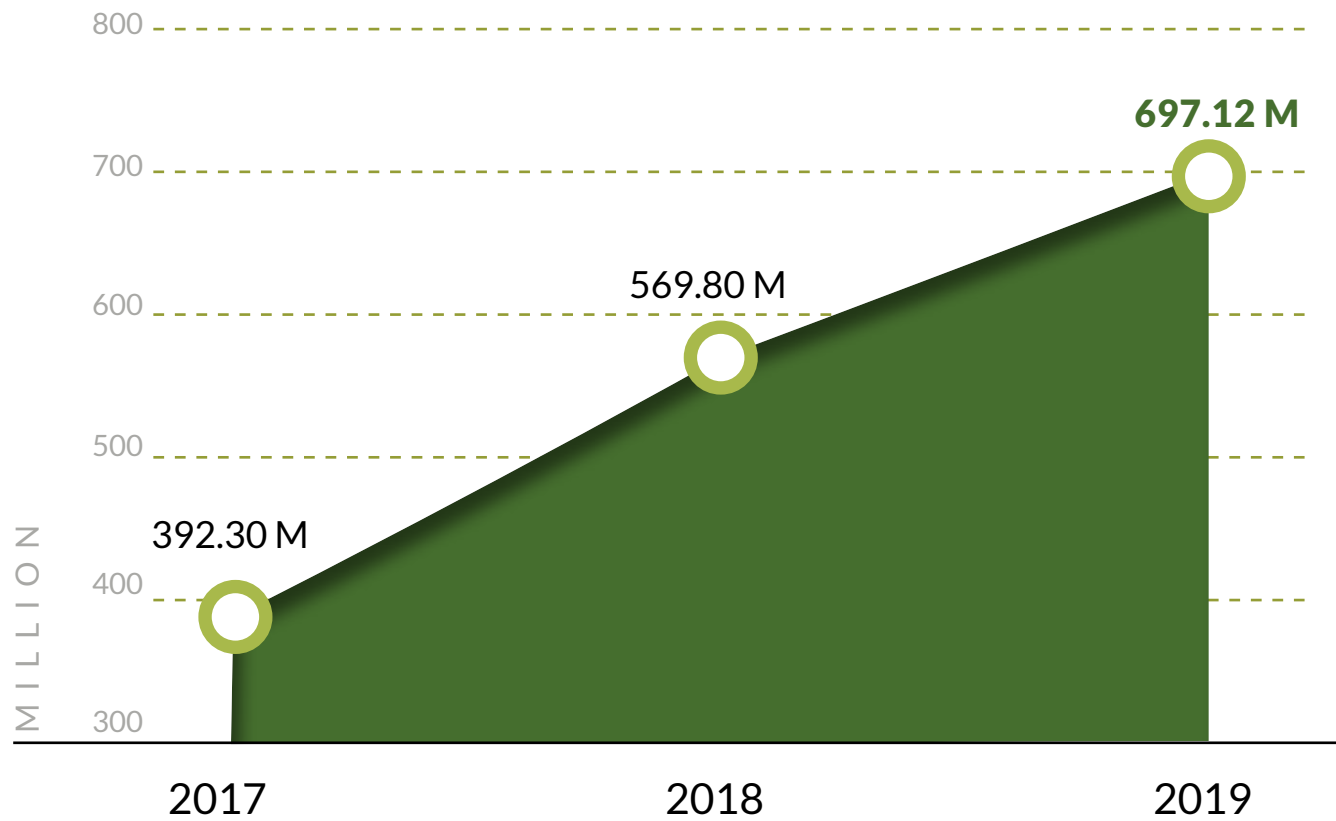
Prices in the country will continue to remain competitive and affordable compared to our Asian neighbors. With a growing market also comes a need to address the market's changing preferences, most notably in sustainability and more open spaces.

The addition of new projects solidifies the Company's direction toward sustainability, improved living spaces and peak exclusivity in potential residential hotspots. With decades' worth of legacy under its belt, the Company stays true to its core of luxury living with the upcoming projects in Baletе representing its vision for the future of real estate in the country.

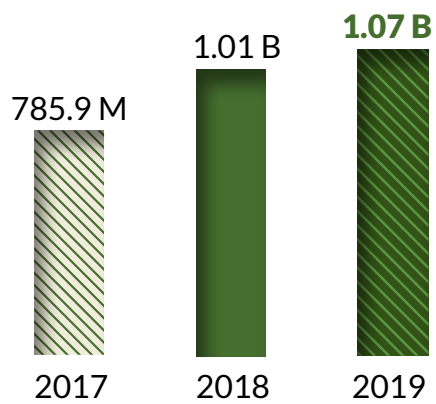
# Financial Highlights



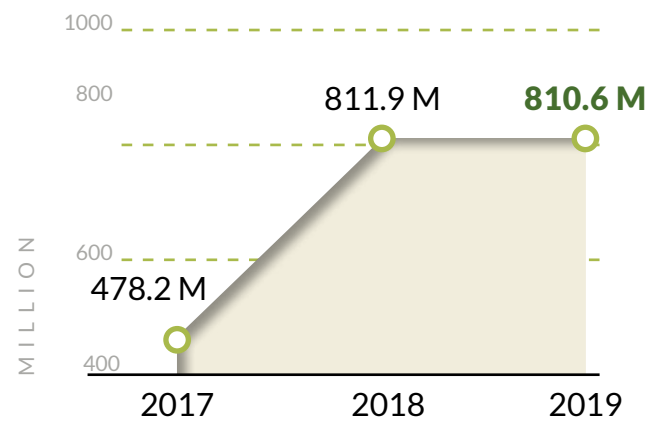
### Income (Loss) Before Tax



### Sales of Real Estate

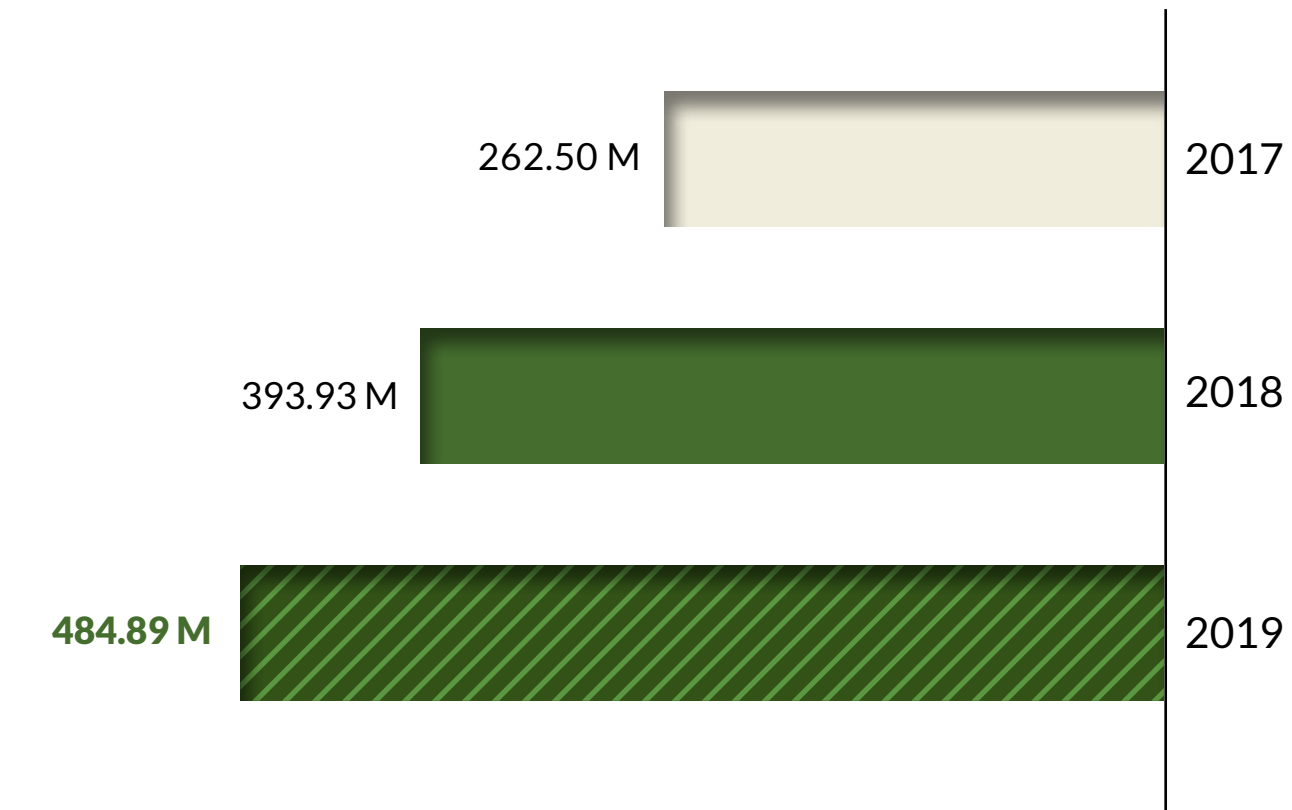


### Other Revenues

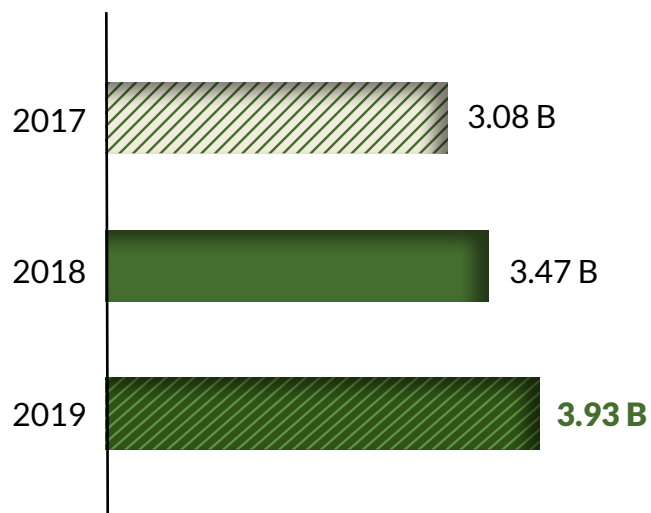




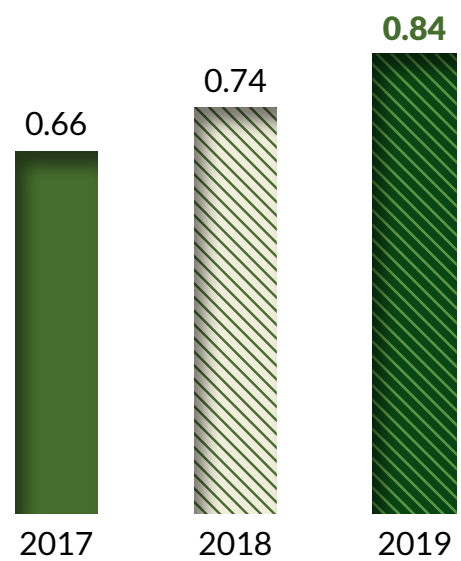
### Net Income After Tax



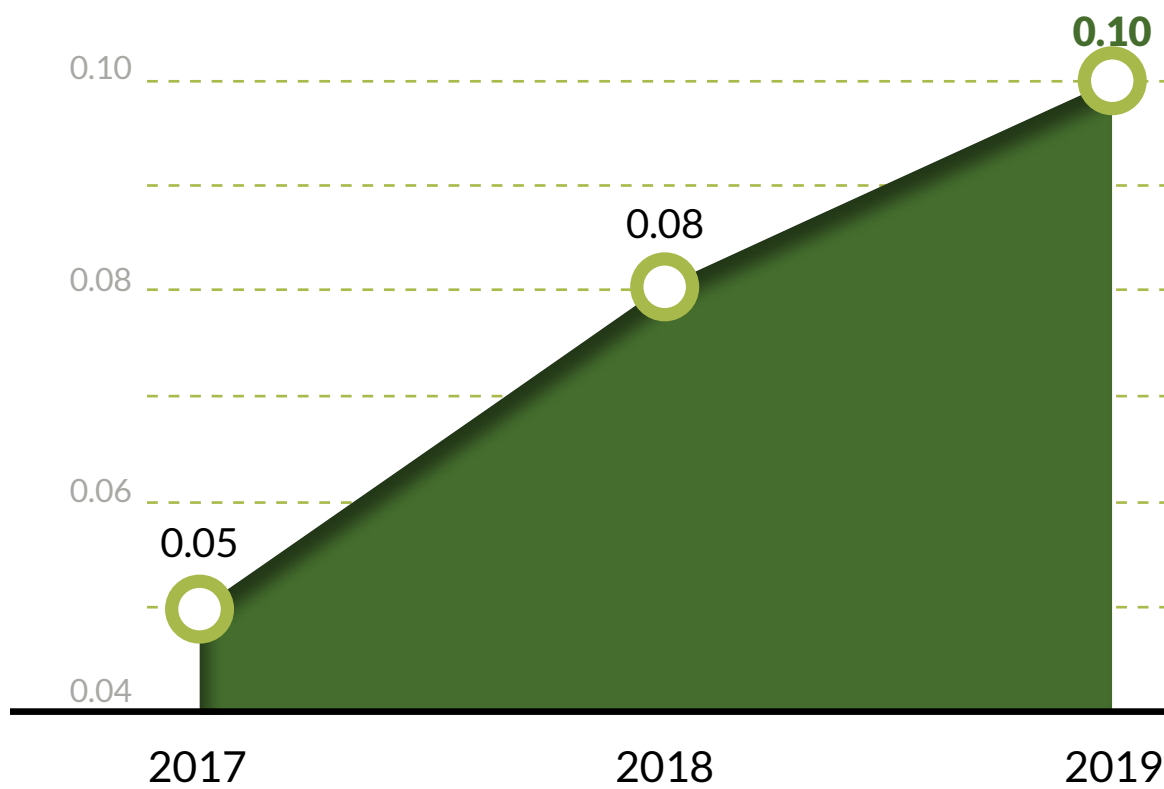
### Net Worth



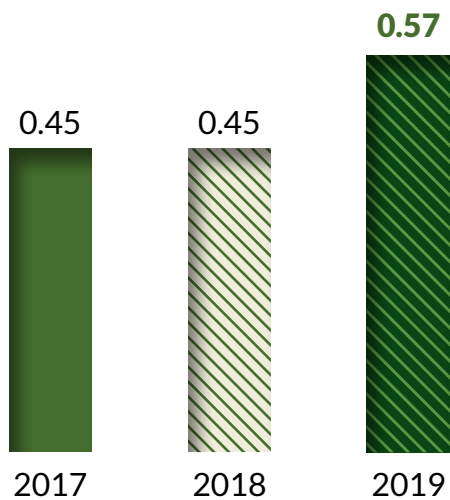
### Book Value per Share



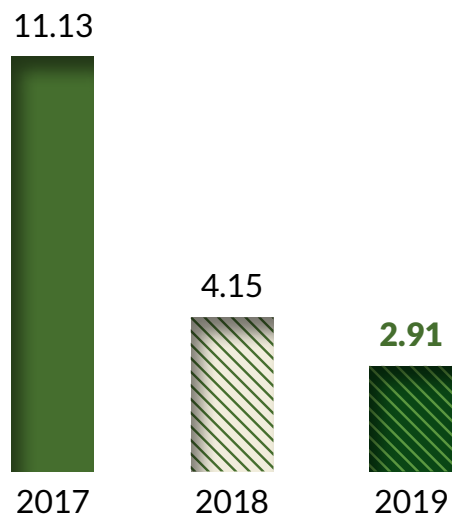
### Per Share Earnings (Loss)



