

M D.M. WENCESLAO
W AND ASSOCIATES, INCORPORATED

Transforming the **URBAN** **LANDSCAPE**

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2018 Annual Report



Transforming the URBAN LANDSCAPE

Aseana City was born out of the sea.

From water into land and land into a city, we are in a journey to transform Aseana into a green, safe and walkable central business district for quality living. In this new landscape, we are embracing principles and solutions that define smart and sustainable cities, and we are building an ecosystem that integrates livability with urban conveniences.

In ways large and small, we are well on our way to delivering our objectives—and we will not stop when we get there.



MISSION

To initiate and create sustainable city-scale real estate products which will complement and contribute to the local community and national development

VISION

To be the leading city-developer in the country

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Financial HIGHLIGHTS

REVENUES

≡
₱2.15B

NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS

≡
₱1.91B

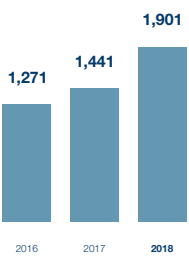
OPERATING MARGIN

64%

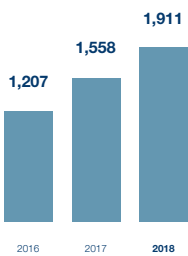
NET INCOME MARGIN

89%

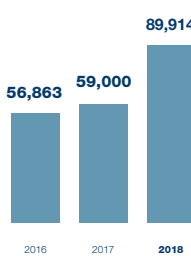
RECURRING INCOME (PHP M)



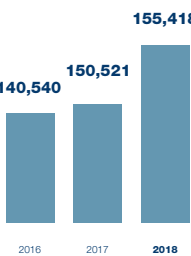
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS (PHP M)



LEASABLE FLOOR AREA (sq.m.)



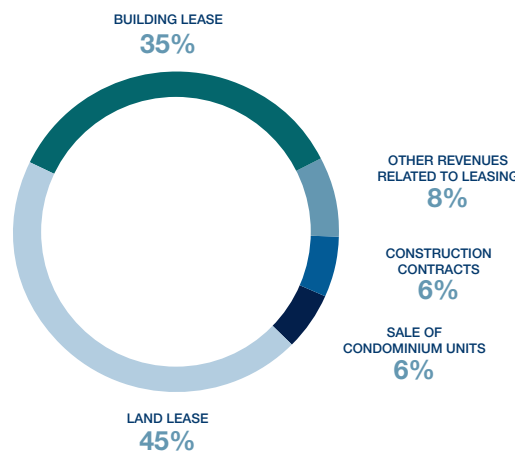
LEASED LAND AREA (sq.m.)



FINANCIAL RATIOS

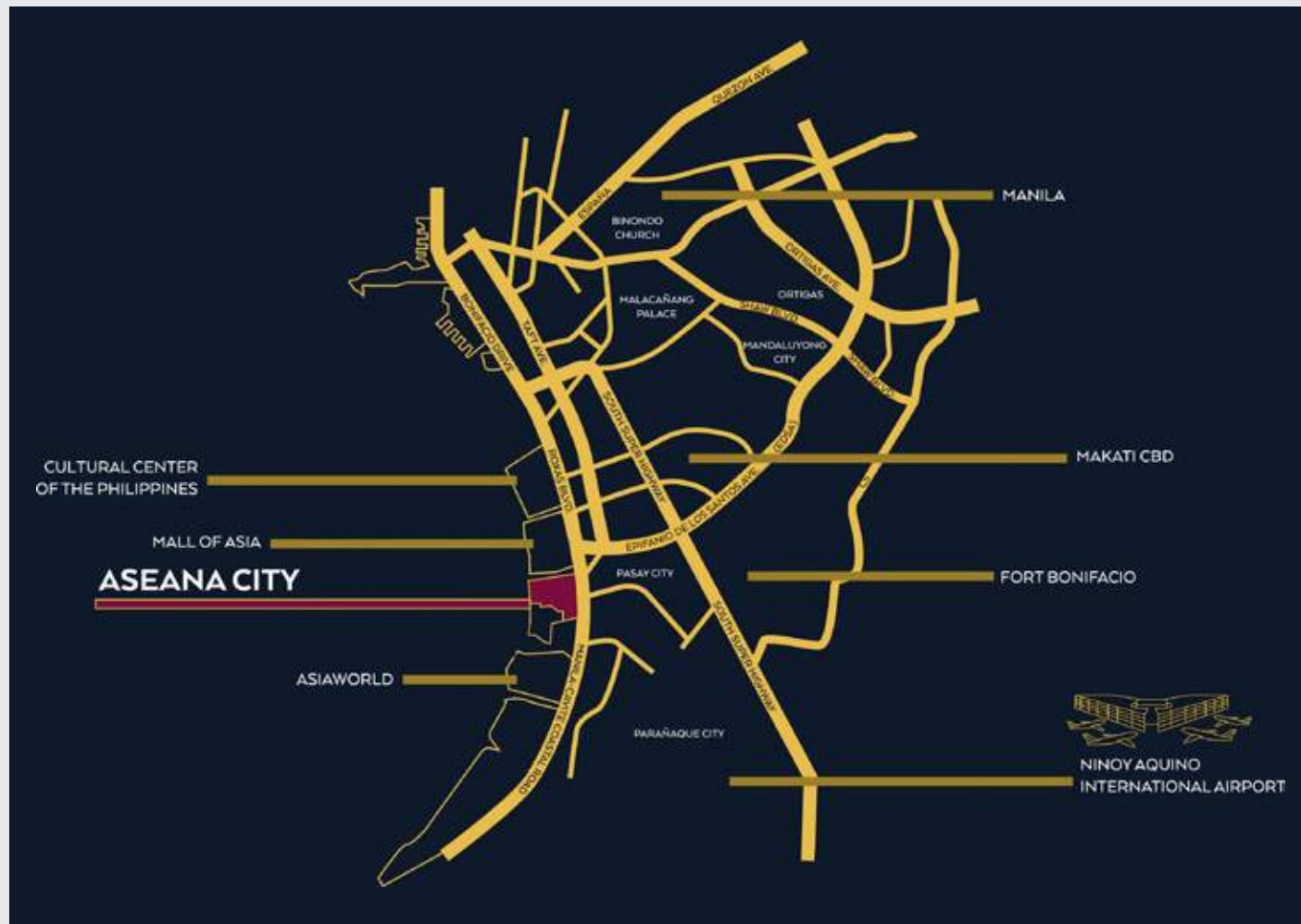
	2018	2017
Recurring income contribution	88%	52%
Net income ratio	89%	56%
Earnings per Share	₱0.625	₱0.574
Current ratio	1.61x	0.75x
Debt-to-Equity ratio	11%	29%
Return on Equity	14%	20%

REVENUES



Our BUSINESSES

To spearhead future development efforts in Aseana City, we have organized the company into three business segments namely: leasing, sale of land and condominium units, and construction.



Aseana City is our development project with total land area of 1,074,714.0 sq.m. located along the coastal waters of Manila Bay bordering the City of Pasay and the City of Parañaque.

Leasing



Recurring income sources provide us with higher earnings visibility. These include leasing from land, building and other revenues related to rentals. Our pipeline of commercial property developments are primarily office buildings targeted at traditional companies, outsourcing and offshore gaming firms, logistics and tourism-related companies.

89,914 sq.m.
total leasable floor area

Residential and Land Sales



Land sale contributes to the balanced development of Aseana City and is a key source of internal funds to finance our existing and future construction and development activities. Our residential condominium projects allow us to maximize the value of our land and developments.

10,000 sq.m.
allocated for future non-core land sales

Construction



Our established track record in land reclamation and construction equip us with ready-to-use, easily deployed capabilities and expertise, as well as in-house resources and personnel for our own real estate projects and our implementation of Aseana City's master plan.

over 140
completed construction and infrastructure projects including large, complex government developments throughout the Philippines

155,418 sq.m.
total leased land area

283,312 sq.m.
unallocated land bank available for further development

over 50 years
track record in infrastructure construction and land reclamation



Message from the **CHAIRMAN**

Fellow Shareholders,

D.M. Wenceslao has come a long way since it started in 1965. For decades, we have been a pioneer in infrastructure construction and land reclamation. We have assisted the government in building public roads, ports, bridges and expressways throughout the country and more importantly, in reclaiming the land underlying Aseana City. But no business is without its challenges. We have faced periods of uncertainty and have navigated through the cycles. Yet for each cycle, we have emerged a much stronger enterprise. And our ability to separate the signal from the noise has prepared us to be the company that we need to be for the future.

Over time, we have transitioned our construction business into an integrated real estate property development company and we are now beginning to see the results.

2018 was a year of solid accomplishment and execution across the company. It was a transformational year for us—evolving from privately-owned to a publicly held company. The initial public offering accomplished several key objectives including providing capital for further growth of the business, affirming the effectiveness of our strategic plans as well as raising the company's profile that would generate important commercial benefits.

As a private company, we have looked forward as far as we can and have pursued high-reward projects while mitigating our

risk and remaining prudent in our financial management. As a public company, we will do the same. We will continue to seek such opportunities and understand their dynamics in order to drive long-term value. At the same time, we will maintain a strong capital structure that provides us with substantial financial resources and flexibility. We are confident that, in the long run, this will benefit the company and its shareholders—old and new.

Moving to public ownership comes with new and broader responsibilities. In my role as Chairman of the Board, I am particularly focused on making sure D.M. Wenceslao excels in governance practices. This includes a commitment to deliver long-term, sustainable value for all shareholders and to improve business transparency and integrity. I am also determined to strengthen our tradition of supporting our natural environment and local communities whether financially or with our time.

As we enter our next phase of growth and scale, I would like to thank our customers, partners, shareholders and employees for their commitment and support. Together we will continue to work towards building a company known for its deep and lasting stakeholder relationships, for vibrant cities and communities, and for the exceptional talent and dedication of its people.


Delfin J. Wenceslao, Jr.
Chairman



Report of the CEO

As I look back on last year — in fact, the last five years — it is remarkable how well our company has evolved. It is not only about our strong financial performance but how much we have grown as an organization and what we have achieved to help our locators in Aseana City and communities around the Manila Bay area.

A year of execution and momentum

2018 was a year of marching steadily forward. We laid the groundwork for growth by strengthening our development pipeline, improving trust and confidence among our customers and business partners, streamlining processes, and building human resources capabilities and organizational structure— in short, by executing better. The value that these strategies brings to our journey cannot be overstated. It has paved the way for more opportunities.

In June, we completed our initial public offering (IPO) raising ₱8.15 billion amidst tough capital market conditions prevalent during that time. The proceeds of the IPO will allow us to accelerate our business footprint from a healthy mix of operating assets to projects under development. For example, we are creating various structures suited for multiple uses simultaneously, in sizes we have not yet begun to explore prior to the IPO.

Today, we have close to 90,000 sq.m. of leasable floor area and over 155,000 sq.m. leased land area. Revenues were at ₱2.15 billion and net income attributable to equity holders reached ₱1.91 billion. Our recurring income from leasing has grown almost tenfold and is now at 88% of

total revenues compared to 37% in 2013 when majority of the business was still construction. In the same way, our balance sheet is better positioned than ever before—with modest leverage and uncomplicated financing, and expanded capital base.

Favorable business environment and internal efficiencies drive value proposition

The Philippines remains one of Asia's fastest and most consistent economic success stories. From 2010 to 2018, the country's gross domestic product (GDP) grew by an average of 6.3% annually, compared to approximately 4.5% in the previous decade. This is also well above the 4.8% average growth of the 37 countries in the East Asia and Pacific region.

Indeed, we are at an exciting period in the country's history and we believe this trend will continue within the foreseeable future. Our demographic dividend window defined by our large and young productive population, rapid urbanization, and emerging middle class are what set us apart from the other developing economies. These qualities, which most economic analysts agree with, will ensure that the country benefits from human resources capabilities and stays on the path to prosperity. This affirmation is reflected in consensus forecasts that show our GDP growth estimates at around 6% to 7% per annum over the next three years.

In the long run however, our global competitiveness is needed if we want to unlock our potential for broad-based growth. This includes making sure our cities are livable and sustainable because, after all,

“The proceeds of the IPO will allow us to **accelerate our business footprint from a healthy mix of operating assets to projects under development.** We are creating various structures suited for multiple uses simultaneously, **in sizes we have not yet begun to explore prior to the IPO.**”

Rising cash flow allows early dividend payment

From the outset, we have been transparent about our dividend policy which we have adopted through our manual of corporate governance. This is a payout ratio of 30% of our audited consolidated net income for the previous calendar year, subject to certain requirements and a transition period of three years from the listing date.

Despite this provision, we declared and paid cash dividends in less than a year since we listed. On February 15, 2019, our Board approved ₱120 million cash dividends in view of our growing cash flow and the successful settlement of our joint venture agreements. While the amount represents a small percentage of profits, we hope it demonstrates our progress towards earning a fair return for our shareholders. As we look ahead, we will continue to evaluate our ability to grow our dividend payments taking into account various factors and economic conditions.

In sum, it has been a year of tremendous work for our management and employees, who contributed with a high degree of motivation and commitment to D.M. Wenceslao. I thank them for their daily efforts. I also thank our business partners for their ongoing support and trust in our longstanding relationships, and our shareholders for sharing our common vision of transforming the urban landscape.


Delfin Angelo C. Wenceslao
Chief Executive Officer

they act as primary drivers of economic growth. It is therefore imperative that we focus on world-class facilities and mixed-use developments, especially with the continuous depletion of prime commercial sites within Metro Manila.

With this in mind, our goal at D.M. Wenceslao is to facilitate the development of Aseana City in accordance with its global design standards and guidelines. We envision it as a truly walkable city that is consistent with sustainable principles and contemplates pedestrian-oriented spaces, diversified land uses, ample public amenities, and a comprehensive road and transit network. We believe our competencies will enable us to optimize synergies across our business lines, such as construction, real estate development, and asset management, and in turn, to ultimately participate in the future upside of the business.

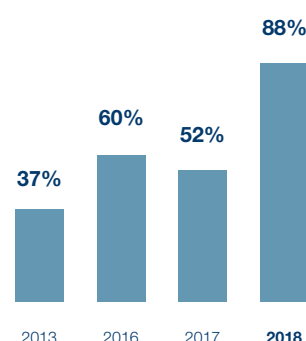
Organizational development matches our long-term objectives

We know that our ambitious objectives require adequate leadership strength. Thus, we have intensified our organizational development initiatives in the areas of talent acquisition and employee engagement to match our growth aspirations. We have also fully implemented our performance management program where managers and employees work together to determine joint objectives and provide feedback on the results. By formulating, monitoring and developing plans, we now have the framework we needed to make talent a strategic priority and align employee incentives and compensation with company level performance, both of which are fundamental to our success.