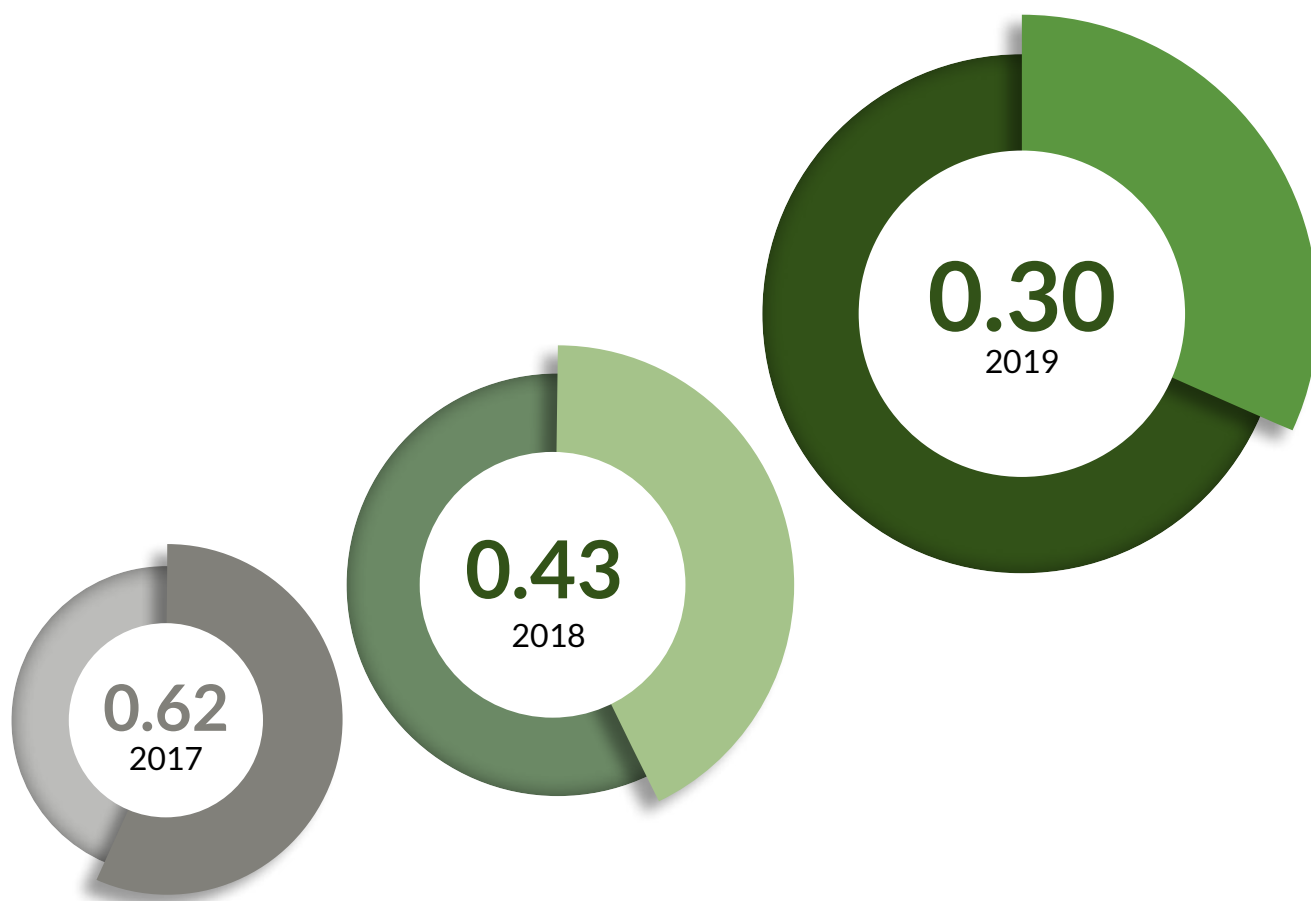
### Debt-to-Equity



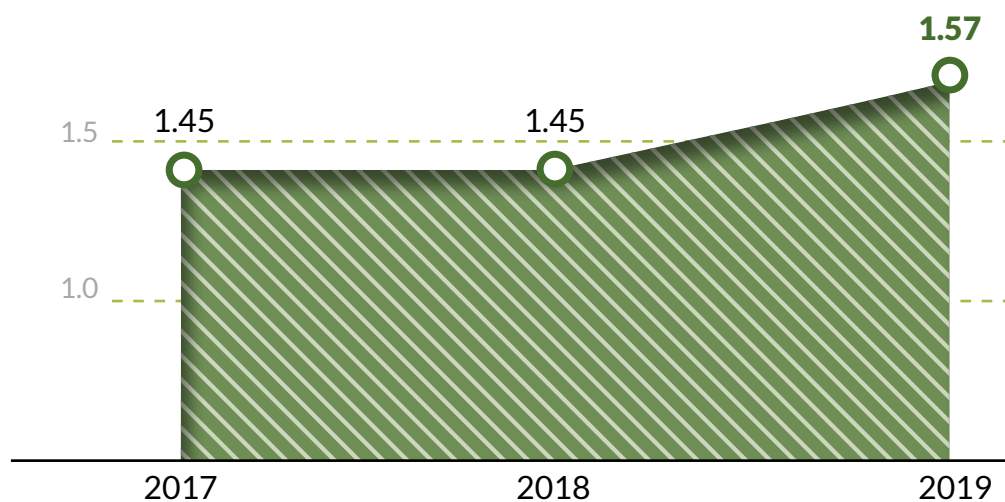
### Current Ratio



## MV per Share



## Asset-to-Equity



# Board of Directors



**Gerardo O. Lanuza, Jr.**  
CHAIRMAN EMERITUS



**Antonio O. Olbes**  
VICE CHAIRMAN EMERITUS



**Gerardo Domenico  
Antonio V. Lanuza**  
CHAIRMAN



**Renato G. Nuñez**  
VICE CHAIRMAN AND  
INDEPENDENT DIRECTOR



**Alfredo S. Del Rosario, Jr.**  
DIRECTOR





**Edmundo C. Medrano**  
DIRECTOR



**Amador C. Bacani**  
DIRECTOR



**Gregory G. Yang**  
DIRECTOR



**Andrew C. Ng**  
DIRECTOR



**Alfonso Martin  
E. Eizmendi**  
INDEPENDENT DIRECTOR



**Jomark O. Arollado**  
INDEPENDENT DIRECTOR

# Management Committee



**Carlos Miguel T. Paca**  
VP and Head for Business  
Development and Investment  
Relation Officer

**Adeline Susan  
C. Carag**  
VP and Head for Property  
Management Services

**Edilynda G. Enriquez**  
Head for Human Resources

**Edmundo C. Medrano**  
Executive Vice President,  
Chief Operating Officer,  
Chief Financial Officer  
and Treasurer



**Alfredo S.  
Del Rosario, Jr.**  
President and  
Chief Executive Officer

**Richard Nicolas K. Go**  
VP and Head for Sales

**Marissa S. Bontogon**  
VP and Controller and  
Compliance Officer

**Erwin V. Ciar**  
VP and Head for  
Project Construction and  
Management



# Residential Renaissance

New Manila's prestige is shaped by aristocrats of the past and continues to pervade to this day

In New Manila, Quezon City, a certain street was believed to be haunted. It stretches roughly over a kilometer and is a viable shortcut for motorists heading toward the major roads in the area. Its name still rings a bell to this day, making people think twice about driving through it during the wee hours.

Balete Drive was infamous for several urban legends: a hitchhiking lady dressed in white disappearing from the back seat of the vehicle upon reaching the end of the road. Engkanto seeking refuge in the massive balete trees. Hairy giants sitting on the gnarled balete tree branches, waiting for unsuspecting humans to fall prey to its cigar smoke.

It now looks like any other street today, far from its haunting image in the past as most of the balete trees that once lined up the street are now gone. Their shadows may not be looming over the area anymore, but the urban legends still cling to the street's name to this day.



New Manila itself has its fair share of lore—from the wandering souls of war casualties to tales of abandoned Spanish mansions—but its rich heritage is anything but a myth.

Its roots can be traced back to Doña Magdalena Hemady, an influential Lebanese elite and the matriarch of the wealthy Ysmael clan. Around the 1930s, she bought 75 hectares of friar lands acquired by the American government after the war and developed the area into Magdalena Estate, a large-scale exclusive residential area for the country's elite. Untouched by conflict, the estate was the ideal escape from the damages of war, and the affluent folk of Manila soon flocked and settled in it.

The estate is now known as New Manila, its name coined from the desire of the country's elite to escape the bustle of post-war Manila and start anew.

New Manila saw the growth of a community that treasured its dignified past and carried it on to the future. The preservation of several churches in the Magdalena Estate allowed religious institutions to settle in New Manila. It was home to many film studios during the country's first golden age of cinema, and continues to be a haven for creatives by housing many of the country's broadcast and performing arts institutions. Schools, hospitals and businesses were

established over the years, commercial development easily within reach, but the rows of residential areas retained the peace and quiet of an exclusive village.

The Magdalena Estate was the post-war elite's escape, and New Manila continued to be home to people who seek a sense of exclusivity. Doña Magdalena's vision of genteel living allowed the Magdalena Estate to thrive, and the area became the blueprint for the exclusive villages of the metro today.

New Manila's heritage of spacious living is reflected in the concept of the One Balet compound, stemming from the Magdalena Estate's tranquility that still pervades New Manila today. It echoes the Company's core: privacy and exclusivity through spacious living in intimate communities.

It also pays tribute to its namesake while challenging the myths that plagued the infamous street. While many remember the tree for its twisted appearance, there is a different side to it: it is vibrant and full of life, and the Company took that as its springboard for the project, fleshing out designs that give new meaning to the myth.

The Company upholds decades' worth of legacy and redefined modern living, and One Balet is its master-planned vision for real estate in the country.





# Stability in an Evolving Landscape

As the demands for an ideal home continue to change, the Company stays true to its philosophy

A long, proud history shapes an ever-evolving culture, and despite the conflicts that came with such history, we Filipinos developed an identity we must honor daily.

We are recognized for our creativity in innovation, perseverance at work and resilience in trying times. Family and community are of great importance, as we Filipinos hold the relationships we form to high esteem.

The Company takes these values and keeps them alive in every project, envisioning their creations as “spacious living in intimate communities.” They place Filipino values at the core of each building while striking a healthy balance between aesthetics and functionality.

Condominiums like The Alexandra and La Isla are still in demand even decades after construction, providing luxury residences at the heart of the bustling Ortigas Center and catering to the needs of hardworking individuals and their families.

The Company is constantly working on projects to address varying age segments and preferences, recognizing that a growing market requires advancing traditional methods and evolving designs to cater to an equally evolving clientele.

With One Balete set to add more mid-range to high-rise towers to its growing compound, the Company keeps its philosophy intact: every design scheme is nothing short of quality in every aspect.

With these distinguished projects—past, present and future—the Company will continue to create space for the creative, hardworking and resilient Filipino.

# **Philippine Realty and Holdings Corporation and Subsidiaries**

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2019, 2018 and 2017





## Philippine Realty & Holdings Corporation

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of PHILIPPINE REALTY AND HOLDINGS CORPORATION 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, 2019, 2018 and 2017, 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 DOMENICO ANTONIO V. LANUZA**  
Chairman of the Board

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

**EDMUNDO C. MEDRANO**  
Executive Vice President and Chief Operating Officer and Treasurer

Signed this 17<sup>th</sup> day of March 2020

One Balete Building, 1 Balete Drive corner N. Domingo Street, New Manila, Quezon City 1111  
Tel No: 631 3179 | Fax No: 634 1504



SUBSCRIBED AND SWORN to before me this 26 JUN 2020 day of June, 2020, affiants exhibiting to me their Tax Identification No., as follows:

NAME/NO.	Tax Identification No.
Gerardo Domenico Antonio V. Lanuza	243-616-771
Alfredo S. Del Rosario, Jr.	108-160-980
Edmundo C. Medrano	134-515-229

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 BOOK NO. XX  
 SERIES OF 20 20

ATTY. RUBEN ~~DEL~~ ZAFES, JR.  
 NOTARY PUBLIC  
 UNTIL DEC 31, 2020  
 PTR NO. 020-000-1-0-0-000, Quezon City  
 IBP No. AUCS-011000 - Quezon City Chapter  
 Roll of Attorneys No. 40427  
 Admin Matter No. 053  
 MCLE-VI-0000200 - 2-18-2020  
 TIN:140-394-396-000  
 Unit 2 UGF-2 Opulent Bldg., EDSA, Q.C.