TOTAL PROCEEDS RAISED
FROM INITIAL PUBLIC OFFERING

₱8.15B

RECURRING INCOME CONTRIBUTION



YEAR-ON-YEAR NET INCOME
INCREASE TO ₱1.91B

23%



Business OVERVIEW and OUTLOOK

576,276sq.m.
land holdings in Aseana City

₱161B
valuation

The Philippines has the 13th largest population in the world, and the highest total fertility rate among the Association of Southeast Asian Nations (ASEAN) countries, according to United Nations. By 2020, the country's population is projected to exceed 109.5 million, of which 13.3 million or 12% will live in Metro Manila – the most populous region yet smallest in land area.

Metro Manila has long been the center of economic activity in the country, contributing at least a third of the gross domestic product since the 1980s. In recent years, it has benefited from continuous growth in the Business Processing Outsourcing (BPO) sector, higher Overseas Filipino Workers (OFW) remittances and increased private and public investment. But Metro Manila faces huge challenges, from housing problem and traffic congestion to disaster risk management. Plus, with the limited area available for development, land has become a scarce resource and a critical one.

Today, many Filipinos have accepted the self-contained community paradigm as the basis of a new lifestyle and preferred standard of living in cities. Modern urban landscape has been redefined where residences, office buildings, retail establishments, entertainment venues and schools are located in close proximity to one another to facilitate access by residents and workers. This pursuit of more compact and livable development is what we strive to create at D.M. Wenceslao.

Our Land Holdings

We currently hold one of the largest contiguous land banks in Metro Manila with 576,276 sq.m. located in Aseana City. Such land holdings, existing properties and current developments are valued at approximately ₱160.9 billion, according to Colliers.

Aseana City is part of the larger 2,040,000 sq.m. Central Business Park – Islands B and C (CBP-BC) project, which we reclaimed. It comprises approximately 1,074,714 sq.m. of total land area situated along the coastal waters of Manila Bay bordering the City of Pasay and the City of Parañaque.

283,312sq.m.

unallocated land reserves
available for development

₱300,000/sq.m.

2018 land prices
from ₱31,500/sq.m. in 2006



Unlike the existing business districts in Metro Manila such as Makati, Ortigas and Fort Bonifacio where large, prime commercial tracts of land have already been developed, Aseana City is still a work in progress—with considerable potential ahead, whether in office, retail, residential or entertainment spaces. In fact, out of our existing land holdings, 283,312 sq.m. of land reserves is unallocated and available for development.

As we press on, we intend to further increase our land holdings opportunistically, applying the same cost advantage, through continuous participation in land reclamation projects and strategic acquisitions.

Here are some salient characteristics of Aseana City:

Strategic and sizeable that is well positioned for future growth

Aseana City is strategically located next to two of the most significant recreational and entertainment districts in Metro Manila— Philippine Amusement and Gaming Corporation’s (PAGCOR) Entertainment City and the SM Group’s Mall of Asia

development in the Manila Bay area. PAGCOR’s Entertainment City is a gaming and entertainment complex featuring high-end integrated casinos and tourism resorts, such as City of Dreams Manila, Solaire Resort & Casino, and Okada Manila, which attract leisure and tourist traffic to the entire area. The SM Group’s Mall of Asia is one of the largest shopping malls in the world, with roughly 200,000 visitors every day.

Reflecting these neighborhood characteristics, we are developing Aseana City as a “Next Generation” central business district (CBD) in Metro Manila, anchored by holistic development, mixed-use masterplan and global infrastructure standards.

Unparalleled connectivity and more to come

Aseana City is well-connected with key transport linkages such as the Ninoy Aquino International Airport (NAIA) Expressway and the Paranaque Integrated Bus Terminal Exchange (PITX). The NAIA Expressway connects all terminals of NAIA directly to the Manila Bay area through an exit at PAGCOR Entertainment City, adjacent to Aseana City. It also links the Skyway and the Manila-Cavite Toll Expressway. PITX, on the other hand,

is designed as an urban transport terminal to connect provincial buses from Cavite and Batangas to other in-city transport systems such as buses, taxis, other public utility vehicles and the future Light Rail Transit (LRT)-1 Extension. It is less than two kilometers from Aseana City.

Further, the upcoming 11.7-kilometer LRT-1 extension will improve access to Aseana City from multiple significant localities and rapidly growing population centers outside of Metro Manila. It will add 10 new stations to Line 1 starting from its existing Baclaran Station to Niyog Station in Bacoor, Cavite. As of February 2019, the LRT-1 extension was undergoing construction activities, right-of-way acquisition and finalization of its alignment.

Low favorable land costs primed for value appreciation and profitability

Our land holdings were obtained in consideration for the reclamation and construction services we rendered for the CBP-BC project including the land underlying Aseana City. This means that our acquisition costs are low compared to current market prices which have appreciated substantially from the time we reclaimed such land in the 1990s to 2000s.

Thus far, the increasing importance of developable land bank in Metro Manila and the rising demand to live and work near the city centers have resulted in a significant appreciation in the value of our land. Aseana City has seen land prices grow from as low as ₱31,500 per sq.m. in 2006 to around ₱300,000 per sq.m. as of the end of 2018, translating to a compound annual growth rate of 21%. Furthermore, the price per sq.m. is expected to reach ₱390,000 in 2019, according to Colliers.

21%

CAGR of land prices
from 2006 to 2018

LEASING

Our approach to establishing our portfolio is no different than our conservative financial management practices. Over the years, we have paid particular attention to recurring income sources to provide us with higher earnings visibility. These include leasing from land, building and other revenues. For land leasing, our total leased land area was 155,418 sq.m. in 2018, up by 4,897 sq.m. from the prior year. For commercial building leasing, our total leasable floor area rose to 89,914 sq.m. from 59,000 sq.m. in 2017. We had eight investment properties, seven of which are located in Aseana City, namely Aseana One, Aseana Two, Aseana Three, Aseana Powerstation Building, Aseana Town Center, Aseana Square and S&R.

As of December 31, 2018, our recurring income from leasing amounted to P1,901.2 million or 88% of our total revenues, an increase of P460.4 million or 32% from 2017.

Land leasing

Strategy

We lease land to suitable tenants engaged in specialty businesses or with planned developments that will contribute to the overall growth of Aseana City. To this end, we generally enter into mid to long-term leases ranging from 10 to 20 years with yearly escalation rates ranging from 5% to 10%. In some cases, we collect additional or variable rent based upon the tenant's revenues.

2018 Performance

Leasing of land increased to P965.2 million in 2018, up by P45.8 million or 5% from 2017 driven by a new land lease contract.

In March, we signed a new lease with total land area of 4,897 sq.m. to Prestige Bay Development Corporation at a rate of P600 per sq.m. per month. Located along Bradco Avenue, the lessee will construct a mixed-use commercial and retail building. Average annual lease rent increase is 7% for 15 years.

Leasing of land represented 45% of our total revenues in 2018 from 33% in 2017.

Five-year Outlook

We are allocating 20,103 sq.m. of land for future leases.

Commercial leasing

Strategy

We lease commercial spaces including offices and retail, ranging from three to 10 years with fixed annual escalation rates of 5% to 10%. For our office buildings, we primarily target traditional companies, including logistics, Business Processing Outsourcing (BPO), and gaming and tourism-related companies. We generally complete construction within 24 months and achieve full occupancy levels within a year post-construction.

2018 Performance

Leasing of building expanded to P762.1 million in 2018, registering an increase of P332.4 million or 77% from 2017. The on-time delivery of our third office building, Aseana Three, added 30,914 sq.m. to our total leasable gross floor area and allowed us to start recognizing the rentals from our tenants starting January.

Likewise, other revenues related to leasing surged to P173.8 million in 2018, translating to a growth of P82.1 million or 90% from the previous year as a result of the full occupancy of Aseana Three. These revenues form part of the fees we generally charge our building tenants, such as common use service area (CUSA).

Leasing of buildings represented 35% of our total revenues in 2018 from 15% in 2017. Other revenues related to leasing accounted for 8% from 3%.

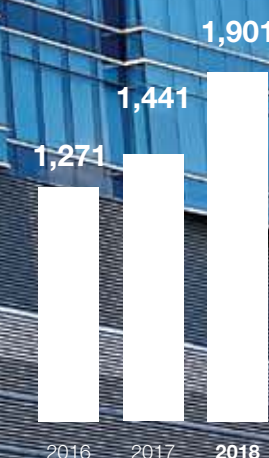
Five-year Outlook

We are adding approximately 300,000 sq.m. of future gross leasable floor area across our five commercial developments.

89,914sq.m.
total leasable floor area

155,418sq.m.
total leased land area

RECURRING REVENUES (PHP M)



RESIDENTIAL SALES

We have repeatedly, and with good reason, highlighted the strategic location of our land bank. The Manila Bay area is home to major high-end integrated casinos as well as local and foreign nationals who are working for gaming and hospitality outlets in the area. Because of these factors, there is an excellent source of primary and secondary demand for residential space in Aseana City—whether permanent or short-term.

Our sales of residential condominium units allow us to maximize the value of our land and developments. Our offerings comprise upscale larger format apartment units, ranging in size from 36 sq.m. to 108 sq.m., in comparison to the current mass of smaller studios and compact one-bedroom options available in the area. Based on our operational experience and understanding of the market landscape, we believe demand will increase from our targeted customers with the growth of Aseana City into a major tourism and business area.

Strategy

We are complementing the speed of development in the area with residential products in the mid-income, upscale and luxury categories.

We implement a sales model that allows us to fully pre-sell our projects within 12 months with an expected construction period of about 36 months.

2018 Performance

Our revenues from sale of condominium units reached P119.4 million in 2018, growing by P72.2 million or 153% from the previous year. This result reflects the increased percentage of completion of our first residential project, Pixel Residences, which is targeted to be completed in the fourth quarter of 2019. The launch of our second residential project, MidPark Towers, also contributed to the segment performance, as we recognized revenue from certain sales contract that met our 20% revenue threshold.

Sales of condominium units represented 6% of our total revenues in 2018.

Five-year Outlook

We are completing close to 85,000 sq.m. of saleable floor area across our three residential developments.

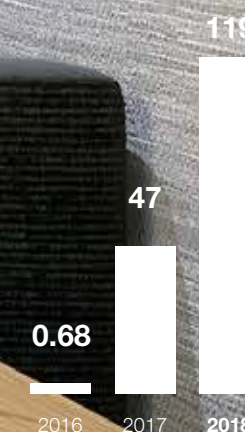
153%

year-on-year increase in residential unit sales to P119.M

P1.3B

unrecognized revenues from Pixel Residences

RESIDENTIAL SALES (PHP M)



LAND SALES

Land sale not only contributes to the balanced development of Aseana City, it is also a key source of internal funds to finance our existing and future construction and real estate development activities. Moreover, it helps us maximize the revenue potential of our real estate portfolio by allowing us to cross-sell our real estate offerings and realize further income growth.

Strategy

With respect to our land holdings, one of our strategies is to retain prime land areas for long-term investment through development of our own real estate projects or strategic land leases. As such, we limit our land sales to non-core land plots.

In 2018, we were deliberate in our decision to hold off selling any of our properties in Aseana City.

2018 Performance

We had no land sale in Aseana City in 2018.

On January 23, 2018, the company entered into a settlement agreement with the Ultimate Parent Company Wendel Holdings Co., Inc. and Alphaland Development, Inc. regarding their joint venture agreements, and all disputes related to the development of the Alphaland Bay City project located in Aseana City.

As part of the settlement agreement, the company is entitled to a non-refundable consideration of P2,050 million over two years in relation to its waiver of rights to purchase certain parcels of land contributed to the joint arrangement. During the year, the company has received P1,200 million which is presented as part of Other income account in our consolidated statements of profit and loss.

In view of this development and based on our knowledge of rising land prices, our management deemed it appropriate not to sell lots in 2018.

Land sales represented 0% of our total revenues in 2018 from 39% in 2017.

Five-year Outlook

We are allocating approximately 10,000 sq.m. of non-core land for future sales. We classify “prime” land as those plots being bordered by the three main avenues: Aseana Avenue, Macapagal Boulevard and Diokno Boulevard. All other land areas are generally regarded as “non-core” land.

10,000sq.m.

allocated for future non-core land sales

CONSTRUCTION

The core foundation of our business is our more than 50-year operating history and proven track record in land reclamation and infrastructure construction. As of December 31, 2018, we had reclaimed in aggregate approximately 2,424,834.0 sq.m. of land, including our land holdings in Aseana City, and completed more than 140 construction projects, including public roads, ports and bridges throughout the Philippines. We are a certified AAAA contractor, one of less than 25 in the country (out of nearly 10,600 licensed contractor companies in the Philippines) based on statistics from the Construction Industry Authority of the Philippines as of December 17, 2018.

Our construction business equips us with ready-to-use, easily deployed construction capabilities and expertise, as well as in-house resources and personnel for our own real estate projects and our implementation of Aseana City's master plan. Our services include survey and planning, condition works, engineering, architectural and project management services. In a number of our land sales agreements and land lease agreements, we negotiate a right to match the lowest bid for, or a right of first refusal to undertake, certain construction works required by purchasers and lessees of our land. These capabilities enable us to achieve substantial execution and cost efficiencies, as well as create opportunities for our construction segment to generate additional revenues.

Strategy

We carry out a range of construction services for our own real estate projects and infrastructure within Aseana City as well as for external construction contracts. These involve site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.

2018 Performance

Revenues from construction contracts decreased to P130.5 million in 2018, down by P71.6 million or 35% as our construction activities were primarily focused on the company's internal projects in 2018.

Construction contracts represented 6% of our total revenues in 2018 from 7% in 2017.

Five-year Outlook

We will continue to perform various construction services for our own real estate projects and infrastructure within Aseana City. At the same time, we will evaluate contracting opportunities arising from construction requirements by purchasers and lessees of our land.



22%
for sale

78%
for recurring
revenue

Our **FIVE-YEAR** Development Pipeline

We are implementing a five-year development pipeline that will drive further value from our land bank and our business model. This medium-term target is set to be stretching but we are prepared to learn and to manage our own transformation to achieve this objective.

Our pipeline consists of eight developments with 385,000 sq.m. of leasable and saleable properties, all to be completed within the next five years. This includes five commercial developments and three residential developments, which represent a total gross leasable floor area of approximately 300,000 sq.m. and a total gross saleable floor area of about 85,000 sq.m., respectively. These projects are strategically situated in close proximity to the structures being constructed to benefit from the anticipated increase in traffic within the area.

For our commercial developments, we will continue to focus on the demand of traditional companies including logistics, Business Processing Outsourcing (BPO), as well as companies in businesses related to gaming, recreational activities, tourism, entertainment and hospitality. For our residential developments, we intend to target the higher mid-end of the consumer market, including middle-class working families, executives, expatriates working at the recreational and casino developments, and foreigners looking to invest in Aseana City.

Sustainability is an **INTEGRAL PART** of the way we do business



Our Business

We believe our business inherently brings a positive impact on the world around us. The developments we create increase the supply of prime office and commercial spaces in Metro Manila, address housing demand for city living and encourage walkability for all.