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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, 2019 and 2018, 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, 2019, 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 consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the three years in the period ended December 31, 2019 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.



Maceda Valencia & Co. is an independent member firm of Nexia International, a worldwide network of independent accounting and consulting firms. Nexia International does not accept any responsibility for the commission of any act, or omission to act by, or the liabilities of, any of its members. Membership of Nexia International, or associated umbrella organizations, does not constitute any partnership between members, and members do not accept any responsibility for the commission of any act, or omission to act by, or the liabilities of, other members.

## Valuation of Real Estate Inventories

### *The Risk*

Real estate inventories constitute a material component in the Group's statements of financial position. Real estate inventories amounted to P1.16 billion representing 19% of the total assets as at December 31, 2019. Real estate inventories include properties under construction, newly built and acquired 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 is 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.

### *Our Response*

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, 2019, trade and other receivables has a total carrying amount of P1.62 billion contributing 26% of the Group's total assets.

### *Our Response*

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 and expected cash flows from the sale of collateral held or other credit enhancements.
- We also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision.



### *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.

### *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 audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Araceli F. Caseles.

**MACEDA VALENCIA & CO.**

**ARACELI F. CASELES**

Partner

CPA License No. 113583

PTR No. 8139185

Issued on January 14, 2020 at Makati City

SEC Accreditation No. (individual) as general auditor 1779-A Category A,

Effective until September 23, 2022

SEC Accreditation No. (firm) as general auditors 4748-SEC;

Effective until February 17, 2023

TIN 228-154-366-000

BIR Accreditation No. 08-007752-001-2019

Issued on December 19, 2019; effective until December 18, 2022

BOA/PRC Reg. No. 4748, effective until June 26, 2021

March 17, 2020

Makati City



PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019, 2018 AND 2017

	<i>Note</i>	2019	2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	P218,430,583	P78,462,791
Financial assets at fair value through profit or loss (FVPL)	4	6,750,000	6,750,000
Trade and other receivables - current portion	6	351,394,206	1,006,530,211
Real estate inventories	7	1,159,131,710	1,431,248,954
Prepayments and other assets - net	8	406,326,485	305,369,994
<b>Total Current Assets</b>		<b>2,142,032,984</b>	<b>2,828,361,950</b>
<b>Non-current Assets</b>			
Financial assets at fair value through other comprehensive income (FVOCI)	5	35,693,930	41,333,478
Trade and other receivables - non current portion	6	1,273,794,211	265,669,488
Investments in and advances to associates - net	9	74,609,802	76,673,455
Investment properties	11	2,223,285,470	1,693,172,141
Property and equipment - net	12	93,978,372	118,444,300
Right of Use Asset	13	107,862,621	-
Investment in Finance Lease	13	241,562,399	-
Other non-current assets		53,388	-
<b>Total Non-current Assets</b>		<b>4,050,840,193</b>	<b>2,195,292,862</b>
		<b>P6,192,873,177</b>	<b>P5,023,654,812</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables - current portion	14	P238,703,926	P408,874,330
Unearned income	15	1,295,643	899,787
Loans and note payable	16	481,658,467	271,896,088
Lease liability - current portion	13	14,112,902	-
<b>Total Current Liabilities</b>		<b>735,770,938</b>	<b>681,670,205</b>
<b>Non-current Liabilities</b>			
Trade and other payables - net of current portion	14	120,758,909	176,447,232
Loans and note payable - net of current portion	16	673,427,834	388,782,961
Retirement benefit obligation	18	55,320,659	25,399,477
Deferred tax liabilities - net	27	428,965,492	242,606,874
Lease liability - noncurrent	13	202,339,455	-
Other non-current liabilities	13	41,540,793	38,015,065
<b>Total Non-current Liabilities</b>		<b>1,522,353,142</b>	<b>871,251,609</b>
<b>Total Liabilities</b>		<b>2,258,124,080</b>	<b>1,552,921,814</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	28	2,344,226,245	2,344,198,495
Additional paid-in capital	28	557,014,317	557,014,317
Reserves	29	46,376,118	66,940,178
Retained earnings		1,113,176,522	617,459,124
Treasury stock	28	(110,049,633)	(109,712,439)
		<b>3,950,743,569</b>	<b>3,475,899,675</b>
<b>Equity Attributable to Non-Controlling Interest</b>	30	<b>(15,994,472)</b>	<b>(5,166,677)</b>
		<b>3,934,749,097</b>	<b>3,470,732,998</b>

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

	<i>Note</i>	2019	2018	2017
<b>INCOME</b>				
Sales of real estate		P1,074,673,171	P1,009,230,247	P785,934,606
Rent	13	50,850,057	102,120,869	47,053,723
Management fees	20	42,954,915	34,047,671	30,159,048
Interest	22	14,697,898	3,574,804	11,515,074
Commission	21	5,727,141	6,676,026	7,561,923
Gain on sale of property and equipment		-	3,952,737	238,988
Gain on sale of AFS financial assets		-	-	19,205,993
Equity in net income of an associate	9	-	-	3,127,507
Other income	23	696,372,717	661,531,938	359,288,714
		<b>1,885,275,899</b>	<b>1,821,134,292</b>	<b>1,264,085,576</b>
<b>COSTS AND EXPENSES</b>				
Cost of real estate sold	7	583,833,983	594,013,963	471,047,441
Cost of services	24	72,201,825	70,491,179	70,322,494
General and administrative expenses	25	512,378,346	506,541,946	318,574,003
Finance cost	13,16	17,069,529	8,474,222	9,547,530
Equity in net loss of an associate	9	2,063,651	8,204,998	-
Other expenses	26	611,650	63,633,979	2,293,579
		<b>1,188,158,984</b>	<b>1,251,360,287</b>	<b>871,785,047</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>697,116,915</b>	<b>569,774,005</b>	<b>392,300,529</b>
<b>INCOME TAX EXPENSE</b>	27	<b>212,227,312</b>	<b>178,840,222</b>	<b>129,790,383</b>
<b>NET INCOME</b>		<b>P484,889,603</b>	<b>P390,933,783</b>	<b>P262,510,146</b>
<b>Attributable to:</b>				
Equity holders of the parent		P495,717,398	P392,632,613	P264,361,753
Non-controlling interest	30	(10,827,795)	(1,698,830)	(1,851,607)
		<b>P484,889,603</b>	<b>P390,933,783</b>	<b>P262,510,146</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that may be subsequently reclassified to profit or loss</b>				
Unrealized holding gain on available-for-sale financial assets	5	-	-	26,929,544
Transfer of loss on sale of available-for-sale investments to profit or loss		-	-	(48,897)
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement of defined benefit obligation, net of tax	29	(14,686,450)	8,137,444	(7,549,685)
Unrealized holding loss on financial assets at FVOCI	5,29	(5,639,548)	(15,449,604)	-
		<b>(20,325,998)</b>	<b>(7,312,160)</b>	<b>19,330,962</b>
<b>Total Comprehensive Income</b>		<b>P464,563,605</b>	<b>P383,621,623</b>	<b>P281,841,108</b>
<b>BASIC EARNINGS PER SHARE</b>	31	<b>P0.10</b>	<b>P0.08</b>	<b>P0.05</b>

*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, 2019, 2018 AND 2017**

	Equity Attributable to Equity Holders of the Parent Company						Non-controlling Interest (Note 30)	Total Equity
	Capital Stock (Note 28)	Paid-in Capital (Notes 28)	Additional Reserves (Note 29)	Retained Earnings (Deficit)	Treasury Stock (Note 28)	Total		
<b>Balance at January 1, 2017</b>	P2,257,878,523	P557,014,317	P177,517,992	(P111,274,009)	(P163,383,895)	P2,717,752,928	(P6,694,818)	P2,711,058,110
<b>Comprehensive income (loss)</b>								
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
<b>Total comprehensive income (loss) for the year</b>	-	-	17,789,593	264,312,856	-	282,102,449	(261,341)	281,841,108
Collection of subscription receivable	86,319,972	-	-	-	-	86,319,972	-	86,319,972
Reissuance of shares	-	-	-	-	2,479,681	2,479,681	-	2,479,681
<b>Total transactions with owners</b>	86,319,972	-	-	-	2,479,681	88,799,653	-	88,799,653
<b>Balance at December 31, 2017</b>	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
<b>Comprehensive income (loss)</b>								
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)
<b>Total comprehensive income (loss) for the year</b>	-	-	(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	-	-	-	-
<b>Balance at December 31, 2018</b>	2,344,198,495	557,014,317	66,940,178	617,459,124	(109,712,439)	3,475,899,675	(5,166,677)	3,470,732,998
<b>Comprehensive income (loss)</b>								
Net income (loss) for the year	-	-	-	495,717,398	-	495,717,398	(10,827,886)	484,889,603
Other comprehensive loss for the year	-	-	(20,325,998)	-	-	(20,325,998)	-	(20,325,998)
<b>Total comprehensive income (loss) for the year</b>	-	-	(20,325,998)	495,716,999	-	475,391,400	(10,827,886)	464,563,605
Collection of subscription receivable	27,750	-	-	-	-	27,750	-	27,750
Disposal	-	-	(238,062)	-	-	(238,062)	-	(238,062)
Acquisition of shares	-	-	-	-	(337,194)	(337,194)	-	(337,194)
<b>Balance at December 31, 2019</b>	2,344,226,245	557,014,317	46,376,118	1,113,176,522	(110,049,633)	3,950,743,569	(15,994,563)	3,934,749,097

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, 2019, 2018 AND 2017**

	<i>Note</i>	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P697,116,915	P569,774,005	P392,300,529
Adjustments for:				
Impairment loss on trade and other receivables	25	80,758,365	26,262,781	1,576,440
Depreciation and amortization	24,25	26,197,729	13,478,898	26,316,175
Impairment loss on property and equipment	25	19,406,340	-	-
Finance costs	13,16	17,069,529	8,474,222	9,547,530
Provision for retirement benefits	18	8,940,538	11,008,355	9,885,206
Equity in net loss (income) of an associate	9	2,063,651	8,204,997	(3,127,507)
Unrealized foreign exchange loss (gain) – net	23,26	403,018	(1,809,732)	161,501
Gain on fair value adjustment of investment properties	11,23	(546,695,730)	(511,432,937)	(354,123,354)
Gain on sublease	23	(139,125,678)	-	-
Interest income	22	(14,697,898)	(3,574,804)	(11,515,074)
Gain on sale cancellation		(4,912,075)	-	-
Dividend income	23	(716,722)	(626,337)	(400,915)
Reversal of various liabilities	23	(24,484)	(109,006,274)	(1,058,516)
Impairment loss on other assets	25	-	16,637,343	-
Gain on sale of property and equipment – net		-	(3,644,424)	(238,988)
Gain on sale of AFS financial assets		-	-	(19,205,994)
Operating income before working capital changes		145,783,498	23,746,093	50,117,033
Decrease (increase) in:				
Trade and other receivables		(434,322,340)	(425,662,730)	(251,671,949)
Prepayments and other assets		(120,837,375)	(132,871,065)	(43,299,510)
Real estate inventories		363,270,881	473,960,364	(46,234,430)
Increase (decrease) in:				
Trade and other payables		(226,237,261)	346,390,221	125,727,619
Unearned income		395,856	(3,897,629)	(13,221,499)
Other non-current liabilities		3,525,729	(27,048,517)	-
Cash generated from (used in) operations		(268,421,012)	254,616,737	(178,582,736)
Interest received		14,697,897	3,574,804	11,515,074
Dividends received		716,722	626,337	400,915
Contributions to retirement fund	18	-	(4,500,000)	(800,000)
Retirement benefit paid	18	-	(395,000)	(132,868,347)
Net cash provided by (used in) operating activities		(253,006,393)	253,922,878	(300,335,094)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property and equipment	12	(11,442,647)	(8,800,170)	(52,432,611)
Additions to investment properties	11	(69,659,161)	(135,765,653)	(329,274,552)
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
Proceeds from sale of HTM Investments		-	1,000,000	-
Net cash used in investing activities		(P81,101,808)	(P111,710,615)	(P261,396,066)

Forward

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

	<i>Note</i>	2019	2018	2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from availment of loans and note	16	P860,815,000	P9,287,000	P827,554,118
Investment in lease receipts		11,066,012	-	-
Collection of subscriptions receivable	28	27,750	-	86,319,972
Payments of loans and note payable	16	(366,407,748)	(205,429,114)	(258,448,994)
Finance cost paid		(17,069,529)	(8,474,222)	(8,670,139)
Lease liability payments		(14,355,492)	-	-
Net cash from (used in) financing activities		474,075,993	(204,616,336)	646,754,957
<b>NET INCREASE (DECREASE) IN</b>				
<b>CASH AND CASH EQUIVALENTS</b>		<b>139,967,792</b>	<b>(62,404,073)</b>	<b>85,023,797</b>
<b>CASH AND CASH EQUIVALENTS</b>				
<b>AT BEGINNING OF YEAR</b>		<b>78,462,791</b>	<b>140,866,864</b>	<b>55,843,067</b>
<b>CASH AND CASH EQUIVALENTS</b>				
<b>AT END OF YEAR</b>		<b>P218,430,583</b>	<b>P78,462,791</b>	<b>P140,866,864</b>

*See Notes to the Consolidated Financial Statements.*

## PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES

### 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 37).

On April 18, 2018, the Board of Directors of the Parent Company approved the contribution by GPI into the Parent Company of two (2) vacant lots located in Bonifacio Global City (BGC) more particularly described as follows: 1) Lot 1 Block 8 containing 1,600 sq.m., located at the corner of 6<sup>th</sup> Avenue and 24<sup>th</sup> Street; and 2) Lot 4 Block 8 also containing 1,600 sq.m., located at 6<sup>th</sup> Avenue corner 25<sup>th</sup> 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, with GPI as the Surviving Corporation and LAI as the Absorbed Corporation.

The proposed transaction will involve the issuance of 4,177,777,778 new common shares by the Parent Company in favor of GPI, to be issued from the increase in the authorized capital stock (ACS) of the Parent Company, in exchange for GPI's contribution of two (2) vacant lots in the BGC as capital.

On July 23, 2018, the Stockholders approved the above transaction and the amendment of Article VII of the Parent Company's Articles of Incorporation increasing 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 increase in authorized capital was approved on May 14, 2019.

The contribution of two (2) vacant lots in the BGC by GPI in exchange for the Parent Company's shares of stock is still pending due to the processing of the titles of the two (2) vacant lots.

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.

#### Events After the Reporting Period

On March 16, 2020, the Philippine government implemented an Enhanced Community Quarantine throughout Luzon starting March 17 until April 30, 2020, in response to the COVID-19 pandemic. Other parts of the country also declared similar quarantine measures. Management believes that the COVID-19 pandemic is a non-adjusting event. Non-adjusting events do not result in adjustments to the consolidated financial statements. As of March 17, 2020, the date the Board approved the financial statements as of December 31, 2019, the effects of the pandemic on the Group's consolidated financial statements after the reporting date cannot yet be reasonably determined.

#### 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 avallment of the relief granted by the Securities

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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 March 17, 2020.

**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 33.

**3. Cash and Cash Equivalents**

This account consists of:

	2019	2018
Cash in banks	P138,594,791	P68,368,920
Cash on hand	804,263	42,000
Cash equivalents	79,031,529	10,051,871
	<b>P218,430,583</b>	<b>P78,462,791</b>

Cash in banks earn average annual interest ranging from 1.0% to 1.25% in 2019 and 2018. 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.

Interest income recognized amounted to P1.21 million, P2.40 million and P0.51 million as at December 31, 2019, 2018 and 2017, respectively (see Note 22).



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4. Financial Assets at FVPL**

This account is composed of listed equity securities that are held for trading amounting to P6,750,000. The fair values of these securities are based on quoted market price.

**5. Financial Assets at FVOCI**

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

	<i>Note</i>	2019	2018
At cost:			
Listed shares of stock		P58,332,808	P58,332,808
Golf and country club shares		3,350,000	3,350,000
		61,682,808	61,682,808
Accumulated unrealized holding loss	29	(25,988,878)	(20,349,330)
		P35,693,930	P41,333,478

The movements in this account are summarized as follows:

	<i>Note</i>	2019	2018
Balance at beginning of year		P41,333,478	P37,526,520
Fair value adjustments	29	(5,639,548)	(15,449,604)
Reclassification from financial assets at FVPL			
Cost		-	1,948,440
Accumulated unrealized holding gain		-	17,308,122
Balance at end of year		P35,693,930	P41,333,478

These are investments in shares of stock of various listed equity securities, and golf and country club shares that present the Company with opportunity for return through dividend income. 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 (P5.6) million in 2019, (P15.4) million in 2018 and P25.3 million in 2017 (see Note 29).

Proceeds from disposal of investments amounted to nil and P21,952,385 in 2019 and 2018, respectively.

Dividend income recognized in profit or loss amounted to P716,722, P626,337 and 400,915 in 2019, 2018 and 2017, respectively (see Note 23).

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6. Trade and Other Receivables**

This account is composed of:

	2019	2018
<b>Trade:</b>		
Sale of real estate	P1,494,999,148	P1,052,682,768
Lease	10,911,410	22,533,032
Management fees	8,188,370	5,954,270
Premiums receivable	3,009,253	4,400,104
Commission	420,558	4,983,724
Advances	46,446,609	44,116,719
Other receivables	167,901,338	163,458,986
	<b>1,731,876,686</b>	<b>1,298,129,603</b>
Less: allowance for impairment loss	<b>106,688,269</b>	<b>25,929,904</b>
	<b>P1,625,188,417</b>	<b>P1,272,199,699</b>

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 P1.27 billion in 2019 and P265.61 million in 2018. Trade receivables carry yield-to-maturity interest rates of 5.64% in 2019, 2018 and 2017. Interest income recognized amounted to P2,484,558, P1,020,842 and P879,085 as at December 31, 2019, 2018 and 2017, respectively (see Note 22).

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

Other receivables as at December 31, 2019 and 2018 include the outstanding receivables from Xcell Property Ventures, Inc. (Xcell) amounting to P9.7 million and P15.8 million, respectively (see Note 10). This also includes receivables amounting to P100.7 million and P98.4 million as at December 31, 2019 and 2018, respectively, in relation to the parcels of land sold in 2014. The remaining balance are receivables from concessionaires.

Receivables amounting to P105.3 million and P25.9 million as of December 31, 2019 and 2018, respectively, were impaired and fully provided for. The allowance for doubtful accounts for trade receivables has been determined as follows:

	2019	2018
Subject to 12-month ECL	P20,259,346	P25,929,904
Subject to lifetime ECL	86,428,923	-
<b>Total</b>	<b>P106,688,269</b>	<b>P25,929,904</b>

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, 2019, and 2018, the exposure at default amounts to P359 million, and P670.98 million, respectively. The expected credit loss rate is 3.86% that resulted in the ECL of P20.3 million and P25.9 million as at December 31, 2019 and 2018, respectively (see Note 35).

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Movements in allowance for impairment losses on receivables in 2019 and 2018 are as follows:

	<i>Note</i>	2019	2018
Balance at beginning of year		P25,929,904	P37,808,840
Provisions for the year	25	80,758,365	26,262,781
Reversal of provisions		-	(38,141,717)
Balance at end of year		P106,688,269	P25,929,904

**7. Real Estate inventories**

This account consists of:

	2019	2018	2017
<b>In progress:</b>			
Andrea North SkyVillas Tower	P209,667,249	P652,132,911	P1,102,134,283
Andrea North Estate	88,058,328	72,612,549	67,094,101
BGC Project	154,516,512	54,522,805	-
Others	-	-	16,973,867
	452,242,089	779,268,265	1,186,202,251
<b>Completed units:</b>			
Andrea North Skyline Tower	182,695,848	219,779,747	228,314,325
The Icon Plaza	40,864,849	19,846,249	25,251,249
Casa Miguel	6,895,314	6,895,314	6,895,314
	230,456,011	246,521,310	260,460,888
<b>Land held for development:</b>			
Baguio	341,066,697	269,892,466	269,892,466
New Manila, Quezon City	135,366,913	135,566,913	188,653,713
	476,433,610	405,459,379	458,546,179
	P1,159,131,710	P1,431,248,954	P1,905,209,318

BGC Project represent the cost of the master plan design of the new towers in BGC.

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 which was agreed by the parties in 2014 to amount to P891 million.. The Parent Company's share on the saleable area of The Icon Plaza under joint arrangement with Xcell is recorded as real estate inventories.

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.

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

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The cost of real estate inventories recognized as cost of sales amounted to P583,833,983, P594,013,963, and P471,047,441 in 2019, 2018 and 2017, respectively.

**8. Prepayments and Other Assets**

This account consists of:

	2019	2018
Prepaid taxes	P155,834,221	P92,068,646
Creditable withholding tax	127,043,469	147,661,182
Prepaid expenses	93,996,571	41,023,462
Deferred input VAT	14,041,807	13,350,832
Deposit	4,723,660	2,995,508
Input tax – net	127,343	115,589
Other assets	10,559,414	8,154,775
	<b>P406,326,485</b>	<b>P305,369,994</b>

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

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 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.

**9. Investments In and Advances to Associates**

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

	2019	2018
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:

	2019	2018
<b>Meridian Assurance Corporation</b>		
Investment – acquisition cost	P88,875,080	P88,875,080
Accumulated equity in net loss:		
Balance at beginning of year	(12,335,756)	(4,140,235)
Equity in net loss for the year	(2,054,671)	(8,195,521)
Balance at end of year	(14,390,427)	(12,335,756)
	<b>P74,484,653</b>	<b>P76,539,324</b>

*Forward*



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	2019	2018
<b>Le Cheval Holdings, Inc.</b>		
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	134,129	143,607
Equity in net loss for the year	(8,980)	(9,476)
Balance at end of year	125,149	134,131
	125,149	134,131
<b>Alexandra (USA), Inc.</b>		
Investment - acquisition cost	14,184,150	14,184,150
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)
	-	-
	P74,609,802	P76,673,455

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 were 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:

	2019	2018
<b>Meridian Assurance Corporation (MAC)</b>		
Total assets	P288,669,121	P310,595,681
Total liabilities	39,456,488	58,830,690
Net assets	249,212,633	251,764,991
Income	14,572,878	10,627,527
Cost and expenses	(21,421,781)	(37,945,930)
Net loss	(P6,848,903)	(P27,318,403)
<b>Le Cheval Holdings, Inc. (LCHI)</b>		
Total assets	P45,362	P45,362
Total liabilities	142,248	122,293
Net liabilities	(96,886)	(76,931)
Income	-	-
Cost and expenses	(19,955)	(21,058)
Net loss	(P19,955)	(P21,058)

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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.

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 2003-B East Tower, Philippine Stock Exchange 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.

**10. Land Invested in Joint Arrangements**

Xcell Property Ventures, Inc. (Xcell)

In 2014, the Parent Company and Xcell entered into a final joint 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 in 2014 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 (see Note 19). The Parent Company did not recognize interest income in 2019 and 2018 as agreed with Xcell.

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**11. 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:

	<i>Note</i>	2019	2018
Balance, beginning		P1,693,172,141	P865,348,710
Cost of investment property returned	19	-	180,624,841
Additions		69,659,161	135,765,653
Gain on change in fair value	23	546,695,730	511,432,937
Reclassification from property and equipment		(86,241,562)	-
Balance, ending		P2,223,285,470	P1,693,172,141

An independent valuation of the Group's investment properties as of January 3, 2020 and January 7, 2020 was performed by an independent appraiser accredited with both the PSE and the SEC 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:

	2019	2018
Condominium units and parking spaces		
PSE Tower I	P1,355,498,720	P971,197,140
PSE Tower II	630,856,610	437,103,810
Icon Plaza	236,930,140	219,648,230
	2,223,285,470	1,627,949,180
Accumulated depreciation	-	-
	2,223,285,470	1,627,949,180
Baguio - residential properties	-	65,222,961
	P2,223,285,470	P1,693,172,141

Rental income recognized from the investment properties amounted to P60,763,657 in 2019, P76,466,492 in 2018, and P37,484,724 in 2017. Real property taxes attributable to the investment property amounted to P8,693,849 in 2019, P6,008,868 in 2018 and P5,032,094 in 2017 these are included as part of taxes and licenses in cost of services.

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

In 2019, the management decided to change the plan for the Baguio property previously recorded as investment property from held for development to earn rental income to held for development and sale. In effect, the property was reclassified as inventory.

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**12. 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, 2019 and 2018				
	Condominium Units, Building and Building Improvements	Office Furniture, Fixtures and Equipment	Transportation and Other Equipment	Leasehold and Office Improvements	Total
<b>Cost</b>					
January 1, 2018	P120,972,749	P24,267,113	P55,828,254	P2,303,560	P203,371,676
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
Additions	-	2,590,130	8,852,517	-	11,442,647
Impairment loss	(19,406,340)	-	-	-	(19,406,340)
December 31, 2019	96,090,358	27,917,099	65,393,971	1,221,181	190,622,609
January 1, 2018	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
Provision	3,336,010	3,768,991	9,381,777	15,457	16,502,235
December 31, 2019	31,531,395	25,871,504	38,132,826	1,108,512	96,644,237
At December 31, 2018	P87,301,313	P3,224,456	P27,790,405	P128,126	P118,444,300
At December 31, 2019	P64,558,963	P2,045,595	P27,261,145	P112,669	P93,978,372

Certain transportation equipment of the Group with total carrying value of P22.68 million and P22.89 million and as at December 31, 2019 and 2018, respectively are pledged as security under chattel mortgage (see Note 16).

Lease agreement as lessee

The Parent Company leases two parcels of land located at 5<sup>th</sup> avenue corner 25<sup>th</sup> Street, Bonifacio Global City, Taguig City. These contracts have a term of fifteen (15) years, renewable for another ten years upon submission of a written notice to renew at least ninety days prior to the expiration of the original term, with terms and conditions mutually agreed by both parties.

The Parent Company also leases a condominium unit located at the 20<sup>th</sup> floor, East tower of Philippine Stock Exchange Centre, Exchange Centre, Exchange Road, Ortigas Center, Pasig City. The contract has a term of five (5) years and is renewable upon mutual agreement of both parties.

*Effect of Adoption of PFRS 16, Leases*

As disclosed in Note 32, the Group adopted PFRS 16, *Leases* effective January 1, 2019 using the modified retrospective approach and opted not to restate comparative information.

The Parent Company measured the lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and recognized a right-of-use asset at its carrying amount as if the Standard had been applied since the commencement date, but discounted using the incremental borrowing rate at the date of initial application.



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The carrying amount of right-of-use assets as at December 31, 2019 is shown below.