As the master developer of Aseana City, we are spearheading the development of the city into a “Next Generation” central business district within a well-developed setting of recreational developments, common spaces and connected walkways. Over the next five years, we will expand our leasable portfolio by another 300,000 sq.m. and our saleable residential properties by 85,000 sq.m. This development pipeline positions us to capture growing opportunities in office, retail tourism, entertainment and hospitality outlets in the neighboring Entertainment City and Mall of Asia developments.

More broadly, it sits within our long-term strategy, ensuring we are focused on operational execution as well as strategic investments.

As in prior years, D.M. Wenceslao remains a highly recurring and profitable business with strong financial position and sizeable land bank. At end-2018, our recurring income from leasing reached 88% of total revenues. Our net income attributable to equity holders rose 23% to ₱1,911.2 million, translating to a net income margin of 89% from 56% in the previous year. We closed the year with a cash balance of ₱7,549.2 million, while our total bank debt was modest at ₱1,928.9 million. Above all, we possess one of the largest land holdings in Metro Manila with 576,276 sq.m. located in Aseana City where land values grew 21% per annum on an annual compound basis from 2006 to 2018.



Parqal, our newest mixed-use development with pedestrian park and promenade stretching from Diokno Avenue to Macapagal Avenue, is set to breathe colorful vibe into Aseana City. Combined office and retail spaces will account for over 67,000 sq.m. of leasable gross floor area while public area will be 26,000 sq.m.

Our People

Our people are our unique assets. They are a vital partner in executing our strategy and driving our success.

To provide a common language among various teams and individuals, our Code of Conduct guides our behavior in the workplace and forms the cornerstone of how we operate as a business. It includes strong business ethics, labor, health and safety protection, and anti-corruption provisions. The Code applies to all our employees and officers, including our senior management.

Our teams are also complemented by subcontractors who provide operational support for our construction and development endeavors. Through our Quality Policy and Quality Management System, we have defined the salient characteristics of our quality control procedures

and continuous performance improvement approach. These standards are built into our governance practices since 2009, and together, they shape the way we fulfill our responsibilities and daily work activities.

As of December 31, 2018, we and our subsidiaries directly employed 302 people on a full-time basis and provided opportunities for a further 2,700 site operatives including subcontractors. By gender, male to female ratio was 7:3 of the total employed. By function, 36% were in construction and operation, 29% in administration, 15% in operations support (project hire), 12% in finance and accounting and 7% in management. All in all, while we have made great strides in this area, we recognize there is more to do and we are committed to continuing this important journey towards diversity and inclusion in our workforce.



Artist's perspective of Aseana Plaza (formerly Aseana Five and Six)



Our subsidiary, U-City Technology Philippines, Inc., provides smart city solutions for effective city-wide public surveillance and safety services.

302

total full-time employees of
D.M. Wenceslao and subsidiaries

2,700

site operatives including
subcontractors

Our World

As a developer, we know that managing the environmental impact of the properties we build is our fundamental duty and so is ensuring the sustainability of the communities where we operate.

Towards this commitment, we continuously explore sustainable business practices such as cost-effective green building technologies for our self-developed properties. Take for example our solutions to manage our carbon footprint and provide financial and ecological benefits to our tenants. All our office buildings use double-glazed curtain wall that increases energy efficiency and sound insulation. We have also installed a “grey water” dual piping system that allows the buildings

to utilize treated waste water from the sewage treatment plant for non-potable uses, such as for flushing the toilets. Likewise, we utilize green equipment, such as light emitting diode (LED) lighting, variable refrigerant flow air-conditioning, and elevator system, to help our tenants consume less electricity.

Around Aseana City, we work with our communities and government agencies to sustain improvement of water bodies that drain into Manila Bay. We also operate public utility vehicles that are powered by Liquefied Petroleum Gas (LPG)—an environment-friendly alternative that produces much lower carbon emissions compared to traditional automotive fuels, such as diesel and gasoline.

Case Study: ADOPT-AN-ESTERO PROGRAM

Surrounded by three regions and intersected by seven major rivers, Manila Bay has inevitably become a catch basin of garbage and other pollutants from countless land- and sea-based sources that drain into it.

In an effort to promote stewardship of Aseana City and its surrounding areas, Aseana Business Park Estate Association (ABPEA) has partnered with regulatory authorities since 2013. Under the Adopt-an-Estero Program, ABPEA has joined the Department of Environment and Natural Resources (DENR), the City Government of Paranaque and government agencies in developing and implementing a comprehensive program to reduce pollution from the upstream of Parañaque River.

The adopted esteros are Redemptorist Water Channel, Roxas East Canal and Roxas Canal West.

Daily, eight paid volunteers from our local community work tirelessly to collect and remove trash which would otherwise end up in Manila Bay. In addition, up to 70 more volunteers come together to participate in organized cleanups. To date, ABPEA has collected more than 130 metric tons of garbage—equivalent to 130,700 kilograms or roughly 7,715 sacks. In 2018 alone, their annual collection registered 15,000 kilos. That means 290 kilos or 70 sacks per week.

Expanding on these initiatives, ABPEA also helps decongest the adopted sites through engineering

solutions such as installation of stainless steel and plastic barricades for trash trap. Moreover, ABPEA coordinates with the Department of Public Works and Highways (DPWH) for desilting operations in order to excavate excessive silt and trash from under water surface. Now on its 6th year, the program has resulted into a cleaner waterway which has become a breeding ground for fresh water fish.

“There are so many ways to help our environment. As an individual, the easiest thing you can do is to not litter. Pocket your trash. As an establishment owner, segregate waste materials,” commented Rhiza Montances, Environmental Compliance Head – ABPEA. In the future, ABPEA aims to spearhead workshops directed to businesses and

commercial estates within Aseana City with focus on proper segregation of garbage, treatment of wastewater discharge, and implementation of waste management.

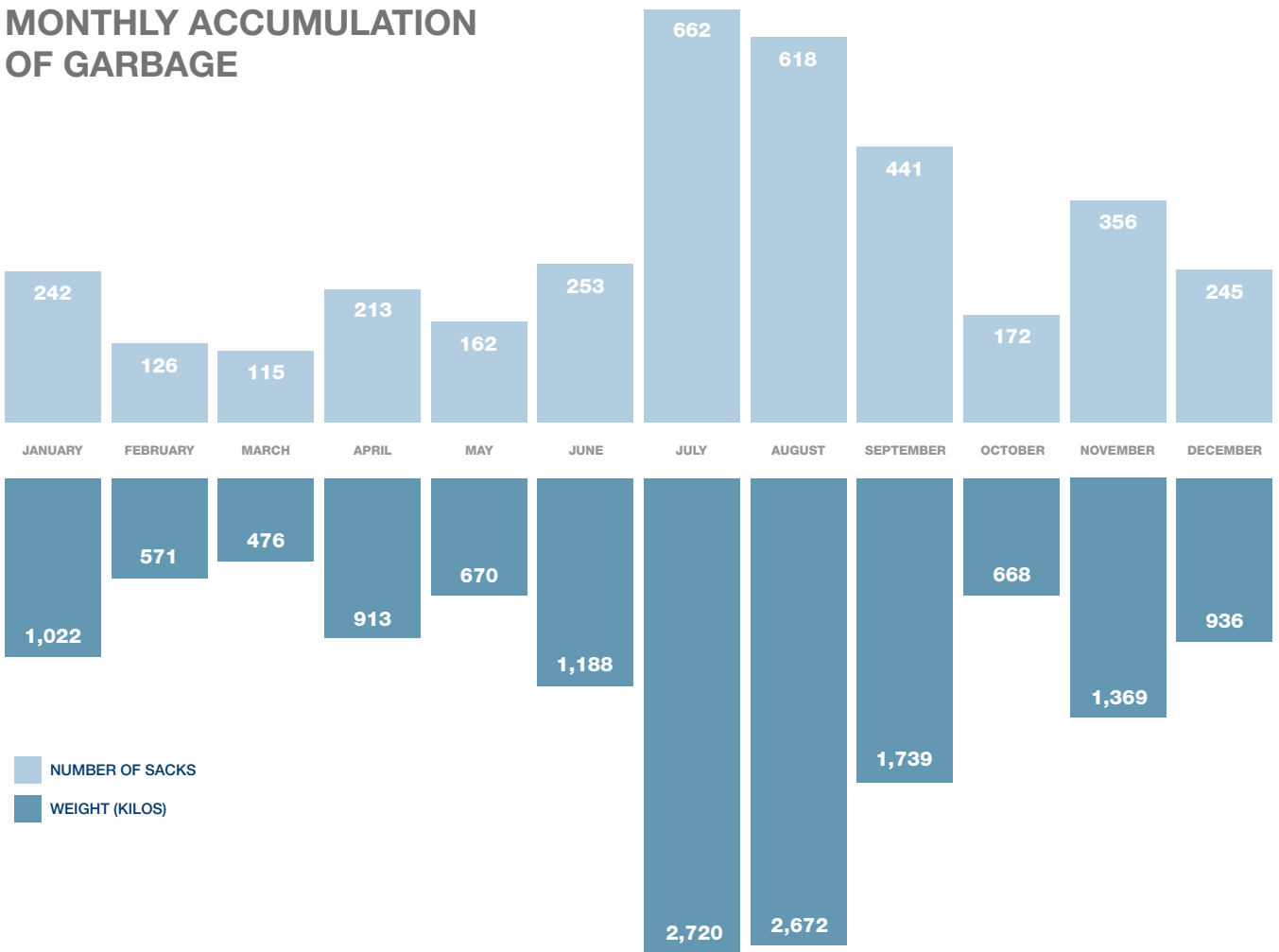
ABPEA is a non-stock non-profit organization of lot owners and tenants in Aseana City that was organized by our Company pursuant to a Declaration of Covenants, Conditions and Restrictions we made in April 2009. ABPEA promotes the general welfare and growth of Aseana City, safeguards the well-being of owners, lessees and occupants of real property and buildings in Aseana City. It adopts, implements and enforces rules and regulations with respect to the development, use and occupancy of all properties in the area.



130,700
kilograms of garbage collected
since 2013

290
kilograms of garbage removed
per week in 2018

MONTHLY ACCUMULATION OF GARBAGE



Board of **DIRECTORS**

Delfin J. Wenceslao, Jr.
President and
Chairman of the Board



Edwin Michael C. Wenceslao
Director and Treasurer



Carlos Delfin C. Wenceslao
Director and Vice President for Logistics



Delfin Angelo C. Wenceslao
Director and Chief Executive Officer



Paolo Vincent C. Wenceslao
Director and Chief Operating Officer



Alberto E. Pascual
Independent Director



Alberto P. Fenix, Jr.
Independent Director

Senior MANAGEMENT

Remmel R. Ortiz
Director for Asset Management



Sylvia C. Wenceslao
Vice President for Corporate Social Responsibility



Atty. Heherson M. Asiddao, CPA
Chief Finance Officer



Atty. Paul Mar M. Quinto
Chief Legal Officer and Corporate Secretary



Julius M. Guevara
Vice President for Corporate Planning



Rachelle C. Paunlagui
Investor Relations Officer

Executive PROFILES

Delfin J. Wenceslao, Jr. **President and Chairman of the Board**

Mr. Delfin J. Wenceslao, Jr. is the President, Chairman of the Board and co-founder of our company since 1965. He is also the President or Chairman of all of our Group companies. In addition, he is the former President of the Philippine Constructors Association, a board member of the International Federation of Asian and Western Pacific Contractors' Associations, and a member of the Chamber of Real Estate & Builders' Associations, Inc. Mr. Wenceslao, Jr. is a licensed real estate broker and holds a Bachelor of Science degree in Economics from the Ateneo De Manila University, a Master of Business Administration degree and a Doctorate of Business Administration from Pamantasan Lungsod ng Maynila.

Delfin Angelo C. Wenceslao **Director and Chief Executive Officer**

Mr. Delfin Angelo C. Wenceslao is a Director and the Chief Executive Officer of our company since 2015. He is the President of Aseana Holdings, Inc., Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He is also the Managing Director of Aseana Real Estate and Management Corp. He serves as the President of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.) and Portal Holdings, Inc. He also serves as an executive officer for almost all of our Group companies. Mr. Wenceslao is a licensed real estate broker and holds a Bachelor of Arts degree in Management Economics from Ateneo de Manila University and a Master of Science degree in Real Estate Development from Massachusetts Institute of Technology.

Paolo Vincent C. Wenceslao **Director and Chief Operating Officer**

Mr. Paolo Vincent C. Wenceslao is a Director and the Chief Operating Officer of our company since 2015. He is the President of Wendel Ground Improvement, Inc., and Vice President of Operations of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.), Portal Holdings Inc. and ABCC. He serves as a director of a majority of our Group companies. Mr. Wenceslao is a licensed civil engineer and real estate broker. He holds a Bachelor of Science degree in Civil Engineering from De La Salle University.

Edwin Michael C. Wenceslao **Director and Treasurer**

Mr. Edwin Michael C. Wenceslao is a Director and the Treasurer of our company since 2002. He also serves as a director and Treasurer of Aseana Holdings, Inc., Fabricom, Inc., BAHl and other affiliates of our company. He is a director and Treasurer of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.), Aseana Gas Energy Corp. and U-City Technologies Philippines, Inc. He likewise serves as a director of Portal Holdings, Inc., WHI and other affiliates of our company. Mr. Wenceslao holds a Bachelor of Arts degree in Humanities with specialization in Entrepreneurial Management from the University of Asia and the Pacific and a Master of Business Administration degree from the Ateneo Graduate School of Business.

Carlos Delfin C. Wenceslao **Director and Vice President for Logistics**

Mr. Carlos Delfin C. Wenceslao is a Director of our company since 1997. He is the President of Urban Agro Products, Inc., the Executive Vice President of SHLP-BBP Realty Inc., and the Corporate Secretary of ABPEA. He is a director and Vice President of Logistics of Aseana Residential Holdings Corp. (formerly Bowood Holdings, Inc.) and Portal Holdings, Inc. He is a director of Aseana Holdings, Inc., WHI, and other affiliates of our company.

Alberto P. Fenix, Jr. **Independent Director**

Dr. Alberto P. Fenix, Jr. was elected as an independent Director of our company on February 2018. He has over 40 years of experience in various industries such as manufacturing, mining, commercial and investment banking, and real estate. He is a director of SPC Power Corporation and was also a director of Victorias Milling Company, Inc. He is also the Chairman and President of Fenix Management and Capital, Inc. and Alpina Realty, Inc., as well as President of Ivoclar Vivadent, Inc. Dr. Fenix holds a master's and doctorate degrees in Industrial Management from Massachusetts Institute of Technology's Sloan School of Management and a bachelor's degree in Mathematics from the Ateneo de Manila University.