	2019
Right-of-use asset	P117,558,116
Accumulated amortization	(9,695,495)
Carrying amount	P107,862,621

A maturity analysis of lease liabilities based on discounted gross cash flows is reported in the table below:

	2019
Less than 1 year	P14,112,902
More than 1 year	202,339,455
Total lease liabilities	P216,452,357

The Parent Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018
Less than 1 year	P23,769,000
More than 1 year	285,313,250
Total lease liabilities	P309,082,250

Total rental charged to miscellaneous expense under the said lease agreements amounted to P1,380,000 in 2018.

Amounts recognized in profit or loss:

	<i>Note</i>	2019	2018
Depreciation expense	24	P9,695,495	P -
Interest expense		9,413,508	-
Rent expense under PAS 17		-	1,380,000

**Lease agreements as lessor**

- A. The Parent Company entered into a sublease contract relating to one of the parcels of land being leased in BGC as discussed above. This agreement was assessed by the management to be of a financing lease. This agreement is renewable at the end of the lease term of initially fifteen (15) years upon mutual consent of the parties

Amounts receivable under finance lease	2019
Year 1	P22,176,000
Year 2	22,545,600
Year 3	23,284,800
Year 4	23,672,896
Year 5	24,449,088
Onwards	207,876,416
Undiscounted lease payments	324,004,800
Present value of minimum lease payments receivable	P241,562,399

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Amounts recognized in profit or loss:

	<i>Note</i>	<b>2019</b>
Interest income	<b>22</b>	<b>P10,405,989</b>

- B. The Group entered into short-term lease agreements including condominium units, office spaces and food plaza spaces. The lease contracts between the Group and its lessees have a term of one year which are renewable annually.

Total rental income earned during 2019, 2018 and 2017 amounted to P50.85 million, P102.12 million and P47.05 million, respectively.

Deferred rental income classified under other non-current liabilities amounting to P41 million and P38 million as of December 31, 2019 and 2018, 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 P21,070,902 and P16,589,745 in 2019 and 2018, respectively, and is included as part of trade and other payables as disclosed in Note 14.

**14. Trade and Other Payables**

This account consists of:

	<i>Note</i>	<b>2019</b>	<b>2018</b>
Trade payables		<b>P120,965,637</b>	<b>P119,833,572</b>
Customers' deposits		<b>77,534,329</b>	<b>53,797,689</b>
Accrued expenses		<b>64,397,632</b>	<b>36,783,698</b>
Retention fees payable		<b>56,012,941</b>	<b>90,701,060</b>
Refundable deposits	<b>13</b>	<b>21,070,902</b>	<b>16,589,745</b>
Due to government agencies		<b>19,356,761</b>	<b>7,049,380</b>
Output value added tax – net		<b>914</b>	<b>443,583</b>
Payable to ULC	<b>19</b>	<b>-</b>	<b>231,150,000</b>
Others		<b>123,719</b>	<b>28,972,835</b>
		<b>P359,462,835</b>	<b>P585,321,562</b>

Non-current portion of trade and other payables amounted to P120,758,909 and P176,447,232 as at December 31, 2019 and 2018, respectively.

Customers' deposits consist of down payments 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.

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

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

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.

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**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 99.96% complete as at December 31, 2019 and 2018, respectively.

Details of unearned income are as follows:

	2019	2018
<b>SkyVillas Tower</b>		
Total sales value of completed units	<b>P3,239,107,500</b>	<b>P2,249,382,467</b>
Percentage uncompleted	<b>.04%</b>	<b>.04%</b>
	<b>P1,295,643</b>	<b>P899,787</b>

**16. Loans and Note Payable**

Loans Payable

The movements in the loans payable are summarized as follows:

	2019	2018
Balance at beginning of year	<b>P660,679,049</b>	<b>P856,821,163</b>
Availments of loan	<b>857,071,000</b>	<b>9,287,000</b>
Payments of principal	<b>(365,925,089)</b>	<b>(205,429,114)</b>
Balance at end of year	<b>P1,151,824,960</b>	<b>P660,679,049</b>

Interest on loans payable amounted to P7,331,220, P8,474,222 and P9,547,530 as at December 31, 2019, 2018 and 2017, respectively. Interest on loans payable capitalized as part of real estate inventories amounted to P64,554,325 and P39,396,279 in 2019 and 2018, respectively.

The account is composed of the following:

	2019	2018
<b>Payable within one year:</b>		
Philippine National Bank	<b>P350,000,000</b>	<b>P -</b>
Philippine Bank of Communications	<b>122,520,371</b>	<b>111,111,111</b>
Maybank Philippines, Inc.	<b>-</b>	<b>154,309,213</b>
Union Bank of the Philippines	<b>5,206,899</b>	<b>3,762,535</b>
RCBC Savings Bank	<b>2,962,245</b>	<b>2,713,229</b>
	<b>480,689,515</b>	<b>271,896,088</b>
<b>Payable after one year:</b>		
Philippine Bank of Communications	<b>654,295,652</b>	<b>304,355,555</b>
Maybank Philippines, Inc.	<b>-</b>	<b>14,561,586</b>
Meridian Assurance Corporation	<b>-</b>	<b>50,000,000</b>
Union Bank of the Philippines	<b>11,303,778</b>	<b>11,368,274</b>
RCBC Savings Bank	<b>5,536,015</b>	<b>8,497,546</b>
	<b>671,135,445</b>	<b>388,782,961</b>
	<b>P1,151,824,960</b>	<b>P660,679,049</b>

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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 value of P11.9 million as at December 31, 2018 (see Note 6).

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 drew down 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.

This loan has been fully paid as at December 31, 2019.

Meridian Assurance Corporation (MAC)

On July 29, 2016 and August 5, 2016, the Parent Company entered into an unregistered real estate mortgage with Meridian Assurance Corporation. Loans from Meridian Assurance Corporation bear 12% interest and are secured by unregistered mortgage on certain inventories of the Parent Company. The properties have a total cost of P83.67 million as at December 31, 2018.

This loan has been fully paid as at December 31, 2019.

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 12).

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 12).

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 drew down 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 P2.1 billion as at December 31, 2019.

Philippine National Bank (PNB)

In 2019, the Parent Company availed working capital loans from Philippine National Bank with a total principal amount of P800 million, of which P350 million are outstanding as at December 31, 2019. These loans bear an interest of 7.5% annually and payable within three (3) months subject to extension upon lapse of the maturity date. Interest rates will then be re-evaluated to conform with the current period's rate. These loans are secured by real estate properties with the carrying amount of P135.3 million. (See Note 7)

Note Payable

RCBC Savings Bank

In 2019, PPMI availed of a five-year note payable amounting to P3,744,000 from a local bank to finance the purchase of transportation equipment. The note carries interest at 11.04% per annum. The loan was obtained in February 2019 and will mature in February 2024. Outstanding balance of loan as at December 31, 2019 amounted to P3,261,341. As at December 31, 2019, the note payable - current portion amounted to P968,952.



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Interest expense charged to profit or loss amounted to P324,801 in 2019.

**17. Related Party Transactions**

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

As at and for the year ended December 31, 2019:	Transactions	Outstanding balance	Terms and conditions
<i>Sale of real estate inventories</i>			
Principal Shareholder Greenhills Properties, Inc.			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.
Sale of real estate inventories	P -		
Collections during the year	39,556,687	P125,755,734	
Gain on repossession of asset	4,912,075	-	
<i>Purchase of services</i>			
Subsidiary Tektite Insurance Brokers, Inc.			Purchase of services are negotiated with related parties on a cost-plus basis and are due 30 days after the end of the month. These receivables are unsecured and bear no interest and settled in cash.
Purchase of services	5,725,628		
Payments during the year	(5,725,628)	-	
PRHC Property Managers, Inc.			
Purchase of services	-		
Payments during the year	(79,254)	-	
<i>Advances</i>			
Alexandra (USA), Inc., Associate	-	132,417,765	Advances to subsidiaries and associates are unsecured, non-interest bearing and to be settled in cash.
Le Cheval Holdings, Inc., Associate	19,955	122,248	
Meridian Assurance Corp. Associate	-	(643)	
Less: Allowance for impairment loss	(66,808,746)	(237,012,851)	
Balance, net	(66,788,791)	104,473,481	
<i>Loans payable</i>			
Associate Meridian Assurance Corp.			
Payments during the year	(50,000,000)	-	See Note 16.
<i>Key management personnel</i>			
Short-term benefits			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement.
Salaries and other short-term employee benefits	15,894,348	-	
Termination benefits	-	-	
Provision for retirement benefits/PVO	5,268,941	-	

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As at and for the year ended December 31, 2018:	Transactions	Outstanding balance	Terms and conditions
<i>Sale of real estate inventories</i>			
Principal Shareholder			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.
Greenhills Properties, Inc.			
Sale of real estate inventories	P26,440,748		
Collections during the year	(122,590,634)	P165,312,421	
<i>Sale of service</i>			
Principal Shareholder			Sales of services are negotiated with related parties on a cost-plus basis.  The receivables are due 30 days after every end of the month. The receivables are unsecured and bear no interest.
Greenhills Properties, Inc.			
Management services	1,106,057		
Collections	(1,106,057)	-	
<i>Advances (Associates)</i>			
Alexandra (USA), Inc.	-	132,417,765	Advances are unsecured, non-interest bearing and settled in cash.
Le Cheval Holdings, Inc.	21,058	102,293	
Meridian Assurance Corporation	-	(643)	
Less: Allowance for impairment loss	-	(132,417,765)	
Balance, net	21,058	101,650	
<i>Loans payable</i>			
Principal Shareholder			See Note 16
Greenhills Properties, Inc.			
Availment of loan			
Payments during the year	107,845,898	-	
Associate			See Note 16
Meridian Assurance Corp.			
Availment of loan	-		
Payments during the year	-	50,000,000	
<i>Key management personnel</i>			
Short-term benefits			Key management includes directors (executive and non-executive) and executive officers. Short-term benefits are payable monthly and termination benefits are payable upon retirement.
Salaries and other short-term employee benefits	39,800,315		
Termination benefits			
Provision for retirement benefits/PVO	5,638,264		

*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

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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. With the imminent liquidation of AUI, the receivables have been fully provided with an allowance since 2011.

**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 14, 2020 for the year ended December 31, 2019. 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	
	2019	2018
Discount rate	5.00%	7.38%
Future salary increase	4.00%	4.00%

Key assumptions used for PPMI:

	Valuation at	
	2019	2018
Discount rate	5.22%	7.53%
Future salary increase	6.00%	6.00%

Key assumptions used for TIBI:

	Valuation at	
	2019	2018
Discount rate	5.80%	5.80%
Future salary increase	5.00%	5.00%

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

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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:

	2019	2018
Present value of defined benefit obligation	P87,327,537	P56,239,182
Fair value of plan assets	32,006,878	30,839,705
Recognized liability	P55,320,659	P25,399,477

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

	2019	2018
Liability at beginning of year	P56,239,182	P56,460,438
Current service cost	7,574,137	9,524,942
Interest cost	3,542,455	3,233,966
Benefits paid	(432,000)	(395,000)
Remeasurement losses (gains)		
Changes based on experience	3,050,851	382,752
Changes in demographic assumptions	-	(3,622,874)
Changes in financial assumptions	17,352,912	(9,345,042)
Liability at end of year	P87,327,537	P56,239,182

The movements in the plan assets are shown below:

	2019	2018
Fair value of plan assets at beginning of year	P30,839,705	P25,549,398
Interest income	2,176,054	1,750,553
Contributions of the employers to the plans	-	4,500,000
Remeasurement loss		
Return on plan assets, excluding amounts included in interest income	(1,008,881)	(960,246)
Fair value of plan assets at end of year	P32,006,878	P30,839,705

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

The major category of plan assets as of December 31, 2019 and 2018 are as follows:

	2019	2018
Cash and cash equivalents	P22,942,530	P22,204,588
Equity instruments	9,064,348	8,635,117
	P32,006,878	P30,839,705

The retirement expense recognized in profit or loss consists of:

	2019	2018	2017
Current service cost	P7,574,137	P9,524,942	P7,632,425
Net interest on defined benefit liability	1,366,401	1,483,413	2,252,781
Past service cost	-	-	-
	P8,940,538	P11,008,355	P9,885,206



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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%	(P8,368,360)
	(1.00%)	10,066,518
Future salary increase	1.00%	10,295,978
	(1.00%)	(8,690,097)

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, 2019, the weighted average duration of defined benefit obligation is 20.15 years (2018: 20.31 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 34<sup>th</sup> 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 of DMCI Project Developers, Inc. (DMCI-PDI) and Universal Rightfield Property Holdings, Inc. (URPHI). These receivables are allegedly owed by the Parent Company to DMCI-PDI and URPHI as a result of cancellation of a joint venture agreement in 1996 entered into by the Parent Company, DMCI-PDI 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

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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-PDI and URPPI) for the penthouse unit located in the 34<sup>th</sup> 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 Company, DMCI-PDI and URPPI (see Note 6). DMCI-PDI and URPPI 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 11) and had to recognize a net loss on the settlement of P62.07 million (see Note 26).

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 PPML. 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 PPML 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 P42.9 million, P34.0 million and P30.1 million in 2019, 2018 and 2017, respectively.

**21. Commission**

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

	2019	2018	2017
Insurance brokerage	P5,727,141	P6,583,300	P5,690,633
Property management	-	-	1,299,460
Others	-	92,726	571,830
	P5,727,141	P6,676,026	P7,561,923

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**22. Interest Income**

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

	<i>Note</i>	2019	2018	2017
Sublease	13	P10,405,989	P -	P -
Trade receivables	6	2,484,558	1,020,842	879,085
Cash and cash equivalents	3	1,211,762	2,401,445	512,426
Joint arrangement	10	-	-	10,005,694
Others		595,589	152,517	117,869
		<b>P14,697,898</b>	<b>P3,574,804</b>	<b>P11,515,074</b>

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 10.