Alberto E. Pascual **Independent Director**

Mr. Alberto E. Pascual was elected as an independent Director of our company since January 2017. He was a Senior Vice President and Corporate Banking Division Head at the Bank of the Philippine Islands and also a Senior Vice President and Retail Mortgage Division Head at BPI Family Savings Bank. In addition, he held various key positions in the following companies and committees: a member of Unibank Credit Committee, Chairman of Division I Sub-Credit Committee, Vice Chairman of Unibank ROPOA Sub-Credit Committee, President of Santiago Land Development Corporation, a director of BPI Leasing Corporation, a director of BPI Rental Corporation, a member of both BPI Leasing Corporation and BPI Rental Corporation's respective risk management, audit and asset liability committees, and a member of the credit committee of BPI Family Savings Bank. Mr. Pascual graduated with a Bachelor of Science degree in Business Administration, major in Financial Management, from the University of the Philippines, Diliman, and also holds a Master of Business Administration degree from the Ateneo Graduate School of Business.

Sylvia C. Wenceslao **Vice President for Corporate Social Responsibility**

Ms. Sylvia C. Wenceslao is the Vice President for Corporate Social Responsibility of our company since 1992. She is the President of S Foods, Inc. and D Foods, Inc., the Vice Chairman of Wendel Construction Company Inc., a director and Vice President of Fabricom, Inc., the Treasurer of Philippine Ecopanel Inc., Wendel Holdings Company Inc. and Wendel Osaka Realty Corporation, and a director of Aseana Holdings, Inc. She also holds executive positions in almost all of our Group companies.

Atty. Heherson M. Asiddao, CPA
Chief Finance Officer

Atty. Heherson M. Asiddao is the Chief Finance Officer of our company since 2015. He had extensive experience as an auditor with Punongbayan & Araullo in the Philippines prior to joining us. He also has experience in a real estate company and a listed construction company. Atty. Asiddao is a member of the Philippine Institute of Certified Public Accountants and the Integrated Bar of the Philippines. He holds a Bachelor of Science degree in Accountancy and a Bachelor of Laws degree from San Beda College.

Atty. Paul Mar M. Quinto
Chief Legal Officer and Corporate Secretary

Atty. Paul Mar M. Quinto is the Chief Legal Officer and Corporate Secretary of our company since 2015. He is our in-house Legal Counsel for all of our Group companies and also possesses legal private practice and other in-house working experience prior to joining us. Atty. Quinto studied and finished his Political Science and Law degrees from the University of the Philippines and is a member of the Integrated Bar of the Philippines.

Remmel R. Ortiz
Director for Asset Management

Mr. Remmel R. Ortiz is currently a Director for Asset Management in one of our subsidiaries. He has over 25 years of corporate real estate experience focused on property management including managing multi-use facilities and projects, and building operations services. Mr. Ortiz holds a Bachelor of Science degree in Architecture from the University of Santo Tomas with various post-graduate studies in corporate real estate and environmental sustainability and management.

Julius M. Guevara
Vice President for Corporate Planning

Mr. Julius M. Guevara is our Vice President for Corporate Planning. He has over 18 years of real estate experience, encompassing property development, investments, asset management, research and consulting. Previously, he headed Colliers International's development consulting practice in Asia. Mr. Guevara has a bachelor of arts degree in Management Economics from Ateneo de Manila University, a Master of Business Administration degree from De La Salle University and a Masters in Professional Studies in Real Estate degree from Cornell University.

Rachelle C. Paunlagui
Investor Relations Officer

Ms. Rachelle C. Paunlagui is the Investor Relations Officer of our company since 2018. She has over 10 years of experience in investor management, deal advisory and sell-side research. Prior to joining our company, she served as the head of investor relations for a global manufacturing solutions company and for a holding company engaged in mineral resources. She holds a Bachelor of Science degree in Commerce and a Master of Business Administration from De La Salle University.

Corporate GOVERNANCE

We live at a time when regulatory environment is complex and where expectations constantly change. This is why in 2015, we took an important step to adopt our Corporate Governance Manual. We believe that a more connected approach towards people, process and systems is an important driver of competitive advantage and something our stakeholders are genuinely interested in.

Our Corporate Governance Manual sets out the following provisions:

- **Protection of investors.** The Manual provides for shareholders' rights and protection, investor relations, dividend policy and a disclosure system to ensure transparency and accountability.
- **Board of directors and management.** The detailed qualifications and disqualifications, duties, functions and responsibilities of the Board and executive officers are enumerated in the Manual.
- **Checks and balances.** The Manual contains the vision, strategic objectives, key policies, procedures for the management of our Company, and mechanisms for monitoring and evaluating management's performance.
- **Compliance with the Manual.** The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.
- **Creation of committees.** The Manual mandates the creation of the Executive Committee, the Audit and Risk Committee, and the Compensation and Remuneration Committee to ensure the performance of certain important functions of the Board and management.

Executive Committee

Our executive committee acts on specific matters within the competence of the Board as may from time to time be delegated to the Executive Committee under our Company's By-Laws, except with respect to:

1. the approval of any action for which shareholders' approval is also required;
2. the filling of vacancies on the Board or the Executive Committee;
3. the amendment or repeal of By-Laws or the adoption of new By-laws;
4. the amendment or repeal of any resolution of the Board of Directors that cannot be amended or repealed based on the terms of the resolution;
5. the distribution of cash dividends; and
6. the exercise of powers delegated by the Board exclusively to other committees, if any.

Audit and Risk Committee

Our audit and risk committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations, control and governance processes. The committee assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with laws, rules and regulations, oversight over the external auditors, the nature, scope and expenses of the audit, and evaluation and determination of any non-audit work and review of the non-audit fees paid to the external auditors.

We believe that a more connected approach towards people, process and systems is an important driver of competitive advantage and something our stakeholders are genuinely interested in.

Compensation and Remuneration Committee

Our compensation and remuneration committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and our key executives to enable them to run our Group successfully.

Nomination and Election Committee

Our nomination and election committee is responsible for providing our shareholders with an independent and objective evaluation and assurance that the members of the Board are competent and will foster long-term success and competitiveness. The nomination and election procedures of independent Directors are in accordance with Securities Regulation Code of the Philippines Rule 38 and related regulations.

Director	Board Meetings	
	Meetings Held	Meetings Attended
Delfin J. Wenceslao, Jr.	6	6
Delfin Angelo C. Wenceslao	6	5
Carlos Delfin C. Wenceslao	6	4
Edwin Michael C. Wenceslao	6	5
Paolo Vincent C. Wenceslao	6	6
Alberto E. Pascual	6	3
Alberto P. Fenix, Jr.	6	3

Financial STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **D.M. Wenceslao & Associates, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PUNONGBAYAN & ARAULLO, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.


Delfin J. Wenceslao, Jr.
Chairman


Delfin Angelo C. Wenceslao
Chief Executive Officer


Atty. Heberton M. Asiddao
Chief Financial Officer

Signed this 15th day of February 2019

• CONSTRUCTION • SUPERVISION AND MANAGEMENT • PLANNING AND DESIGN • DEVELOPMENT •

ISO 9001:2015 CERTIFIED



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www.jas.asn.au

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Report of Independent Auditors

The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings Co., Inc.)
3rd Floor Aseana Powerstation Building
Pres. Macapagal Avenue
Aseana Business Park, Parañaque City

Opinion

We have audited the consolidated financial statements of **D.M. Wenceslao & Associates, Incorporated and Subsidiaries** (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

Certified Public Accountants
Punongbayan & Araullo (PSA) is the Philippine member firm of Grant Thornton International Ltd.

grantthornton.com.ph

Offices in Cavite, Cebu, Davao
BCA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-5

Key audit matters identified in our audit of the consolidated financial statements of the Group are the following:

(a) Revenue Recognition for Rental of Investment Properties

Description of the Matter

In 2018, the Group recognized revenue from rentals of investment properties, including land and buildings, amounting to P1,727.4 million, which represents 80% of the Group's total revenue. This includes P716.8 million rental income on long-term leases which were recognized on a straight-line basis over the term of the relevant lease agreements as disclosed in Note 2 to the consolidated financial statements.

We identified the revenue from rentals as significant to our audit due to the materiality of the amount and the higher risk involved in the manner the Group recognizes rental income based on the provisions and terms of the lease agreements and the requirements of the applicable accounting standard, Philippine Accounting Standard (PAS) 17, *Leases*. An error in the Group's understanding of the significant terms and conditions of the lease agreements and accounting treatment may result in overstatement or understatement of the reported revenues and the related receivables recognized therefrom.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to recognition of revenue from rentals included the following:

- inspecting, on a sample basis, the lease agreements entered into with the Group's tenants, and understanding the significant terms and conditions affecting the recognition of rental income;
- determining, based on the significant terms and conditions of the lease agreements, whether the recognition of rental income is in compliance with the revenue recognition requirements of PAS 17;
- recomputing, on a sample basis, the amounts of rental income and the related receivables taking into consideration, among others, the lease payments, lease terms (including rent-free periods), periodic rent escalations, and effect of any modifications; and,
- testing, on a sample basis, whether rental income related to existing lease agreements have been recognized in the proper accounting period.

(b) Revenue Recognition on Sale of Condominium Units

Description of the Matter

In 2018, the Group recognized revenue from sale of condominium units amounting to P119.4 million. As disclosed in Notes 2 and 3 to the consolidated financial statements, the Group recognizes revenue from sale of condominium units over time proportionate to the progress of the project development. The Group uses the input method in determining the percentage-of-completion after satisfying the gating criteria of PFRS 15, *Revenue from Contracts with Customers*, including establishing that collection of the total contract price is reasonably assured. The Group recognizes a contract asset when it has rights to consideration as it develops the property and a contract liability when it receives consideration in excess of the amount for which the Group is entitled for the development of the property.

We identified the revenue recognition on sale of condominium units as significant to our audit as it requires significant management judgment in assessing the collectability of the contract price, and estimating the stage of completion of the development project. An error in application of judgment and estimate could cause a material misstatement in the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition on sale of condominium units included, among others, the following:

- evaluating appropriateness of the Group's revenue recognition policy and design and operating effectiveness of processes and controls related to the recognition of revenues from sale of condominium units;
- determining, among others, whether the parties to the contract have approved the contract in writing; each party's rights regarding the condominium units and progress of development thereof can be identified; the payment terms can be identified; the risk, timing or amount of the future cash flows is expected to change as a result of the contract has been identified; and, the collection of the consideration is probable;
- evaluating the reasonableness of the percentage-of-completion by analyzing the costs incurred to date as a proportion of the total estimated and budgeted costs;
- testing, on a sample basis, actual costs incurred through direct examination of relevant supporting documents;
- assessing the reasonableness of estimated contract costs with reference to contractors' and suppliers' quotes and historical costs of similar and recently completed projects, taking into consideration the effect of variation to the original contract terms;
- recomputing the revenues and costs recognized for the year based on the percentage-of-completion and tracing the revenues and costs recognized to the accounting records; and,
- evaluating appropriateness of the Group's application of PFRS 15 on its real estate transactions, including the review of the restatement analysis and adjustments made by the Group in its 2017 and 2016 consolidated financial statements.

(c) Recognition of Other Income Arising from the Consideration Agreement, and Classification of Investment in Joint Venture Held for Termination

Description of the Matter

In 2018, the Group entered into a Consideration Agreement with several counterparties as disclosed in Note 13 to the consolidated financial statements. The Consideration Agreement is pursuant to a related Settlement Agreement whereby the parties involved thereto have agreed to terminate, rescind or otherwise cancel a joint venture agreement subject to fulfillment of certain conditions. Relative to this, the Group recognized other income amounting to P1,200.0 million representing the non-refundable and collected portion of the total contract consideration of P2,050.0 million from the Consideration Agreement as also disclosed in Note 13 to the consolidated financial statements. Such other income accounted for 82% of the Group's 2018 consolidated net profit. Also in relation to the Settlement Agreement, the Group reclassified the applicable portion of its investment in joint venture amounting to P127.1 million to Investment in Joint Venture Held for Termination account as disclosed in Notes 2 and 13 to the consolidated financial statements.

We identified the revenue recognition of income arising from the Consideration Agreement as significant to our audit due to the materiality of the amount involved and the involvement of significant management judgment to determine appropriate accounting treatment based on the related facts and circumstances, including contractual terms of the agreement. We also identified the classification of the investment in joint venture as Investment in Joint Venture Held for Termination account in the 2018 consolidated statement of financial position to be significant to our audit due to the related management judgment involved to classify such asset in accordance with PFRS 5, *Non-current Asset Held for Sale and Discontinued Operations*. An error in application of judgment could cause a material misstatement in the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the recognition of income as a result of the Consideration Agreement and the classification of the applicable investment in joint venture under PFRS 5, among others, are the following:

- obtaining an understanding of the significant terms and condition of the Consideration and Settlement Agreements, and the relevant facts and circumstances about the transaction in order to determine their accounting implications;
- evaluating appropriateness of management judgment applied and basis of assessment relative to the recognition of income from the Consideration Agreement in accordance with PFRS 15 and the reclassification of investment in joint venture in accordance with PFRS 5; and,
- testing reasonableness of income recognized and measurement of investment in joint venture held for termination and assessing sufficiency and appropriateness of disclosures in the Group's notes to consolidated financial statements.

(d) Determination of Net Realizable of Real Estate Inventories

Description of the Matter

As of December 31, 2018, the Group's real estate inventories include land and land development costs and property development costs with carrying values of P2,162.2 million and P711.4 million, respectively, as disclosed in Notes 11 and 10, respectively, to the consolidated financial statements. The real estate inventories include raw land inventory and property development costs related to the residential and condominium projects under development. The Group measures its real estate inventories at lower of cost and net realizable values.

We identified the assessment of net realizable values of the Group's land and land development costs and property development costs as a key audit matter because of the uncertainties involved in estimating the costs to complete the property development and the future selling prices of the properties when completed.

How the Matter was Addressed in the Audit

Our procedures related to the determination of net realizable values of land and land development costs and property development costs included the following:

- understanding the Group's process and internal control over the preparation, monitoring, and management of construction and development budget for its real estate inventories, as well as in making accounting estimates; and determining whether there has been or ought to have been a change from the prior period in the method, judgment and assumptions used by the Group in estimating net realizable values;
- conducting site visits and inspection of land and on-going property development and discussing with the Group's project engineers the progress of development and comparing the observed progress with the latest construction and development budget provided by management;
- evaluating the methodology used by the Group in determining the net realizable values and assessing the appropriateness of the assumptions and inputs used, which included the expected future average selling prices of real estate inventories and the components of management's budgeted construction and development costs; and,
- re-performing the calculations made by the Group in arriving at the assessment of net realizable values and comparing the estimated costs to complete the property development with the Group's updated construction and development budget.

(e) Adoption of an Expected Credit Loss Model and Recoverability of Trade Receivables and Contract Asset

Description of the Matter

As at December 31, 2018, the carrying amount of the Group's trade receivables from construction and leasing operations (net of allowance for impairment), and contract asset amounted to P3,849.7 million and P166.7 million, respectively. These financial assets totaling to P4,016.4 million which are disclosed in Notes 9 and 10 to the consolidated financial statements represent 13% of the total assets of the Group as at the end of the reporting period. The Group's management exercises significant judgment and makes estimates in determining when the trade receivables and contract asset are impaired and how much impairment losses need to be recognized in accordance with the expected credit loss (ECL) model under PFRS 9, *Financial Instruments*. The Group's significant accounting policies, management judgment and estimates, which are described in Notes 2, 3 and 5 to the consolidated financial statements, include the application of the ECL model based on the lifetime expected credit loss wherein the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The key elements used in the calculation of the ECL include the probability of default, loss given default and exposure at default.

Because of the complexity of the requirement of PFRS 9 in determining ECL and the uncertainties involved in management's use of judgment and estimates, we identified the adoption of ECL model and recoverability of the Group's trade receivables and contract asset discussed above as a key audit matter.

How the Matter was Addressed in the Audit

Our audit procedures to determine the appropriateness of the ECL model adopted by the Group, and the recoverability of trade receivables and contract asset, and the adequacy of the related allowance for credit losses on these assets included, among others, the following:

- evaluating appropriateness of the Group's ECL model based on the requirements of the standard and the related policies and procedures of the Group;
- identifying any customers, on a sample basis, with financial difficulty and/or breach of contract resulting in default on payments through discussion with management, inspecting their payment history, and performing an independent evaluation of their ability to pay;
- evaluating the appropriateness and reasonableness of underlying assumptions, including forward-looking information and the sufficiency, reliability and relevance of the data used by the Group.
- determining the related estimated recoverable value of real estate assets that can be recovered by the Group in settlement of the selected past due or delinquent customer's accounts;
- checking the mathematical accuracy of the provision matrix applicable to the ECL model, including testing of aging of trade receivables and contract asset; and,
- evaluating appropriateness of the Group's application of PFRS 9 on its financial assets, including the review of the restatement analysis and adjustments made by the Group in its 2017 and 2016 consolidated financial statements.

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

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

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

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

Auditors' 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 auditors' 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 PSA 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 PSA, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

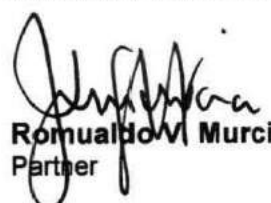
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding the 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, 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 audits resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO

By: 
Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 7333697, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 15, 2019

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(With Corresponding Figures as of January 1, 2017)
(Amounts in Philippine Pesos)

	Notes	December 31, 2018	December 31, 2017 (As Restated – see Note 27)	January 1, 2017 (As Restated – see Note 27)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	8	P 7,549,219,648	P 1,444,538,812	P 819,515,765
Receivables - net	9	2,322,517,894	2,223,872,396	1,904,770,826
Contract asset	10	166,652,337	47,301,272	684,636
Land and land development costs	11	2,162,209,345	1,954,437,686	2,008,680,490
Property development costs	10	711,411,174	595,108,501	24,333,237
Other current assets	12	1,854,411,290	551,995,796	264,948,607
Total Current Assets		14,766,421,688	6,817,254,463	5,022,933,561
NON-CURRENT ASSETS				
Receivables	9	2,488,826,277	1,809,690,204	1,754,944,365
Investments in associates and joint ventures	13	55,834,465	176,589,540	177,582,517
Property and equipment - net	14	130,657,585	143,938,556	166,801,601
Investment properties - net	15	11,448,382,530	11,108,687,851	10,484,271,390
Deferred tax assets - net	24	47,941,716	22,357,274	-
Other non-current assets	16	723,588,366	295,318,011	379,425,769
Total Non-current Assets		14,895,230,939	13,556,581,436	12,963,025,642
INVESTMENT IN JOINT VENTURE HELD FOR TERMINATION				
	13	127,062,953	-	-
TOTAL ASSETS		P 29,788,715,580	P 20,373,835,899	P 17,985,959,203

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	December 31, 2018	December 31, 2017 (As Restated – see Note 27)	January 1, 2017 (As Restated – see Note 27)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Loans and borrowings	17	P 1,417,170,000	P 1,656,593,434	P 2,148,561,483
Trade and other payables	18	1,125,151,170	1,113,858,443	524,531,846
Contract liability	10	210,459,821	124,328,053	6,154,956
Advances from a co-joint venturer	13	1,000,000,000	1,000,000,000	1,000,000,000
Advances from and due to related parties	25	4,611,174,814	4,656,057,252	4,663,798,609
Deposits and advances	19	793,551,597	540,369,472	314,666,993
Total Current Liabilities		9,157,507,402	9,091,206,654	8,657,713,887
NON-CURRENT LIABILITIES				
Loans and borrowings	17	511,750,000	820,309,511	514,847,791
Deposits and advances	19	504,858,972	581,504,575	710,661,465
Deferred tax liabilities - net	24	720,976,913	496,168,039	276,675,531
Retirement benefit obligation	23	27,643,914	65,698,627	75,018,446
Total Non-current Liabilities		1,765,229,799	1,963,680,752	1,577,203,233
Total Liabilities		10,922,737,201	11,054,887,406	10,234,917,120
EQUITY				
Equity attributable to owners of the parent company				
Capital stock	27	3,395,864,100	2,716,691,200	1,716,691,200
Additional paid-in capital	27	6,964,649,807	-	-
Revaluation reserves - net	27	(28,524,335)	(10,935,176)	(21,052,954)
Other reserves	2, 27	(275,974,845)	(275,974,845)	(275,974,845)
Retained earnings	27	8,141,450,177	6,230,204,687	5,671,742,090
Total equity attributable to owners of the parent company		18,197,464,904	8,659,985,866	7,091,405,491
Noncontrolling interest	2	668,513,475	658,962,627	659,636,592
Total Equity		18,865,978,379	9,318,948,493	7,751,042,083
TOTAL LIABILITIES AND EQUITY		P 29,788,715,580	P 20,373,835,899	P 17,985,959,203

See Notes to Consolidated Financial Statements.

	Notes	2018	2017 (As Restated – see Note 27)	2016 (As Restated – see Note 27)
REVENUES				
Rentals				
Land	4, 15, 25, 28	P 965,248,664	P 919,417,814	P 860,514,881
Building	4, 15, 25, 28	762,108,933	429,701,872	344,601,606
Other revenues	2	173,841,016	91,687,180	65,930,007
		1,901,198,613	1,440,806,866	1,271,046,494
Construction contracts	2	130,524,057	202,132,945	231,163,640
Sale of condominium units	2	119,351,066	47,116,581	684,636
Land sales	2	1,282,800	1,088,290,000	600,656,000
		2,182,326,536	2,778,346,392	2,103,550,770
COSTS OF SERVICES AND SALES				
Rentals	20	212,361,243	135,749,456	130,086,877
Sale of condominium units	2, 10, 20	72,878,718	30,332,254	445,474
Construction contracts	20	61,508,781	132,234,603	201,953,484
Land sales	11	40,078	141,520,283	120,375,150
		346,785,820	439,836,596	452,860,985
GROSS PROFIT		1,805,540,716	2,338,509,796	1,650,689,785
OTHER OPERATING INCOME (EXPENSES)				
General and administrative	22	(477,827,022)	(412,273,915)	(273,796,545)
Selling	22	(64,902,124)	(61,204,238)	(21,199,406)
Other operating income	21	109,524,290	293,514,031	368,359,464
		(433,204,856)	(180,064,122)	73,363,512
OPERATING PROFIT		1,372,335,860	2,158,445,674	1,724,053,297
OTHER INCOME (CHARGES)				
Finance costs	17, 21, 23	(69,851,542)	(72,107,089)	(83,790,875)
Finance income	8, 21	69,523,005	7,163,743	3,960,548
Share in net earnings (losses) of associates and joint ventures	13	6,307,878	(992,977)	(5,297,857)
Other income	4, 15, 21	1,200,000,000	-	7,110,127
		1,205,979,341	(65,936,323)	(78,018,057)
PROFIT BEFORE TAX		2,578,315,201	2,092,509,351	1,646,035,240
TAX EXPENSE	24	657,518,863	534,720,719	437,029,124
NET PROFIT		P 1,920,796,338	P 1,557,788,632	P 1,209,006,116
Net profit attributable to:				
Equity holders of the parent company		P 1,911,243,490	P 1,558,462,597	P 1,206,692,949
Noncontrolling interest		9,550,848	(673,965)	2,313,167
		P 1,920,796,338	P 1,557,788,632	P 1,209,006,116
Earnings Per Share - Basic and Diluted	26	P 0.625	P 0.574	P 0.703

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 27)	2016 (As Restated – see Note 27)
NET PROFIT		P 1,920,796,338	P 1,557,788,632	P 1,209,006,116
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	23	(25,441,148)	14,339,519	(23,902,041)
Tax income (expense)	24	<u>7,632,344</u>	(4,301,856)	<u>7,170,612</u>
		(17,808,804)	10,037,663	(16,731,429)
Fair valuation of financial assets at fair value through other comprehensive income	16, 27	<u>219,645</u>	80,115	(80,695)
Other Comprehensive Income (Loss) – Net of Tax	27	(17,589,159)	10,117,778	(16,812,124)
TOTAL COMPREHENSIVE INCOME		P 1,903,207,179	P 1,567,906,410	P 1,192,193,992
Total comprehensive income attributable to:				
Equity holders of the parent company		P 1,893,656,331	P 1,568,580,375	P 1,189,880,825
Noncontrolling interest		<u>9,550,848</u>	(673,965)	<u>2,313,167</u>
		P 1,903,207,179	P 1,567,906,410	P 1,192,193,992

See Notes to Consolidated Financial Statements.

	Notes	Attributable to Owners of the Parent Company							Noncontrolling Interest	Total Equity
		Capital Stock	Additional Paid-in Capital	Revaluation Reserves - Net	Other Reserves	Retained Earnings - Unappropriated	Retained Earnings - Appropriated	Total		
Balance at January 1, 2018		P 2,716,691,200	P -	(P 10,935,176)	(P 275,974,845)	P 5,968,150,683	P 1,200,000,000	P 9,597,931,862	P 658,942,627	P 10,256,874,489
As previously reported		-	-	-	-	(937,845,202)	-	(937,845,202)	-	(937,845,202)
Effects of restatements	2, 27	<u>2,716,691,200</u>	<u>-</u>	<u>(10,935,176)</u>	<u>(275,974,845)</u>	<u>5,968,150,683</u>	<u>1,200,000,000</u>	<u>8,689,985,366</u>	<u>658,942,627</u>	<u>9,348,945,493</u>
As restated		-	-	-	-	-	-	-	-	-
Issuances during the year	27	<u>679,172,900</u>	<u>6,964,649,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,643,822,707</u>	<u>-</u>	<u>7,643,822,707</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>(17,589,159)</u>	<u>-</u>	<u>1,911,245,490</u>	<u>-</u>	<u>1,893,656,331</u>	<u>9,550,848</u>	<u>1,903,207,179</u>
Balance at December 31, 2018	27	P 3,395,864,100	P 6,964,649,807	(P 28,524,335)	(P 275,974,845)	P 6,941,430,177	P 1,200,000,000	P 18,197,469,904	P 668,813,475	P 18,865,978,379
Balance at January 1, 2017		P 1,716,691,200	P -	(P 21,652,954)	(P 275,974,845)	P 5,497,669,358	P 1,200,000,000	P 8,927,332,759	P 659,636,592	P 9,606,969,351
As previously reported		-	-	-	-	(935,927,268)	-	(935,927,268)	-	(935,927,268)
Effects of restatements	2, 27	<u>1,716,691,200</u>	<u>-</u>	<u>(21,652,954)</u>	<u>(275,974,845)</u>	<u>4,471,742,090</u>	<u>1,200,000,000</u>	<u>7,991,405,491</u>	<u>659,636,592</u>	<u>7,751,042,083</u>
As restated		-	-	-	-	-	-	-	-	-
Stock dividends declared	27	<u>1,000,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>10,117,778</u>	<u>-</u>	<u>1,558,462,597</u>	<u>-</u>	<u>1,568,580,375</u>	<u>(673,965)</u>	<u>1,567,906,410</u>
Balance at December 31, 2017	27	P 2,716,691,200	P -	(P 10,935,176)	(P 275,974,845)	P 5,980,204,687	P 1,200,000,000	P 8,659,985,864	P 658,942,627	P 9,318,948,491
Balance at January 1, 2016		P 1,716,691,200	P -	(P 4,240,830)	(P 275,974,845)	P 4,507,477,612	P 1,200,000,000	P 6,843,953,137	P 657,323,425	P 7,501,276,562
As previously reported		-	-	-	-	(942,428,471)	-	(942,428,471)	-	(942,428,471)
Effects of restatements	2, 27	<u>1,716,691,200</u>	<u>-</u>	<u>(4,240,830)</u>	<u>(275,974,845)</u>	<u>3,365,049,141</u>	<u>1,200,000,000</u>	<u>5,891,524,666</u>	<u>657,323,425</u>	<u>6,558,848,091</u>
As restated		-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>(16,812,124)</u>	<u>-</u>	<u>1,204,492,949</u>	<u>-</u>	<u>1,189,680,825</u>	<u>2,313,167</u>	<u>1,192,193,992</u>
Balance at December 31, 2016	27	P 1,716,691,200	P -	(P 21,652,954)	(P 275,974,845)	P 4,471,742,090	P 1,200,000,000	P 7,691,405,491	P 659,636,592	P 7,751,042,083

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Amounts in Philippine Pesos)

	Notes	2018	2017 (As Restated – see Note 27)	2016 (As Restated – see Note 27)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 2,578,315,201	P 2,092,509,351	P 1,646,035,240
Adjustments for:				
Depreciation and amortization	14, 15	149,215,759	110,657,533	100,326,674
Finance costs	21	69,851,542	72,107,089	83,790,875
Interest income	21	(66,668,597)	(7,154,349)	(2,593,008)
Share in net losses (earnings) of associates and joint ventures	13	(6,307,878)	992,977	5,297,857
Unrealized foreign currency gains – net		(2,854,408)	(2,394)	(967,540)
Gain on sale of investment properties	15	-	(237,686,063)	(312,453,208)
Gain on acquisition of a subsidiary	21	-	-	(7,110,127)
Operating profit before working capital changes		2,721,551,619	2,011,417,144	1,511,926,763
Increase in receivables		(724,886,883)	(454,425,800)	(350,974,431)
Increase in contract asset		(119,351,065)	(46,616,636)	(684,636)
Decrease (increase) in land and land development costs		(207,771,659)	(466,815)	30,301,757
Increase in property development costs		(116,362,673)	(570,775,264)	(24,333,237)
Increase in other assets		(767,876,733)	(470,924,721)	(440,808,332)
Increase (decrease) in trade and other payables		11,292,727	589,326,597	(120,612,292)
Increase in contract liability		86,131,768	118,173,097	6,154,956
Increase (decrease) in deposits and advances		174,168,373	95,095,994	(68,345,689)
Increase (decrease) in retirement benefit obligation		(65,371,122)	1,013,715	1,745,184
Cash generated from operations		991,584,352	1,871,817,311	535,370,043
Cash paid for final and capital gains taxes	24	(13,251,558)	(24,993,156)	(42,926,624)
Interest received		66,668,597	7,154,349	2,993,008
Net Cash From Operating Activities		1,045,001,391	1,253,978,504	495,436,427
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in short-term placements	12	(1,400,000,000)	-	-
Construction in progress and development costs				
of investment properties	15	(417,451,274)	(746,426,905)	(392,831,907)
Additional advances to related parties	25	(126,377,851)	(102,693,465)	(112,519,349)
Collection of advances to associates, joint ventures and other related parties	25	65,137,964	116,271,856	83,845,487
Acquisitions of property and equipment	14	(29,848,923)	(18,908,741)	(62,800,578)
Proceeds from sale of investment properties	15	-	448,828,202	465,510,000
Acquisition of financial assets at fair value through other comprehensive income	16	-	(48,828,780)	-
Acquisition of a subsidiary		-	-	(1,250,000)
Net Cash Used in Investing Activities		(1,908,540,084)	(351,757,833)	(20,046,247)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares of stock	22	7,643,822,707	-	-
Repayments of interest-bearing loans and borrowings	17	(1,552,982,945)	(545,478,732)	(637,348,888)
Additional interest-bearing loans and borrowings	17	1,005,000,000	358,972,403	421,211,951
Finance costs paid		(85,592,203)	(82,959,332)	(81,872,909)
Repayments of advances from related parties	25	(44,882,438)	(8,960,439)	(4,256,785)
Advances received from related parties	25	-	1,219,082	595,000
Net Cash From (Used in) Financing Activities		6,965,365,121	(277,207,018)	(301,671,631)
Effect of Changes in Foreign Exchange Rate on Cash and Cash Equivalents		2,854,408	9,394	967,540
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,104,680,836	625,023,047	174,686,089
CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARY		-	-	4,344,363
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,444,538,812	819,515,765	640,485,313
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 7,549,219,648	P 1,444,538,812	P 819,515,765