**23. Other Income**

The account consists of:

	<i>Note</i>	2019	2018	2017
Gain on fair value adjustment of investment properties	11	P546,695,730	P511,432,937	P354,123,354
Gain on sublease		139,125,678	-	-
Gain on repossession of assets		4,912,075	-	-
Gain on money market investment		1,191,166	-	-
Dividend income	5	716,722	626,337	400,915
Reversal of various payables and accruals		24,484	109,006,274	1,058,516
Reversal of allowance for impairment losses on receivables	6	490	38,141,717	-
Unrealized foreign exchange gain		-	1,809,732	48,897
Miscellaneous		3,706,372	514,941	3,657,032
		<b>P696,372,717</b>	<b>P661,531,938</b>	<b>P359,288,714</b>

**24. Cost of Services**

The account consists of:

	<i>Note</i>	2019	2018	2017
Salaries, wages and other benefits		P26,911,745	P27,803,914	P21,737,674
Condominium dues		11,117,177	9,247,509	14,291,435
Taxes and licenses		10,304,356	6,172,262	5,520,127
Outside services		6,288,051	11,065,543	2,697,552
Utilities		4,238,935	2,892,057	2,254,456
Insurance and bond premiums		3,127,328	2,270,615	1,939,127
Repairs and maintenance		2,377,622	1,226,447	2,072,631
Commission		1,785,976	864,270	1,186,819
SSS, Pag-IBIG and other contributions		1,717,588	1,298,923	1,086,044

*Forward*

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	<i>Note</i>	2019	2018	2017
Supplies and materials		P1,182,353	P1,463,359	P927,596
Rental		546,389	663,572	516,937
Employees welfare		227,813	1,944,651	1,921,456
Depreciation and amortization				
Property and equipment	12	-	68,195	584,210
Investment properties	11	-	-	10,949,120
Transportation and travel		-	25,648	34,800
Others		2,376,492	3,484,214	2,602,510
		<b>P72,201,825</b>	<b>P70,491,179</b>	<b>P70,322,494</b>

**25. General and Administrative Expenses**

The account consists of:

	<i>Note</i>	2019	2018	2017
Marketing expense		P164,028,600	P194,616,920	P86,524,655
Provision for impairment loss on trade receivables	6	80,758,365	26,262,781	1,576,440
Salaries, wages, and benefits		74,824,822	61,310,140	57,915,644
Taxes and licenses		56,292,444	40,926,242	12,769,446
Professional fees		19,684,880	27,994,929	25,749,694
Provision for impairment loss on property and equipment	12	19,406,340	-	-
Depreciation and amortization				
Property and equipment	12	16,502,234	13,410,703	10,699,770
ROU Asset		9,695,495	-	-
Investment properties	11	-	-	4,083,075
SSS, Pag-IBIG, Medicare and other benefits		15,894,347	11,202,768	5,583,071
Transportation and travel		13,652,839	35,247,324	42,400,956
Provision for retirement benefits	18	8,940,538	11,008,355	9,885,206
Insurance and bond premiums		8,488,329	11,108,663	8,389,155
Condominium dues		5,692,247	11,826,094	3,012,019
Outside services		5,095,746	6,974,218	6,366,142
Utilities		2,161,708	2,459,768	2,421,130
Postage and communication		1,588,988	1,920,092	1,713,373
Representation and entertainment		167,868	17,738,010	25,800,335
Supplies and materials		144,293	141,468	196,821
Repairs and maintenance		140,291	144,552	132,698
Membership dues		108,850	-	2,600
Rent expense		86,844	-	-
Corporate social responsibility		5,625	869,372	763,005
Impairment loss on other assets		-	16,637,343	-
Write-off of trade receivables	6	-	-	1,576,440
Miscellaneous		9,016,653	14,742,204	11,012,328
		<b>P512,378,346</b>	<b>P506,541,946</b>	<b>P318,574,003</b>

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



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**26. Other Expenses**

The account consists of:

	<i>Note</i>	2019	2018	2017
Foreign exchange loss		P403,017	P -	P161,501
Bank charges		206,995	372,073	707,777
Loss on settlement of lawsuit	19	-	62,066,927	-
Loss on money market investment		-	886,578	-
Loss on disposal of property and equipment		-	308,313	-
Others		1,638	89	1,424,301
		P611,650	P63,633,980	P2,293,579

Others pertain to various individually insignificant expenses.

**27. Income Taxes**

The components of income tax expense are as follows:

	2019	2018	2017
Current	P18,780,222	P15,037,882	P8,808,783
Deferred	193,447,090	163,802,340	120,981,600
	P212,227,312	P178,840,222	P129,790,383

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:

	2019	2018	2017
Income before income tax	P697,116,425	P569,774,005	P392,300,529
Income tax expense	209,134,927	170,932,203	117,690,159
Additions to (reductions in) income tax resulting from the tax effects of:			
Non-deductible expenses	43,844,881	24,771,866	4,707,481
Impairment loss on trade and other receivables and advances to associates	-	7,500,598	-
Limit on interest expense	132,600	126,329	58,425
Movement on unrecognized deferred tax assets	(38,547,350)	(12,570,995)	19,340,628
Gain on changes in fair value of investment property of a subsidiary	(1,759,200)	(248,400)	(5,200,248)
Interest income subjected to final tax	(363,529)	(329,723)	(153,728)
Dividend income	(215,017)	(187,901)	(120,274)
Reversal of accruals and payables	-	(11,153,755)	-
Gain on sale of shares of stocks	-	-	(5,761,798)
Unrealized gain on trading investments	-	-	(770,262)
	P212,227,312	P178,840,222	P129,790,383

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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 Group's MCIT are as follows:

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2019	2022	P490	P -	P -	P490
2018	2021	13,207,512	(13,195,348)	-	12,164
2017	2020	7,817,719	(7,817,719)	-	-
2016	2019	6,979,694	(6,979,694)	-	-
		P28,005,415	(P27,992,761)	P -	P12,654

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

Year Incurred	Expiry date	Amount	Applied	Expired	Balance
2019	2022	P169,635	P -	P -	P169,635
2018	2021	2,908,601	-	-	2,908,601
2017	2020	38,457,992	(37,129,988)	-	1,328,004
2016	2019	27,238,477	(1,196,510)	(26,041,967)	-
		P68,774,705	(P38,326,498)	(P26,041,967)	P4,406,240

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

	2019		2018	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
<b>Deferred tax assets:</b>				
Provision for retirement benefits	P53,686,693	P16,106,008	P23,765,513	P7,129,654
Deferred rent income	41,552,793	12,465,838	38,051,067	11,415,320
Impairment loss on receivables	600,407	180,122	600,407	180,122
Unrealized foreign exchange loss	381,073	114,322	-	-
Rent expense derecognized due to PFRS 16	1,859,500	557,850	-	-
	98,080,466	29,424,140	62,416,987	18,725,096
<b>Deferred tax liabilities:</b>				
Gain on fair value adjustment of investment properties	1,388,225,860	416,467,758	847,394,133	254,218,240
Gain on sublease	134,579,163	40,373,749	-	-
Unrealized foreign exchange gain	4,912,073	1,473,622	1,878,733	563,620
Accrued rent receivable	248,343	74,503	21,833,700	6,550,110
	1,527,965,439	458,389,632	871,106,566	261,331,970
	(P1,429,884,973)	(P428,965,492)	(P808,689,579)	(P242,606,874)

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

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

	2019		2018	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Allowance for impairment loss on receivables	P336,960,047	P101,088,014	P21,082,642	P6,324,792
Allowance for impairment loss on investments in subsidiaries and associates	19,918,197	5,975,459	19,918,196	5,975,459
Net operating loss carry-over	1,835,663	550,699	66,958,338	20,087,501
Allowance for impairment loss on advances to associates	199,473	59,842	170,204,107	51,061,232
Accrued retirement benefit expense			-	-
MCIT	12,164	12,164	27,789,196	27,789,196
	P358,925,544	P107,686,178	P305,952,479	P111,238,180

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.

**28. Capital and Treasury Stock**

Movements in the Company's capital stock are as follows:

	2019	2018	2017
<b>Authorized</b>			
8,000,000,000 common shares at P0.50 par value	P4,000,000,000	P4,000,000,000	P4,000,000,000
<b>Issued and outstanding</b>			
3,688,869,745 shares	1,844,434,873	1,844,434,873	1,844,434,873
<b>Subscribed</b>			
1,314,711,262 shares	657,355,632	657,355,632	657,355,632
Subscriptions receivable			
Beginning balance	(157,592,010)	(157,592,010)	(157,592,010)
Collection	27,750	-	-
	499,791,372	499,763,622	499,763,622
<b>Total Capital Stock</b>	<b>2,344,226,245</b>	<b>2,344,198,495</b>	<b>2,344,198,495</b>
<b>Additional paid-in capital</b>	<b>557,014,317</b>	<b>557,014,317</b>	<b>557,014,317</b>
	<b>P2,901,240,562</b>	<b>P2,901,212,812</b>	<b>P2,901,212,812</b>
<b>Treasury stock</b>	<b>P110,049,633</b>	<b>P109,712,439</b>	<b>P160,904,214</b>

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29. Reserves

This account consists of:

	Note	2019	2018	2017
Appropriated retained earnings for:				
Treasury stock acquisitions				
Balance at beginning of year		P109,712,439	P250,000,000	P250,000,000
Movements during the year		-	(140,287,561)	-
Balance at end of year		109,712,439	109,712,439	250,000,000
Revaluation on FVOCI				
Balance at beginning of year		(20,349,330)	(24,132,038)	(49,471,316)
Effect of adoption of PFRS 9	5	-	17,308,119	-
Disposal		-	1,924,192	-
Movements during the year		(5,639,548)	(15,449,604)	25,339,278
Balance at end of year		(25,988,878)	(20,349,330)	(24,132,038)
Remeasurement loss on retirement benefit obligation				
Balance at beginning of year		(22,660,995)	(30,798,439)	(23,248,754)
Movements during the year - gross		5,307,938	11,624,918	(10,785,264)
Movements during the year - tax		(19,994,388)	(3,487,474)	3,235,579
Balance at end of year		(37,347,445)	(22,660,993)	(30,798,439)
Others		-	238,062	238,062
		P46,376,118	P66,940,178	P195,307,585

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.

30. Non-controlling interest

	2019	2018
UTC		
January 1	P2,041,917	P2,172,512
Share in net loss	(5,642)	(130,595)
December 31	2,036,275	2,041,917
Share in reserves		
Unrealized holding gain (loss) on valuation of FVOCI		
January 1	-	(3,488,312)
Disposal	-	3,488,312
Unrealized holding loss	-	-
December 31	-	-
	P2,036,275	P2,041,917

Forward

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	2019	2018
<b>Recon-X Energy Corporation</b>		
January 1	(P7,208,594)	(P5,640,359)
Share in net loss	(10,822,153)	(1,568,235)
December 31	(18,030,747)	(7,208,594)
	(P15,994,472)	(P5,166,677)

**31. Earnings Per Share**

	2019	2018	2017
Net income attributable to equity holders of Parent Company	P495,717,398	P392,632,613	P264,361,753
Weighted average no. of common shares issued and outstanding	4,877,907,002	4,877,907,002	4,877,907,002
Income per share	P0.10	P0.08	P0.05

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

	2019	2018	2017
Issued and outstanding shares	3,688,869,745	3,688,869,745	3,688,869,745
Subscribed shares	1,314,711,262	1,314,711,262	1,314,711,262
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, 2019, 2018 and 2017.

**32. Significant Accounting Policies**

Adoption of New and Revised Standards, Amendments to Standards and Interpretations

The accounting policies adopted in the preparation of the separate 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, 2019. The following standards did not have a significant effect on the financial statements unless otherwise stated.

- **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.
- **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



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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.

The Group adopted PFRS 16 using the modified retrospective method effective January 01, 2019 and has not restated comparative information. The Company elected to apply the method to only those that were not completed at the date of initial recognition (see Note 13)

- **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.

- **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.

- **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

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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.

- *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.

  - 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.
  - 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. However, the implementation of the said amendment is deferred until December 31, 2020 as per SEC Memorandum circular no. 4.

*Philippine Interpretations Committee Question and Answers (PIC Q&As) Effective January 1, 2019*

- PIC Q&A No. 2019-09, *Accounting for Prepaid Rent or Rent Liability Arising from Straight-lining under PAS 17 on Transition to PFRS 16 and the Related Deferred Tax Effects PFRS 17*.

This Q&A aims to provide guidance on the following:

- How a lessee should account for its transition from PAS 17 to PFRS 16 using the modified retrospective approach. Specifically, this aims to address how a lessee should, on transition, account for any existing prepaid rent or rent liability arising from straight-lining of an operating lease under PAS 17, and
- How to account for the related deferred tax effects on transition from PAS 17 to PFRS 16.
- PIC Q&A No. 2019-11, *Determining the current portion of an amortizing loan/lease liability*

This Q&A aims to provide guidance on how to determine the current portion of an amortizing loan/lease liability for proper classification/presentation between current and non-current in the statement of financial position.

- PIC Q&A No. 2019-12, *Determining the lease term under PFRS 16, Leases*

This Q&A aims to provide guidance in determining the lease term under the new lease standard. Such exercise may require significant judgment especially when the lease agreement contains an

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option to either extend or terminate the lease.

- PIC Q&A No. 2019-12, *Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee*

This Q&A is a supplement to PIC Q&A 2019-12, providing guidance on determining the lease term under PFRS 16. This focuses on lease contracts that are renewable subject to mutual agreement of the parties.

*New Standard Effective January 1, 2019 but Not Applicable to the Group*

- PFRS 17, *Insurance Contracts*

*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.

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

*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.

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

The accounting policies set out below have been applied consistently to all periods presented in the separate financial statements except accounting policy for leases.

#### Basis of Consolidation

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 37.

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

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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 37 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



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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

##### *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

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- 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.

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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

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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.

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***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.