See Notes to Consolidated Financial Statements.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
(A Subsidiary of Wendel Holdings Co., Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

D.M. Wenceslao & Associates, Incorporated (DMWAI or the Parent Company) was incorporated in the Philippines on April 7, 1965. DMWAI is presently engaged in the trade and business of general builders and contractors and related activities such as acting as specialty construction contractors, supervisors or managers in all cases of constructions, erections and works both public and private, real estate business and leasing. As a stock corporation, the Company's corporate life is 50 years. On December 4, 2012, the Philippine Securities and Exchange Commission (SEC) approved the Parent Company's application for the extension of its corporate life for another 50 years.

On June 29, 2018, the Parent Company's shares of stock were listed at the Philippine Stock Exchange (PSE) (see Note 27.1).

DMWAI holds certain investments in entities that are either subsidiaries, associates or joint ventures and all are incorporated in the Philippines (see Notes 1.2 and 13).

DMWAI is a subsidiary of Wendel Holdings Co., Inc. (WHI or Ultimate Parent Company), a company incorporated and domiciled in the Philippines. WHI is presently engaged in raising investments either through borrowings, sale or lease of its capital assets. The effective percentage of ownership of WHI in DMWAI aggregates to 62.92% and 78.65% as of December 31, 2018 and 2017, respectively.

DMWAI's registered office, which is also its principal place of business, is located at 3rd Floor Aseana Powerstation Building, Pres. Macapagal Avenue, Aseana Business Park, Parañaque City. The registered office of WHI, which is also its principal place of business, is at 306 E. Rodriguez Sr. Boulevard, Quezon City.

1.2 Subsidiaries, Associates and Joint Ventures

The Parent Company holds effective ownership interests in certain subsidiaries (together with the Parent Company, collectively hereinafter referred to as the “Group”), associates, and joint ventures, that are currently operating or are established to engage in businesses related to the main business of the Parent Company, in these consolidated financial statements. As of December 31, 2018 and 2017 (as restated – see Note 27.5), the following summarizes the effective percentage of ownership or interest of DMWAI over these entities:

Name of Subsidiaries / Associates / Joint Ventures	Explanatory Notes	Effective Percentage of Ownership / Interest
Subsidiaries:		
<i>Direct:</i>		
Aseana Residential Holdings Corp. (ARHC)	(a)	100.00%
Aseana Holdings, Inc. (AHI)	(b)	99.98%
Fabricom, Inc. (FI)	(c)	99.98%
Fabricom Realty Development Corporation (FRDC)	(d)	62.20%
R-1 Consortium, Inc. (R-1)	(e)	55.45%
<i>Direct and Indirect:</i>		
Portal Holdings, Inc. (PHI)	(f)	100.00%
Mandaue Land Consortium, Inc. (MLCI)	(g)	81.00%
Aseana I.T. Plaza, Inc. (AITPI)	(h)	66.97%
SHLP BBP Realty, Inc. (SBRI)	(i)	55.96%
<i>Indirect:</i>		
Reine, Inc. (Reine) – <i>Accounted for as Asset Acquisition</i>	(j)	100.00%
Boracay International Airport & Dev’t Corp. (BLADC)	(k)	99.98%
U-City Technologies Philippines, Inc. (UCTPI)	(l)	99.98%
Aseana City Transport & Travel Corp. (ACTTC)	(m)	99.98%
Aseana Gas Energy Corp. (AGEC)	(n)	99.98%
Aseana Real Estate Services Management Corp. (ARESM)	(o)	95.98%
Bay Area Holdings, Inc. (BAHI)	(p)	59.98%
Associates:		
Alphaland Heavy Equipment, Corp. (AHEC)	(q)	50.00%
European Resources and Technology, Inc. (ERTI)	(r)	42.00%
Aseana CL, Beach and Marina Development Corporation (ACBMDC)	(s)	36.00%
Joint ventures:		
Bay Resources and Development Corporation (BRADCO)	(t)	50.00%
Alphaland Bay City Corporation (ABCC)	(u)	34.73%

Notes:

- (a) Established to purchase, acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of, subject to limitations imposed by law, real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (b) Established to engage in the business of owning, holding, exchanging, or otherwise disposing such items as real and personal properties, and securities such as stocks, bonds and to take part and assist in any legal matter for the purchase and sale of any securities as may be allowed by law without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities.
- (c) Established to engage in the business of importation and marketing of heavy equipment, industrial equipment or any commercial products, which may be the object of commerce for the attainment of corporate objectives. As more fully discussed in Note 27.4, the increase in the Parent Company’s effective percentage ownership in FI and BAHI is a result of a deed of exchange representing a business combination that is accounted for under pooling of interest method involving entities under common control.
- (d) Established to engage in housing and real estate development and selling and engaging in other related activities.
- (e) Established to engage in general construction and other allied businesses including constructing, enlarging, repairing, removing, developing, or otherwise engaging in any work upon building roads, highways, manufacturing plants, bridges, airfields, piers, docks, mines, masonry and earth construction, and to make, execute, bid for and take or receive any contracts or assignment of contracts in relation thereto.
- (f) DMWAI’s effective interest is derived from its 40.00% direct ownership and 60.00% indirect holdings through ARHC. PHI was established to purchase, subscribe for, or otherwise acquire and own, hold, use, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property, including but not limited to, land, buildings, condominiums, shares of stock, bonds and other securities.
- (g) DMWAI’s effective interest is derived from its 40.00% direct ownership and 41.00% indirect holdings through AHI and R-1 which own 30.00% and 20.00%, respectively. MLCI was established to engage in general realty and other allied businesses including owning, improving, subdividing, developing, reclaiming, enlarging, repairing, constructing, exchanging, leasing and holding investment or otherwise, real estate and lands of all kinds and any buildings, houses and other structures.
- (h) DMWAI’s effective ownership interest is derived from its 41.98% direct ownership and 24.99% indirect holdings through PHI. AITPI was established to engage in the business of owning, using, improving, developing, selling, exchanging, leasing, and holding for investment or otherwise, real estate of all kinds, including building houses, apartments and other structures, and related activities.
- (i) DMWAI’s effective ownership is derived from its 29.98% direct ownership and 25.98% indirect holdings through AHI, BAHI and PHI which each owns 9.99% of SBRI. SBRI was established to engage in real estate development and engaging in other related activities.
- (j) Reine was acquired in 2017 and indirectly owned through AHI [see Notes 3.1(j) and 13.4]; established to acquire by purchase, lease, donation, or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise, real estate of all kinds, whether improve, manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances.
- (k) Indirectly owned through AHI; established to build an international airport in Boracay, Municipality of Malay and/ or Carabao Island, San Jose, Romblon, Philippines.
- (l) Indirectly owned through AHI; established to install and provide electronic security apparatus and products to industrial, commercial and other establishments whether public or private for the purpose of securing or protecting properties and other related services. In September 2016, AHI acquired through cash consideration the entire 40.00% minority interest of the other stockholder resulting in 100.00% direct ownership by AHI in UCTPI (see Note 27.4).
- (m) Indirectly owned through AHI; established to engage in the business of transportation of passengers by means of public utility vehicles for the general public and to lease out or rent its public utility vehicles for special trips.
- (n) Indirectly owned through AHI; established to engage in, conduct and carry on the business of buying, selling, distributing, marketing of liquefied petroleum gas and other fuel products at wholesale or retail and to construct a reticulation network in strategically located tank to enable safe and sufficient distribution of piped gas to end users in Aseana Business Park.
- (o) Indirectly owned through AHI; established to acquire and manage properties such as commercial, residential, office condominium and industrial real estate [see Notes 27.5 and 3.1(j)].
- (p) Indirectly owned through FI; established to purchase, acquire, or otherwise own and hold, use, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, real and personal property, including land, buildings, condominiums and engaging in other related activities. As more fully discussed in Note 27.4, the increase in the Parent Company’s effective percentage ownership in FI and BAHI is a result of a deed of exchange representing a business combination that is accounted for under pooling of interest method involving entities under common control.
- (q) Indirectly owned through FI; established to purchase, import, or otherwise acquire, lease, sell, distribute, market, convey or otherwise dispose heavy equipment, machinery and related implements. As of December 31, 2018, AHEC is currently in the process of liquidation (see Note 13.1).

- (r) Established to engage in collecting, segregating, recycling, composting, filling, disposing, treating or otherwise managing household, industrial and other kinds of garbage for local, or other government units and private persons and firms as well as extended guidance and education for proper waste management.
- (s) DMWAI's effective interest is derived from its 10.00% direct ownership and 26.00% indirect holdings through AHI. ACBMDC was established to engage in real estate business with marinas, cruise liner facilities and beach resorts in all its aspects; to acquire, rent or otherwise deal in and dispose of all kinds of real estate objects, involving commercial, industrial, urban, residential or other kinds of real property.
- (t) BRADCO was established to acquire, develop and market real estate properties [see Note 13.2(b)].
- (u) ABCC was established to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures [see Note 13.2(a)]. The effective percentage of interest is by virtue of the Group's joint venture agreement over ABCC.

As of December 31, 2018, FRDC, R-1, MLCI, AITPI, SBRI, BIADC, AGECE, ACBMDC and ABCC have not yet started commercial operations.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2018 (including the comparative consolidated financial statements for the years ended December 31, 2017 and 2016 and the corresponding figures as of January 1, 2017) were authorized for issue by the Parent Company's Board of Directors (BOD) on February 15, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis for Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents the consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

The Group presents a consolidated third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the consolidated third statement of financial position are not required to be disclosed.

The Group presented a third consolidated statement of financial position representing the corresponding figures as of January 1, 2017, without the related notes as allowed by PAS 1 except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, due to the adoption of PFRS 9 (2014), *Financial Instruments*, and PFRS 15, *Revenue from Contracts with Customers* together with the *Clarifications to PFRS 15* in 2018, which were applied retrospectively to each prior reporting period, and certain restatements and reclassifications made in the 2017 and 2016 consolidated financial statements, which resulted in a material impact to the Group's consolidated financial statements.

(c) Prior Period Restatements and Reclassifications of Accounts

The Group's adoption of PFRS 9 and PFRS 15 is further discussed in Note 2.2(a)(ii) and Note 2.2(a)(iii), respectively.

In addition, the Group restated and reclassified certain accounts in the current year relating to its 2017 and 2016 consolidated statements of financial position, and 2017 and 2016 consolidated statements of profit or loss to conform to the current year's classification and presentation, and correct the error in the recognition, presentation and account classification of such assets, liabilities, income and expenses in the previous years.

Additional information on the effects of the restatements on the assets, liabilities, equity, and profit or loss accounts arising from the adoption of these new accounting standards, correction of error and material reclassifications of accounts are disclosed in Note 27.5.

(d) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2018 that are Relevant to the Group

The Group adopted for the first time the following PFRS, amendments, interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PAS 40 (Amendments)	: Investment Property – Reclassification to and from Investment Property
PFRS 9	: Financial Instruments
PFRS 15	: Revenue from Contracts with Customers; Clarifications to PFRS 15
International Financial Reporting Interpretations Committee (IFRIC) 22	: Foreign Currency Transactions and Advance Consideration
Annual Improvements to PFRS (2014-2016 Cycle)	
PAS 28 (Amendments)	: Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification

Discussed below are the relevant information about these new standards, amendments, interpretation and improvements.

- (i) PAS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property*. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments provided a non-exhaustive list of examples constituting change in use. The application of these amendments have no impact on the Group's consolidated financial statements.
- (ii) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:
 - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and financial assets at fair value through other comprehensive income (FVOCI);

- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at FVTPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,
- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The Group's new accounting policies relative to the adoption of PFRS 9 are fully disclosed in Notes 2.4 and 2.10 while the disclosures on related credit risk are presented in Note 5.2.

The impact of the adoption of PFRS 9 to the Group's consolidated financial statements are as follows:

1) Equity instruments reclassified from available-for-sale financial assets (AFS) to financial assets at fair value through other comprehensive income (FVOCI)

With respect to certain unquoted equity investments and proprietary golf club shares which were previously classified as AFS financial assets under PAS 39, *Financial Instruments: Recognition and Measurement*, the Group elected to irrevocably designate these financial assets at FVOCI, as the financial assets are now held by the Group with the objective of selling in the future for liquidity purposes. This did not result in any impact as to measurement and presentation as the financial assets are still measured at fair value and both categories are included under the Other Non-current Assets account in the consolidated statements of financial position.

2) Credit losses on receivables

The application of the ECL model based on the stages of impairment assessment for financial assets at amortized cost resulted in the recognition of additional allowance for credit losses amounting to P40.1 million as of January 1, 2016. The amount of P28.0 million, net of related deferred tax, was charged against the opening balance of Retained Earnings account as of January 1, 2016. Impairment losses recognized under the ECL model amounted to P8.3 million, P1.0 million, and P3.2 million for the years ended December 31, 2018, 2017 and 2016, respectively [see Note 5.2(b)].

(iii) PFRS 15, *Revenue from Contract with Customers*, together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Relative to the adoption of PFRS 15 in the Philippines for real estate transactions, the FRSC also approved the issuance of the following:

- PIC Q&A 2016-04, *Application of PFRS 15, “Revenue from Contracts with Customers,” on Sale of Residential Properties under Pre-completion Contracts*. This Q&A clarifies that sales of residential properties under pre-completion stage is recognized over time on the basis that the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date;
- PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry*. This Q&A provides guidance on the application of PFRS 15 to real estate industry; and,
- PIC Q&A 2018-14, *PFRS 15 Accounting for Cancellation of Real Estate Sales*. This Q&A provides guidance on the appropriate accounting treatment for cancellation of real estate sales.