**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.



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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.

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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.

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#### *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 (loss) of the Group, dividends declared and share issuance costs. Retained earnings 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.

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

Revenue Recognition

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 33.

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.

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*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.

*Cost recognition from real estate sales*

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

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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

The Group has applied PFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under PAS 17. The details of accounting policies under both PAS 17 and IFRS 16 are presented separately below.

*Policies effective 1 January 2019*

The Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.



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- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the separate statement of financial position. The Group applies PAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies PFRS 15 to allocate the consideration under the contract to each component.

*Policies effective prior to 1 January 2019*

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 separate 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.

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#### *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 separate 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.

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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 per Share

*Basic earnings per share*

The Group computes its basic earnings 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 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.

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**33. 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

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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 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 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 6 and 35.

*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, 2019 and 2018.

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*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, 2019 and 2018 amounted to P55,320,659 and P25,399,477, 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 P107,686,178 and P111,238,180 as at 2019 and 2018, respectively (See Note 27).

*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

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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 unlikelihood 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.



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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 and held for development*

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.

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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.

**34. 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, 2019 and 2018.

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.

*Trade and other receivables* carrying amounts approximate their fair values as they are either priced using prevailing market rates or that the effect of discounting is not significant.

*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, 2019**

	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	35,693,930	-	-	35,693,930

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December 31, 2018

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

**35. 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:

	2019		2018	
	US dollar Deposit	Peso Equivalent	US dollar Deposit	Peso Equivalent
Cash and cash equivalents	\$362,825	P18,411,180	\$94,159	P4,964,439

The closing rates applicable as at December 31, 2019 and 2018 are P50.744 and P52.724 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 4% change in foreign currency rates. A 4% weakening of Philippine peso against the US dollar will have an increase in net income amounting to

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P736,447 and P198,578 in 2019 and 2018, respectively. For a 4% 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 2019 and 2018 as follows:

	2019	2018
Cash and cash equivalents	P121,176	P240,145
Loans payable	733,122	847,422

*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, 2019, 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 P597.7 thousand and P5.2 million for 2019 and 2018, 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 6, 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

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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:

	2019	2018
Cash and cash equivalents excluding cash on hand	P217,626,320	P78,420,791
Trade and other receivables	1,625,188,417	1,272,199,699
	<b>P1,842,814,737</b>	<b>P1,350,620,490</b>

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 P217,626,320 and P78,420,791 as at December 31, 2019 and 2018, 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:

	Grade A	Grade B	Total
<b>2019</b>			
Trade and other receivables	P1,379,678,190	P22,476,125	P1,402,154,315
<b>2018</b>			
Trade and other receivables	P572,575,744	P288,885,879	P861,461,623

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- "Grade A"  
This includes financial assets pertaining to those assets held by either the government, counterparties with good credit standing, related parties or loans and receivables that are consistently paid before the maturity date
- "Grade B"  
This includes receivables that are past due but are still collectible within 12 months.

As at December 31, 2019 and 2018, trade and other receivables of P132,110,815 and P437,246,827, 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
<b>2019</b>			
Trade and other receivables	P12,711,701	P119,399,114	P132,110,815
<b>2018</b>			
Trade and other receivables	P178,311,906	P258,934,921	P437,246,827

As at December 31, 2019 and 2018, trade and other receivables of P106,688,269 and P26,564,137, respectively, were impaired and provided for. Provision for impairment loss recognized in 2019 is P80,758,365. 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
<b>2019</b>			
Trade and other receivables	P -	P106,688,269	P106,688,269
<b>2018</b>			
Trade and other receivables	P -	P26,564,137	P26,564,137

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, 2019 and 2018, the exposure at default amounts to P359 million and P670.98 million, respectively. The expected credit loss rate is 6% and 3.86% that resulted in the ECL of P20.3 million and P25.9 million as of December 31, 2019 and 2018, respectively.

**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



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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.

	Carrying Amount	Contractual Obligation			Total
		Less than One Year	One to Five Years	More than Five Years	
<b>2019</b>					
			(In Thousand Pesos)		
Trade and other payables*	P340,106	P218,745	P121,361	P -	P340,106
Loans and notes payable	1,155,086	571,730	730,097	-	1,301,827
<b>2018</b>					
			(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

\*excluding payables to government

### 36. 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 2019 and 2018.

#### *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.

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As at December 31, 2019 and 2018, 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 2019 and 2018.

**37. Segment Information**

Details of the Parent Company's subsidiaries as of December 31, 2019 and 2018 are as follows:

	Principal Activities	Ownership Interest	
		2019	2018
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 2019 and 2018 represent the equity interests in Universal Travel Corporation not held by the Group.

The segment assets and liabilities as of December 31, 2019, 2018 and 2017 and the results of operations of the reportable segments for the years ended December 31, 2019, 2018 and 2017 are as follows:

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2018

	Parent	Subsidiaries					Other Income	Eliminations	Consolidated
	Sale of Real Estate and Leasing	Property Management	Insurance Brokerage	Holding Company	Travel services				

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

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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 29th/F East Tower, Philippine Stock Exchange Centre (PSE), 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 29<sup>th</sup>/F, East Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.

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 29/F, East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City.





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**STATEMENTS REQUIRED BY RULE 68, SECURITIES REGULATION CODE (SRC),  
AS AMENDED ON OCTOBER 20, 2011**

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

We have audited the consolidated financial statements of Philippine Realty and Holdings Corporation and Subsidiaries (collectively as the "Group") as at and for the year ended December 31, 2019, on which we have rendered our report dated March 17, 2020. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C and Annex 68-C), Financial Soundness Indicators (Part 1, 4D), Map of the Relationships of the Companies within the Group (Part 1, 4H), and Schedule of Philippine Financial Reporting Standards effective as at December 31, 2019 (Part 1, 4J), as additional components required by Part I, Section 4 of Rule 68 of the Securities Regulation Code, As Amended, and Schedules A, B, C, D, E, F, G and H, as required by Part II, Section 6 of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not a required part of the basic consolidated financial statements.

Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with Part I, Section 4 of Rule 68 of the Securities Regulation Code, As Amended.

**MACEDA VALENCIA & CO.**

**ARACELI F. CASELES**  
Partner  
CPA License No. 113583  
PTR No. 8139185

Issued on January 14, 2020 at Makati City  
SEC Accreditation No. (individual) as general auditor 1779-A Category A,  
Effective until September 23, 2022  
SEC Accreditation No. (firm) as general auditors 4748-SEC;  
Effective until February 17, 2023  
TIN 228-154-366-000  
BIR Accreditation No. 08-007752-001-2019  
Issued on December 19, 2019; effective until December 18, 2022  
BOA/PRC Reg. No. 4748, effective until June 26, 2021

March 17, 2020  
Makati City



Maceda Valencia & Co. is an independent member firm of Nexia International, a worldwide network of independent accounting and consulting firms. Nexia International does not accept any responsibility for the commission of any act or omission to act by or the liabilities of any of its members. Membership of Nexia International, or associated umbrella organizations, does not constitute any partnership between members, and members do not accept any responsibility for the commission of any act or omission to act by, or the liabilities of, other members.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
INDEX TO THE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2019**

**Schedules Required under Securities Regulation Code Rule 68**

<b>Schedule</b>	<b>Content</b>
<b>Part 1</b>	
I	Reconciliation of Retained Earnings Available for Dividend Declaration
II	Financial Soundness Indicators
III	List of Effective Philippine Financial Reporting Standards and Interpretations
IV	Map of the Relationships of the Companies within the Group
<b>Part 2</b>	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
C	Amounts of Receivable from Related Parties which are eliminated during the consolidation of financial statements
D	Intangible Assets - Other Assets
E	Long-term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Share Capital

**PHILIPPINE REALTY AND HOLDINGS CORPORATION**  
**Schedule I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**As of December 31, 2019**  
*(Amounts in thousands)*

Unappropriated Retained Earnings, beginning		P617,459,124
Adjustments for:		
(prior-year adjustments)		-
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>		<b>617,459,124</b>
Net income during the period closed to Retained Earnings		495,717,398
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain	-	
Fair value adjustments (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	(546,695,730)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	(154,443,742)	(701,139,472)
Add: Non-actual losses	-	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP-loss	19,109,004	
Equity in net loss of associate/joint venture	2,063,651	
Loss on fair value adjustment to investment property (after tax)	-	21,172,655
<b>Net income actually earned/realized during the period</b>		<b>433,209,705</b>
Add (Less):		
Dividend declarations during the period		-
Appropriations of Retained Earnings during the period		-
Reversals of appropriations		-
Treasury shares		(337,194)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND</b>		<b>P432,872,511</b>

PHILIPPINE REALTY AND HOLDINGS AND SUBSIDIARIES  
Schedule II  
Financial Soundness Indicators  
As of December 31, 2019

	2019	2018
Current Ratio <sup>(1)</sup>	2.91	4.15
Debt to Equity Ratio <sup>(2)</sup>	0.57	0.45
Asset to Equity Ratio <sup>(3)</sup>	1.57	1.45
Interest Coverage Ratio <sup>(4)</sup>	40.84	67.18
Net Interest Margin Ratio <sup>(5)</sup>	0.26	0.21
Return on Assets <sup>(6)</sup>	0.08	0.08
Return on Equity <sup>(7)</sup>	0.12	0.11
Solvency Ratio <sup>(8)</sup>	0.22	0.26

<sup>(1)</sup> Current ratio is measured as current assets divided by current liabilities.

<sup>(2)</sup> Debt to equity ratio is measured as total liabilities divided by total equity.

<sup>(3)</sup> Asset to equity ratio is measured as total assets divided by total equity.

<sup>(4)</sup> Interest coverage ratio is measured by EBIT, or earnings before interest and taxes, divided by total financing costs.

<sup>(5)</sup> Net interest margin ratio is derived by dividing net interest income with average interest earning assets.

<sup>(6)</sup> Return on assets is measured by dividing net income after tax with total assets.

<sup>(7)</sup> Return on equity is measured by dividing net income after tax with total capital accounts.

<sup>(8)</sup> Solvency ratio is measured by dividing net income after tax plus depreciation with total liabilities.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
Schedule III  
List of Philippine Financial Reporting Standards (PFRS)  
Effective as of December 31, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRS Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs	✓		
	Amendments to PFRS 1: Meaning of 'Effective PFRSs'*	Not early adopted		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations			✓
	Amendments to PFRS 3: Accounting for contingent consideration in a business combination			✓
	Amendment to PFRS 3: Scope exceptions for joint ventures			✓
	Annual Improvements to PFRSs Cycle 2015 – 2017: Previously Held Interest in a Joint Operation			✓
	Amendments to PFRS 3: Definition of a Business*		✓	
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Implementation of PFRS 9			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2019				
	Amendments to PFRS 7: Transition	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing contracts	✓		
	Amendment to PFRS 7: Applicability of the amendments to PFRS 7 to condensed interim financial statements			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendment to PFRS 8: Reconciliation of the total of the reportable segments' assets to the entity's assets	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or contribution of assets between an investor and its associate or joint venture	✓		
	Amendment to PFRS 10: Consolidated Financial Statement: PFRS 12: Disclosure of Interest in Other Entities and PAS 28: Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Annual Improvements to PFRSs Cycle 2015 – 2017: Previously Held Interest in a Joint Operation	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
PFRS 13	Fair Value Measurement	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2019				
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
PFRS 17	Insurance Contracts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1: Presentation of Financial Statements*		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*		✓	
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax - Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
	Annual Improvements to PFRSs Cycle 2015 - 2017: Income Tax Consequences of Payments on Financial Instrument Classified as Equity			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendments to PAS 16: Revaluation method - proportionate restatement of accumulated depreciation			✓
	Amendments to PAS 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2019				
PAS 17	Leases	Superseded by PFRS 16		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Employee or Third Party Contributions to defined benefit plans			✓
	Amendments to PAS 19: Plan Amendment, Curtailment or Settlement	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
	Annual Improvements to PFRSs Cycle 2015 – 2017: Borrowing Costs Eligible for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
	Amendments to PAS 24: Key management personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities	✓		
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	✓		
	Long-term Interests (LTI) in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	Superseded by PFRS 9		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			
	Amendment to PAS 32: Classification of Rights Issues			
	Amendment to PAS 32: Presentation – Tax effect of distribution to holders of equity instrument			
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2019				
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities			✓
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Revaluation method - proportionate restatement of accumulated amortization			✓
	Amendments to PAS 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Superseded by PFRS 9		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			
	Amendments to PAS 39: The Fair Value Option			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			
	Amendment to PAS 39: Eligible Hedged Items			
	Amendments to PAS 39: Recognition and Measurement on Novation of Derivatives			
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41, Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste			✓

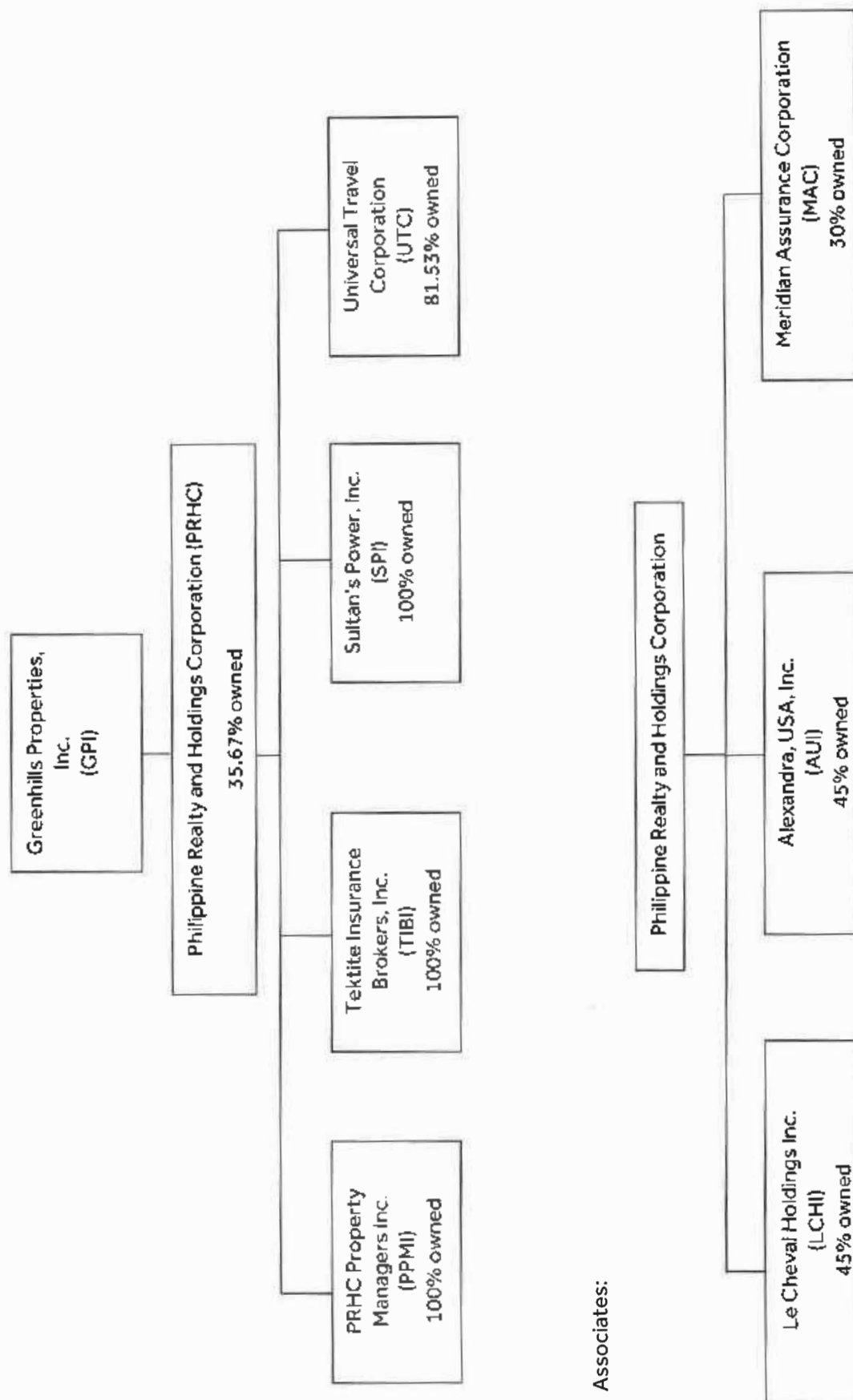


PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2019				
	Electrical and Electronic Equipment			
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty over Income Tax Treatments	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
PIC 2016-02	PAS 32 and PAS 38: Accounting Treatment of Club Shares Held by an Entity			✓

\* These are standards, interpretations and amendments to existing standards that have been issued but not yet effective as at December 31, 2019.

The standards and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2019 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION  
SUBSIDIARIES, AFFILIATES GROUP STRUCTURE  
As of December 31, 2019**



Associates:



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule A – Financial Assets**  
**December 31, 2019**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds or notes	Amount shown on the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
<b>Financial assets at fair value through profit or loss</b>				
Tagaytay Properties	6,750,000 shares	P6,750,000	P6,750,000	P -
<b>Financial Assets at Fair Value through OCI</b>				
<i>Equity securities</i>				
A. Brown Company, Inc.	36,840,000 shares	P26,156,400	P26,156,400	P -
Premium Leisure Corporation	14,264,120 shares	8,129,176	8,129,176	716,722
Philippine Racing Club (prc)	944 shares	8,354	8,354	-
Orchard Golf & Country Club				
CLASS "C" Shares	1 share	500,000	500,000	-
Valley Golf Country Club	1 share	900,000	900,000	-
	51,105,066 shares	P35,693,930	P35,693,930	P716,722
<b>Trade and other receivables - net</b>		P1,625,188,417	P1,625,188,417	P2,484,558
		P1,667,632,347	P1,667,632,347	P3,201,280

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule B – Amounts Receivable from Director, Officers, Employees,**  
**Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2019**

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
ALMEROL, CARLA	P -	P53,000	(P9,000)	-	P44,000	-	P44,000
AVILA, JESSICA	40,000	77,280	(40,250)	-	77,030	-	77,030
BERCASIO, ANDREW	266,119	313,152	(579,271)	-	-	-	-
BONTOGON, MARISSA	1,623,949	711,474	(926,704)	-	1,408,719	-	1,408,719
CALANOG, DANTE	258,642	-	(95,283)	-	163,359	-	163,359
CALUBAYAN, MARIE JOYCE	56,851	219,171	(188,307)	-	87,715	-	87,715
CARAG, ADELINE SUSAN	1,362,896	-	(312,908)	-	1,049,988	-	1,049,988
CARTAGENA, AILENE	17,710	38,640	(37,030)	-	19,320	-	19,320
CASTRO, CRISTINE DENISE	175,705	20,000	(53,752)	-	141,953	-	141,953
CATACUTAN, RICHARD	(95,283)	388,544	(111,276)	-	181,985	-	181,985
CIAR, ERWIN	1,325,740	199,066	(364,352)	-	1,160,454	-	1,160,454
CRUZ, ROSELLE	116,982	342,044	(207,765)	-	251,261	-	251,261
DAYRIT, AMYLEEN JOY	-	510,752	(53,428)	-	457,324	-	457,324
DEL ROSARIO, ALFREDO S	2,688,793	12,559,728	(760,078)	-	14,488,443	-	14,488,443
DELA CRUZ, ANGELICA	96,594	9,012	(39,857)	-	65,749	-	65,749
DEOCERA, NORBERT	103,517	182,449	(142,960)	-	143,006	-	143,006
DURAN, AILEEN	499,345	5,512,204	(5,731,204)	-	280,345	-	280,345
DURAN, NORMALENE	110,748	9,824	(39,857)	-	80,715	-	80,715
ENRIQUEZ, EDILYNDA	654,772	179,562	(358,098)	-	476,236	-	476,236
FISCHER, VINCENT	1,394,724	-	(11,359)	-	1,383,365	-	1,383,365
GARGAR, ERWIN	3,500	14,983	(8,700)	-	9,783	-	9,783
GO, RICHARD NICOLAS KO	1,964,965	43,324	(673,341)	-	1,334,948	-	1,334,948

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
HERNANI, MARIA ELIZABETH	-	146,430	(62,809)	-	83,621	-	83,621
ISNIT, JOSEFINA	400,323	753,530	(673,664)	-	480,189	-	480,189
LANUZA, CAMILLE	10,000	87,495	(87,495)	-	10,000	-	10,000
LANUZA, GERARDO							
DOMENICO	2,775,793	-	(715,636)	-	2,060,157	-	2,060,157
MAGPAYO, GIL	336,343	16,242	(29,517)	-	323,068	-	323,068
MEDRANO, EDMUNDO	2,685,793	147,722	(761,552)	-	2,071,963	-	2,071,963
MIRANDE, MIKE	395,851	90,462	(254,388)	-	231,925	-	231,925
PACA, CARLOS MIGUEL	1,344,396	99,194	(369,485)	-	1,074,105	-	1,074,105
PENGSON, BELLE	-	90,260	(41,260)	-	49,000	-	49,000
PERILLO, MARIA CHRISTINA	493,643	221,016	(295,100)	-	419,559	-	419,559
PUYAT, TXYLEA	-	861,706	(319,974)	-	541,732	-	541,732
QUILONGQUILONG, EUNICE	140,000	4,313	(105,521)	-	38,792	-	38,792
RAMOS, MARK ANTHONY	430,958	-	(126,768)	-	304,190	-	304,190
REYES, REINHARD	78,194	8,914	(39,857)	-	47,251	-	47,251
SANTOS, ROZANO	303,404	109,704	(251,410)	-	161,698	-	161,698
SANTOS, LEONARD ROSS	-	533,036	(92,746)	-	440,290	-	440,290
SOZA, RICHARD	20,000	-	(20,000)	-	-	-	-
TABLADA, DEXTER	53,573	9,624	(48,590)	-	14,607	-	14,607
TABORLUPA, MARGIE	110,364	365,919	(147,602)	-	328,681	-	328,681
TAMANG, CHARLIE	109,760	54,221	(110,982)	-	52,999	-	52,999
TUROT, KRISTEL JOY	93,357	9,684	(39,857)	-	63,184	-	63,184
VEDAÑA, FERDERICK	22,443	168,242	(104,696)	-	85,989	-	85,989
VERCELES, REGANDOR	-	826,786	(127,873)	-	698,913	-	698,913
VERZOSA, SAMUEL	17,438	46,829	(40,853)	-	23,414	-	23,414
VICTORIA, RODOLFO	-	51,930	(11,625)	-	40,305	-	40,305
VILLAFUERTE, JOHNDOLF	(108,605)	1,256,181	(760,268)	-	387,308	-	387,308

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at the end of period
VILLAJUAN, ANGEL	18,505	-	(18,505)	-	-	-	-
OTHERS	(8,027)	5,338	-	-	(2,689)	-	(2,689)
	P22,389,775	P27,348,987	(P16,402,813)	P-	33,291,949	P-	P33,335,949

Note: Receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders are subject to usual terms in the normal course of business.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule C – Amounts Receivable from Related Parties which are eliminated**  
**during the consolidation of financial statement**  
**December 31, 2019**

Name of Debtor	Balance at the beginning of the period	Additions	Amounts collected (i)	Amounts written-off (ii)	Current	Non-current	Balance at the end of period
Universal Travel Corporation, Subsidiary	P29,873,310	P -	P -	P -	P -	P29,873,810	P29,873,810
PRHC Property Managers, Inc., Subsidiary	3,101,717	4,208,446	1,607,051	-	5,703,112	-	5,703,112
Sultan's Power, Inc., Subsidiary	74,534,722	54,697	-	-	74,598,419	-	74,598,419
	P107,509,749	P4,263,143	P1,607,051	P -	P80,301,531	P29,873,310	P110,175,341

- i. If collected was other than in cash, explain.  
 ii. Give reasons to write-off.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**

**Schedule D – Intangible Assets – Other Assets**

**December 31, 2019**

*(Amounts in Thousands)*

Description (i)	Beginning Balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other charges additions (deduction) (iii)	Ending Balance
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None to report.

- The information required shall be grouped into (a) intangibles shown under the caption intangible assets and (b) deferrals shown under the caption other assets in the related balance sheet. Show by major classifications.
- For each change representing other than an acquisition, clearly state the nature of the change and the other accounts affected. Describe cost of additions representing other than cash expenditures.
- If provision for amortization of intangible assets is credited in the books directly to the intangible asset account, the amounts shall be stated with explanations, including the amounts charged. Clearly state the nature of deductions if these represent anything other than regular amortization.



**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule E – Long Term Debt**  
**December 31, 2019**

Title of issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt in related balance sheet " (ii)	Amount shown under caption "Long-term debt in related balance sheet " (iii)	Interest Rate %	Maturity Date
Loans payable with pledged AR	P75,510,132	P -	P -	6%	
Lease and hold-out agreement	80,000,000	-	-	3.75%	April 2019
Lease and hold-out agreement	70,000,000	-	-	3.75%	May 2019
Real estate mortgage	25,000,000	-	-	0%	July 29, 2017
Real estate mortgage	25,000,000	-	-	0%	August 5, 2017
Car loan	26,756,894	5,206,899	11,303,779	9.11%	August 1, 2021
Car loan	14,048,000	2,962,245	5,536,015	8.72%	July 2022
Real estate mortgage	1,079,800,000	122,520,371	654,295,651	6%	September 19, 2022
Real estate mortgage	800,000,000	350,000,000	-	7.5%	March 2020

- i. Include in this column each type of obligation authorized.
- ii. This column is to be totalled to correspond to the related balance sheet caption.
- iii. Include in this column details as to interest rates, amounts or numbers of periodic instalments, and maturity dates.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES  
Schedule F – Indebtedness to Related Parties  
(Included in the Consolidated Financial Statement of Position)  
December 31, 2019

Name of Related Parties (i)	Balance at the beginning of the period	Balance at the end of the period (ii)
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None to report.

- i. The related party shall be grouped as in Schedule D. The information called for shall be stated for any persons whose investments shown in separately in such related schedule.
- ii. For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10% of the related balance at either the beginning or end of the period.

**PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES**  
**Schedule G – Guarantees of Securities of Other Issuers**  
**December 31, 2019**

Name of the issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding (i)	Amount owned by person of which statement is filed	Nature of Guarantee (ii)
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None to report.

- i. Indicate in the note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
- ii. There must be a brief statement of the nature of the guarantee, such as "Guarantee of Principal and Interest", "Guarantee of Interest" or "Guarantee of Dividend". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

PHILIPPINE REALTY AND HOLDINGS CORPORATION AND SUBSIDIARIES

Schedule H – Share Capital

December 31, 2019

Title of Issue (i)	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and employees (iii)	Others (iii)
Common	8,000,000,000	3,688,869,745	-	-	10,412,758	-

- Include in this column each type of issue authorized
- Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.
- Indicate in a note any significant changes since the date of the last balance sheet filed.



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Bernardo Placido Chan and Lasam Law Office  
Martinez, Vergara, Gonzales, and Serrano  
Pastelero Law Office  
Tiongco Siao Bello and Associates Law Offices

#### **BANKS**

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

#### **TRANSFER AGENT**

Professional Stock Transfer Inc. (January to August 2019)  
Stock Transfer Service, Inc. (September 2019-present)

#### **AUDITOR**

Maceda Valencia & Co.

#### **LISTING**

Philippine Stock Exchange