Relative to the adoption of PFRS 15 and relevant Philippine Interpretations Committee (PIC) Question & Answer (Q&A) pronouncements, the SEC issued the following MCs:

- MC No. 14 series of 2018. This circular allows the deferral of the following concepts from PIC Q&A 2018-12:
 - (a) accounting for the significant financing component in a contract to sell;
 - (b) treatment of land in the determination of percentage of completion; and,
 - (c) treatment of uninstalled materials in the determination of percentage of completion.
- MC No. 3 series of 2019. This circular allows the deferral of the application of PIC Q&A 2018-12-H, specific to the accounting for common usage service area, and PIC Q&A 2018-14.

The Group elected to defer the adoption of the relevant concepts in PIC Q&A 2018-12 and 2018-14 in accordance with MC No. 14 series of 2018 and MC No. 3 series of 2019, respectively. As allowed by the SEC, the deferral of the aforementioned PIC Q&As is within a period of three years, or until 2020. Had these provisions been adopted, it would have the following impact in the consolidated financial statements:

- the exclusion of land and uninstalled materials in the determination of percentage-of-completion would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2017 as well as a decrease in the revenue from sale of condominium units for the years ended December 31, 2018 and 2017;
- the mismatch between the percentage-of-completion of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for the contract asset and interest expense for the contract liability using the effective interest rate method and this would have affected the retained earnings as at January 1, 2017 and the revenue from sale of condominium units for the years ended December 31, 2018 and 2017. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes; and,
- upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been adopted). This would have increased retained earnings as at January 1, 2017 and recognized the gain from repossession for the years ended December 31, 2018 and 2017. Currently, the Group records the repossessed inventory at its original carrying amount and recognizes any difference between the carrying amount of the derecognized contract asset and the repossessed property in profit or loss.

The Group’s adoption of PFRS 15 has resulted in changes in its accounting policies (see Notes 2.5, 2.15 and 2.16) and adjustments to the amounts recognized in its consolidated financial statements. It has applied PFRS 15 retrospectively to all uncompleted contracts as of January 1, 2016 in accordance with its transitional provisions. The following are the adjustments made by the Group to its consolidated financial statements:

- reclassified portion of receivables amounting to P47.3 million and P0.7 million as of December 31, 2017 and January 1, 2017, respectively, from sale of condominium units under current and non-current Receivables account relating to rights to payment which are conditioned upon the completion of units sold to Contract Asset account;

- restated the balances of Property Development Costs, Sale of Condominium Units and Cost of Sales of Condominium Units accounts (including the restatement to derecognize the previously applicable Reserve for Property Development, Deferred Gross Profit on Real Estate Sales, Realized Gross Profit and Deferred Gross Profit accounts) amounting to P2.1 million, P166.7 million and P172.7 million, respectively, as of and for the year ended December 31, 2017 and P0.1 million, P21.4 million and P21.4 million, respectively, as of and for the year ended December 31, 2016 to reflect policy changes on the determination of percentage-of-completion;
- capitalized commission expenses amounting to P24.3 million and P4.2 million in 2017 and 2016, respectively, directly related to contract acquisitions, previously charged under Other Operating Expenses account in the consolidated statements of profit or loss to Contract acquisition costs under Other Current and Other Non-current Assets accounts in the consolidated statements of financial position;
- presented the amortization of capitalized commission expense amounting to P6.9 million and P2.0 million in 2017 and 2016, respectively, under Other Operating Expenses account in the consolidated statements of profit or loss;
- recognized a Contract Liability account amounting to P124.3 million and P6.2 million as of December 31, 2017 and January 1, 2017, respectively, for the amount of consideration received from customers in excess of the amount the Group has rights to receive based on the progress of the real estate development; and,
- restated the related Deferred Tax Income and Deferred Tax Liabilities accounts amounting to P0.6 million and P33,205, respectively, as of and for the year ended December 31, 2017, and both P0.6 million as of and for the year ended December 31, 2016 to recognize for the temporary differences on the adjustments made.

The Group also restated its Other Revenues account that significantly include utility recoveries arising from its leasing activities to conform with the requirements of PFRS 15 since the Group considered itself acting only as an agent for utility transactions of its tenants under operating leases [see Note 3.1(k)]. Previously, the other revenues representing utility charges billed to tenants and the related expenses thereto were presented gross and separate under Other Revenues and Cost of rentals accounts in the consolidated statements of profit or loss.

There were no applicable adjustments made in accordance with PFRS 15 relative to the Group's construction activities since the Group applies the percentage-of-completion method for its uncompleted contracts which is consistent with the requirements of PFRS 15 (i.e., significantly pile driving works) as of January 1, 2016, which are mostly less than 12 months to complete from the inception of the construction contracts (see Note 2.16).

In making its disclosures, the Group used a practical expedient not to present the amount of transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting periods, except for real estate transactions. This is not expected to have a significant impact to the Group's consolidated financial statements. The Group did not use any other practical expedients in applying PFRS 15.

- (iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration*. The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The application of this amendment has no impact on the Group's consolidated financial statements.
- (v) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, only PAS 28 (Amendments), *Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification*, is relevant to the Group but had no material impact on the Group's consolidated financial statements as this amendment merely clarifies existing requirements. Specifically, the amendment clarifies that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

(b) *Effective in 2018 that are not Relevant to the Group*

The following amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Group's consolidated financial statements:

PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4, Insurance Contracts
Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

(c) *Effective Subsequent to 2018 but not Adopted Early*

There are new PFRS, interpretation, amendments and annual improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).
- (ii) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.
- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.
- (iv) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The management plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Group will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Management is currently assessing the financial impact of this new standard on the Group's consolidated financial statements but expects such not to have significant impact as the Group is the lessor for most of its operating leases.

- (v) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.
- (vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vii) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The historical financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, associates, joint ventures and noncontrolling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, 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 consolidated from the date the Group obtains control.

The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls. Accordingly, entities are deconsolidated from the date that control ceases.

(i) Accounting for Business Combination Using the Acquisition Method

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any noncontrolling interest in the acquiree, either at fair value or at the noncontrolling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any noncontrolling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.9).

(ii) Accounting for Business Combination Using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal shareholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting. Under this method, the financial information of the acquired entities are included as if the acquisition occurred in the earliest period presented. The assets and liabilities of the acquired entities are combined using their respective carrying values and any difference is accounted for and recognized in Other Reserves account presented under the consolidated statement of changes in equity.

(b) Investment in Associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recognized in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in Net Earnings or Losses of Associates and Joint Ventures account in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered.

Changes resulting from other comprehensive income transactions of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Investment in Joint Ventures*

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognised in the venturer's financial statements as an investment in the jointly controlled entity.

Investments in joint venture are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in the jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recognized in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Share in Net Earnings or Losses of Associates and Joint Ventures account in the consolidated statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in joint venture will not be recovered (see Note 2.21).

Changes resulting from other comprehensive income transactions of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investment.

(d) *Transactions with Noncontrolling Interests*

The Group's transactions with noncontrolling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity (i.e., Other Reserves account). Disposals of equity investments to noncontrolling interests result in gains and losses for the Group that are also recognized in other components of equity. When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments – Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are classified based on the following categories: financial assets at amortized cost, at FVOCI and at FVTPL. The classification and measurement of financial assets that are applicable to the Group are described below and in the succeeding page.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's consolidated financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Receivables (except Advances to suppliers), Short-term placement (presented as part of Other Current Assets account), Contract Asset, and Refundable deposits (presented as part of Other Non-current Assets account).

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income relating to holding financial instruments (i.e., cash and cash equivalents and short-term placements) is recognized as the interest accrues taking into account the effective yield on the asset.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of profit or loss as part of Finance Income account.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL. The Group has designated unquoted equity instruments and proprietary golf club shares as at FVOCI on initial application of PFRS 9. These are presented as Financial assets at FVOCI under Other Non-current Assets account in the consolidated statement of financial position.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of profit or loss as part of Finance Income account.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Other Income account, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(b) Impairment of Financial Assets

The Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Group's identification of a credit loss event. Instead, the Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and other financial assets carried at amortized cost. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 5.2(b)].

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of default over a given time horizon.
- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral.
- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The amount of credit loss allowance for financial assets at amortized cost and debt securities classified under financial assets at FVOCI is determined at the end of the reporting period and is adjusted to profit or loss.

(c) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Land and Land Development Costs and Property Development Costs

(a) Land and Land Development Costs

Land and land development costs are initially recorded at acquisition cost or cost of land reclamation and related land development costs, if the land is reclaimed. Land and land development costs include capitalized borrowing costs incurred before the completion of the reclamation project (see Note 2.23). A valuation allowance is provided for land development costs that are no longer recoverable.

Subsequent to initial recognition, land and land development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

(b) Property Development Costs

The costs of land, development and construction of the residential condominium projects of the Group are accumulated in the Property Development Costs account in the consolidated statement of financial position. Borrowing costs, if any, on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of property development costs (see Note 2.23). All costs relating to the real estate properties sold are recognized as cost/expense as the work to which they relate is performed.

Costs of properties and projects accounted for as Property Development Costs are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates based on the input method in the year in which these changes become known [see Note 2.16(c)]. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

Reposessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or contract asset to be derecognized and the cost of the reposessed property is recognized in the consolidated statement of profit or loss.

2.6 Property and Equipment

Except for land stated at acquisition cost less any impairment in value, property and equipment are stated at acquisition cost or construction cost less accumulated depreciation, amortization and any impairment losses. The cost of an asset comprises its purchase price or construction cost and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while regular expenditures for repairs and maintenance are charged to expense as incurred.

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.23). Cost is recognized when materials purchased and services performed in relation to construction of the asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate asset account, and depreciation is recognized based on the estimated useful life of such asset.

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

Land improvements	15 years
Machinery and construction equipment	3-5 years
Transportation equipment	5 years
Furniture and office equipment	2-5 years
Machinery and other equipment	3 years

Amortization of leasehold improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter (i.e., five years).

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.21).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and amortization, and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.7 Other Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

Advances to suppliers that will be applied as payment for construction of condominium units accounted for as real estate inventories are classified and presented under the Other Current Asset account. On the other hand, advances to suppliers that will be applied as payment for construction of property and equipment, and investment properties are classified and presented under the Other Non-current Asset account. These classification and presentation is based on the eventual realization of the asset to which it was advanced for.

2.8 Investment Properties

Properties held for lease under operating lease agreements and/or for capital appreciation, which comprise mainly of land, buildings and improvements and condominium units, are classified as investment property and carried at cost less accumulated depreciation and any impairment loss except for land, which is carried at cost less any impairment in value (see Note 2.21).

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

Buildings and improvements	30 years
Condominium units	25 years

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing costs (see Note 2.23).

Cost is recognized when materials purchased and services performed in relation to construction of an asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate investment property account, and depreciation is recognized based on the estimated useful life of such asset.

The residual values, useful life and method of depreciation of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of investment property, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent measurement is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Rental income and operating expenses from investment property, reported under Revenues and Cost of Services and Sales, respectively, are recognized as described in Note 2.16.

2.9 Business Combinations

PFRS 3 requires that an entity shall determine whether a transaction or other event is a business combination. If the assets acquired are not a business, the entity shall account for the transaction as an asset acquisition. Business acquisitions are accounted for using the acquisition or pooling-of-interest method of accounting [see Note 2.3(a)]. The accounting policy for asset acquisition is more fully discussed in Note 2.17.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Parent Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.10 Financial Liabilities

Financial liabilities, which include loans and borrowings, trade and other payables (except tax-related liabilities), advances from a co-joint venturer, advances from and due to related parties, rental deposits and construction bond under Deposits and Advances account, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liability are recognized as an expense under Finance Costs account in the consolidated statement of profit or loss.

Loans and borrowings are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance costs are charged to profit or loss, except for capitalized borrowing costs for qualifying assets, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Advances from related parties, advances from a co-joint venturer and due to a related party are initially recognized at its nominal value and subsequently measured at amortized cost less settlement payments.

Rental deposits are recognized when cash is received or becomes receivable from tenants based on the terms of the lease agreements. These are initially measured at the amount of cash received or receivables in accordance with the terms of the lease agreement. Rental deposits are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.12 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Non-current Asset Held for Disposal or Termination

Non-current asset held for disposal or termination is presented as Investment in Joint Venture Held for Termination account in the consolidated statement of financial position, whereby the Group intends to recover such investment through the transfer of investment property within one year from the date of classification as held for disposal or expected recovery of the underlying asset by the Group due to the termination of a certain joint venture agreement with a co-joint venturer, subject to fulfillment of certain conditions [see Note 13.2(a)].

The Group classifies a non-current asset (or disposal group) as held for disposal or termination if its carrying amount will be recovered principally through a disposal or termination transaction rather than through continuing use, and that the Group is committed to recover the underlying asset. In the event that the disposal or termination of the asset is extended beyond one year, the extension of the period required to complete the disposal or termination does not preclude an asset from being classified as held for disposal if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to dispose or terminate the investment in shares of stock and recover the underlying land to be accounted for as investment property in the future.

Non-current asset held for disposal or termination is measured at the lower of its carrying amount, immediately prior to their classification as held for disposal or termination, and its fair value less costs to dispose or terminate. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to dispose. Gain from any subsequent increase in fair value less cost to dispose of an asset is recognized to the extent of the cumulative impairment loss previously recognized.

If the Group has classified an asset as held for disposal or termination, but the criteria for it to be recognized as held for disposal or termination are no longer satisfied, the Group shall cease to classify the asset as held for disposal or termination.

The gain or loss arising from the disposal or termination, or remeasurement of the asset held for disposal or termination, if any, is recognized in profit or loss and included as part of Other Income (Charges) in the consolidated statement of profit or loss.

2.15 Contract Asset and Contract Liability

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold (see Note 2.16). Any rights to consideration recognized by the Group as it develops the property are presented as Contract Asset account in the consolidated statement of financial position. Contract asset is subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets.

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liability account in the consolidated statement of financial position (see Note 2.16). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.16 Revenue and Expense Recognition

Revenue comprises revenue from construction contracts, rentals, and sale of land and condominium units.

To determine whether to recognize revenue, the Group follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group enters into transactions involving construction services, sale of land and condominium units, and other contracts containing performance obligations with counterparties. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(b). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the asset or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. Except as disclosed in the consolidated financial statements, the Group uses the practical expedient in PFRS 15 for customer contracts entered into other than for construction services and sale of land, with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting periods and the explanation of when such amount will be recognized as revenue since such Group's contracts with customers have original expected duration of one year or less.

In addition, the following specific recognition criteria must also be met before revenue is recognized [significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(a)]:

- (a) *Sale of land* – revenue from sale of land is recognized as the control transfers at the point in time with the buyer, that is when the Group delivered the possession and buyer accepted the property. At that point, the buyer may already use the property and the Group becomes entitled to the full amount due from the sales contract which are normally collected within one year from the contract inception date.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Buyers' deposits under the Deposits and Advances account in the consolidated statement of financial position.

For tax reporting purposes, revenue on sale and cost of raw land sold are recognized in full when more than 25% of the contract price is collected within the taxable year; otherwise, revenue and cost of raw land sold are recognized based on the percentage of collections over the contract price, excluding VAT.

- (b) *Construction contracts* – revenue is recognized based on the percentage-of-completion determined through the input method as the construction services are provided. The stage of completion is measured on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e., resources consumed, labor hours expended, other costs incurred, etc.) relative to the total expected inputs to the satisfaction of such performance obligation. Contract costs are recognized when incurred.

Customers are invoiced based on certain milestone as work progresses, which are also due upon receipt by the customers, depending on applicable credit terms. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

There were no recognized Contract Asset or Contract Liability accounts applicable to construction contracts as of the end of the reporting periods [see Notes 2.2(a)(iii) and 2.15].

Progress billings not yet paid by customers and retention are presented as part of Receivables in the consolidated statement of financial position.

- (c) *Sale of condominium units* – for financial reporting purposes, revenues from transactions covering sale of condominium units are recognized over time under the percentage-of-completion method which is in reference to input method of measuring progress of completion. The input method measures the percentage of total costs incurred to date [inclusive of the land and cost of uninstalled materials due to the Group's election to defer PIC Q&A 2018-12 as an allowed transition relief (see Note 2.2(a)(iii))] over the estimated costs to complete the projects.

Revenue recognized from real estate sales is presented as Sale of Condominium Units in the consolidated statement of profit or loss while the related asset or liability arising from the sale and progress of the development is presented as part of Contract Asset or Contract Liability accounts, as applicable, in the consolidated statement of financial position (see Note 2.15).

As discussed above, cost of condominium units sold before the completion of the projects include the acquisition cost of the land, development costs incurred to date, any applicable borrowing costs (see Note 2.23) and in accordance with the percentage-of-completion as determined based on the input method [see Note 2.5(b)].

Payments received from customers which do not meet the revenue recognition criteria are presented as Reservation deposits under the Deposits and Advances account in the consolidated statement of financial position (see Note 2.15).

For tax reporting purposes, revenue on sale and cost of condominium units sold are recognized in full when more than 25% of the contract price is collected within the taxable year; otherwise, revenue and cost of residential condominium units sold are recognized based on the percentage of collections over the contract price, excluding VAT.

- (d) *Other revenues from common use service area (CUSA)* – Other revenues arising from CUSA charges related to leasing activities are recognized over time as the Group performs the contractually agreed task. Customers are invoiced monthly as work progresses, which are also due upon receipt by the customers.
- (e) *Rendering of administrative and other services* – This is recognized on a time-and-materials basis as the services (i.e., consultancy and strategic real estate management activities) are provided to third party property owners and tenants within Aseana City. Customers are also invoiced monthly as work progresses, which are also due upon receipt by the customers. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

Incremental costs of obtaining a contract to sell the condominium units to customers are recognized as part of Contract acquisition costs under Other Current Assets and Other Non-current Assets accounts and is subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Except when the impact to the consolidated financial statements is significant for incremental costs in obtaining contracts relative to sale of condominium units and other customer contracts, the Group uses the practical expedient in PFRS 15 and has expensed such costs as incurred (i.e., for construction activities and sale of land) since the expected amortization period of these costs, if capitalized, would be less than one year.

The Group also incurs costs in fulfilling contracts with customers [see Note 3.2(h)]. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards. Costs of rentals and other costs and operating expenses are recognized in the profit or loss upon utilization of the goods or services or at the date they are incurred. Finance costs are reported on an accrual basis except capitalized borrowing costs (see Note 2.23).

2.17 Acquisition of Assets

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition (see Note 2.9). A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. Under the asset purchased accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and, transaction costs are capitalized.

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term (see Note 2.6).

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties. Revenue from rentals arise from the lease of investment property comprising of land and buildings.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.19 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.20 Foreign Currency Transactions and Translation

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the reporting period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized as part of Finance income or Finance costs under Other Income (Charges) account in the consolidated statement of profit or loss.

2.21 Impairment of Non-financial Assets

The Group's investments in associates and joint ventures, property and equipment, investment properties and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.22 Employee Benefits

The Group provides short-term and post-employment benefits to employees through defined benefit and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the consolidated profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payable accounts in the consolidated statement of financial position.

(b) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), in 2018 and reference rates published by Philippine Dealing & Exchange Corp. in 2017 and previous years], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs account (or Finance Income account, as applicable) in the consolidated statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity (e.g., Social Security System). Under this plan, the Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included as part of Accrued expenses in the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.23 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset (see Notes 2.5, 2.6 and 2.8). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.24 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense 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.

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

2.25 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Revaluation reserves comprise of:

- (a) Fair valuation of financial assets at FVOCI arising from gains or losses due to the changes in fair value;
- (b) Remeasurements of retirement benefit obligation based on the cumulative balance of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of post-employment defined benefit obligation; and,
- (c) Gains and losses due to the revaluation of certain investment property, previously classified as property and equipment, which is treated as part of the deemed cost upon transition to PFRS.

Other reserves pertain to the difference between the proportionate share of the Parent Company in the net assets of certain subsidiaries over the cost of the investment in the subsidiaries under the common control business combination which is accounted for using the pooling-of-interest method.

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of profit or loss, reduced by the amounts of dividends declared, if any. Retained earnings also include an appropriated portion and therefore, are not available for dividend declaration or being restricted to cover the business expansion of the Group (see Note 27.3).

2.26 Earnings and Diluted Earnings Per Share

Basic earnings per share is determined by dividing net profit attributable to the Parent Company's shareholders by the weighted average number of common shares issued, adjusted for any stock dividends or stock splits, less any shares held in treasury during the reporting period (see Note 26).

The diluted earnings per share is also computed by dividing net profit attributable to the Parent Company's shareholders by the weighted average number of common shares issued and outstanding during the reporting period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loan and stock option.

Currently, the basic and diluted earnings per share are the same as there are no dilutive preferred shares, convertible loan and stock option (see Note 26).

2.27 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determining the Timing of Satisfaction of Performance Obligations

(i) Construction Contracts

The Group determined that its revenue from construction services shall be recognized over time in accordance with the percentage-of-completion method. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the construction services that create or enhance an asset that the customer controls as the asset is created or enhanced. This demonstrates that the customer obtains the benefits of the Group's rendering of construction service as it performs.

In determining the best method of measuring the progress of the Group's rendering of construction services, management considers the input method under PFRS 15 because of the direct relationship between the Group's effort, in terms of incurred labor hours and materials used, and the transfer of service to the customers.

(ii) Sale of Condominium Units

The Group determined that its performance obligation to develop properties promised in its contracts with customers is satisfied over time. In making this judgment, the Group considers any asset created or enhanced as the Group performs and the ability of the customer to control such asset as it is being created or enhanced; the timing of receipt and consumption of benefits by the customer; and the Group's enforceable right for payment for performance completed to date and the alternative use of the asset created to the Group.

In determining the best method of measuring the progress of the Group's property development, management considers the input method (i.e., percentage of total costs incurred to date, inclusive of the cost of land and uninstalled materials, over the estimated costs to complete the projects) under PFRS 15. Under this method, revenue is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. This method faithfully depicts the transfer of goods or services because in a sale of real property, not all of the benefits are consumed by the customer until the complete satisfaction of the performance obligation.

(iii) Sale of Raw Land

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the land to customers is satisfied over time or at a point in time. In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the land.

(iv) Other Income Arising from the Consideration Agreement

The Group exercises critical judgment in determining whether each performance obligation stipulated in the Consideration Agreement entered into in 2018 with certain counterparties is satisfied over time or at a point in time [see Note 13.2(a)]. In making this judgment, the Group identified the two performance obligations from the Consideration Agreement as separate and distinct from one another with a corresponding consideration or transaction price specifically identified to each performance obligation, which is disclosed in [Notes 13.2(a) and 21.4]. Accordingly, the Group recognized other income in 2018 for the non-refundable portion of the consideration as it assessed that the first performance obligation has been satisfied at specific point in time in 2018 (see Note 21.4). On the other hand, the Group determined that the second performance obligation is to be satisfied over time since there are future actions that are required to be undertaken by the Group and its counterparties, which commences in January 2019 based on the Consideration Agreement.

(b) Determining the Transaction Price and Amounts Allocated to Performance Obligations

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties (i.e., VAT).

The Company uses the practice expedient in PFRS 15 with respect to non-adjustment of the promised amount of consideration for the effects of significant financing component as the Group expects, at contract inception, that the period between the Group transfers promised assets or services to the customer and payment due date is one year or less. With respect to real estate transactions, the Group deferred the adoption of PIC 2018-12 with respect to the accounting for the significant financing component in a contract to sell.

(c) Determining the ECL Model on Receivables and Contract Asset

The Group uses a provision matrix to calculate ECL for receivables and contract asset. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type and, customer type and rating).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Management determined that there is no required ECL to be recognized on its Contract Asset account since the condominium units sold is collateralized to the related contract asset arising from the sale. Therefore, there is no expected loss given default as the recoverable amount from the subsequent re-sell of the condominium units is sufficient. Details about the ECL on the Group's receivables and contract asset are disclosed in Note 5.2(b).

(d) Distinguishing Investment Properties and Owner-managed Properties

The Group determines whether a property qualifies as an investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the performance of the Group's construction and other activities, and its supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the construction and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the construction 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.

(e) Distinguishing Land and Land Development Costs and Investment Properties

The Group's management identifies a property as Land and Land Development Costs (property to be developed and/or eventually sold in the normal course of business) or Investment Properties (properties intended to earn rentals, capital appreciation or held for a currently undetermined future use) at the end of each reporting period following the approved plan of the Group.

As of December 31, 2018 and 2017, parcels of land identified as Land and Land Development Costs amounted to P2,162.2 million and P1,954.4 million, respectively (see Note 11).

Parcels of land, classified as Investment Properties, amounted to P8,720.2 million as of December 31, 2018 and 2017, respectively (see Note 15).

The Group reclassified certain parcels of land which were previously presented under Land and Land Development Costs to Investment Properties amounting to P54.7 million in 2017, which resulted from change in management intention to hold the related land for rental purposes (see Notes 11 and 15).

(f) Distinguishing Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has assessed that all of its existing lease arrangements as a lessor at the end of each reporting period qualify under operating lease.

(g) Determining Capitalization of Borrowing Costs

The Group determines whether borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or expensed outright. The accounting treatment for the borrowing costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to get the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit (see Notes 15 and 17).

(h) Evaluating Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and relevant disclosures thereon are presented in Note 28.

(i) Determining Joint Control in an Arrangement and Significant Influence over an Investee

Judgment is exercised in determining whether the Group has joint control of an arrangement or significant influence over an entity. In assessing the Group's interest in an arrangement or influence over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including the terms of any contractual arrangement.

(j) Distinguishing between Business Combination and Asset Acquisition

The Group determines whether an acquisition of an entity constitutes a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transaction.

Although the Group purchased shares of stock resulting in full equity ownership interest in Reine in 2016, the Group has assessed that under PFRS 3, the acquisition is to be accounted for as an asset acquisition since it does not constitute a purchase of a "business" (see Notes 1.2, 2.17 and 13.4). On the other hand, the Group accounted for its acquisition of ARESM in 2016 as a business combination under PFRS 3 since it represents a purchase of a "business" (see Note 27.5).

(k) Evaluating Principal Versus Agent Consideration

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. The amount of utility revenues and utility expenses, which were set-off against each other amounted to P104.1 million, P66.2 million and P55.6 million in 2018, 2017, 2016, respectively, in the consolidated statements of profit or loss (see Note 27.5).

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimating Useful Lives of Property and Equipment and Investment Properties

The Group estimates the useful lives of property and equipment and investment properties (except for land) based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties 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 assets.

The carrying amounts of property and equipment and investment properties are analyzed in Notes 14 and 15, respectively. Based on management's assessment, there is no change in the estimated useful lives of property and equipment and investment properties in 2018 and 2017. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(b) Determining Net Realizable Value of Land and Land Development Costs

In determining the net realizable value of land and land development costs, management takes into account the most reliable evidence such as the comparable price of recent sale of adjacent properties and appraisal of the asset available at the time the estimate is made. Changes in the sources of estimation may cause significant adjustments to the carrying amount of the Group's land and land development costs within the next reporting period.

As indicated in Note 11, management assessed that the net realizable values of its land and land development costs is higher than its cost; hence, those assets are carried at cost as of the end of the reporting periods.

(c) Determining Net Realizable Value of Property Development Costs

In determining the net realizable value of property development costs, management takes into account the most reliable evidence available at the time the estimates are made. The future realization of the carrying amounts of property development costs is affected by price changes for the cost to complete, and upon completion, the selling prices in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the carrying amounts of the Group's property development costs within the next reporting period.

As more fully discussed in Note 10, management assessed that the net realizable values of its property development costs is higher than its cost; hence, those assets are carried at cost as of the end of the reporting periods.

(d) Determining Principal Assumptions for Management's Estimation of Fair Value of Investment Properties

Investment properties are measured using the cost model. In determining the fair value of these assets, the Group engaged the services of professional and independent appraisers applying the relevant valuation methodologies. The fair value disclosed in the consolidated financial statements is determined using the:

- Market approach for land based on information on current or recent transaction prices for 2018 and 2017; and,
- Cost approach based on consideration of the cost to reproduce or replace the buildings and improvements to its service capacity in accordance with current market prices for similar assets less depreciation for 2018 and 2017.

The Group determined that the cost approach for buildings and improvements more appropriately reflects the highest and best use of the property based on market conditions and development. The Group consistently uses assumptions that are mainly based on market conditions existing at the end of each reporting period. For the valuation methodologies adopted prior to December 31, 2018, management determined that there were no significant circumstances that may affect the fair value determination of investment properties.

The fair values of investment properties as of December 31, 2018 and 2017 are disclosed in Note 15 while the relevant valuation methodology and fair value hierarchy are disclosed in Note 7.4.

(e) Estimating Probability of Collection for Revenue Recognition

The Group exercises judgment in evaluating the probability of collection (as one of the gating criteria) of transaction price on customer or counterparty contracts wherein revenue is recognized over time or specific point in time. The Group uses historical payment pattern of customers and counterparties in establishing a percentage of collection threshold, or in some instances, when the Group is certain that the sale or contract will not be cancelled (i.e., considering financial capacity, credit worthiness, and business interests of the customer or counterparty) even if the collection is below such threshold but which the Group determines that collection of the transaction price is reasonably assured.

The percentage benchmark used by the Group in determining whether collection of the transaction price is reasonably assured is 20% collection of the total contract price for sale of condominium units and 25% collection of the total contract price for sale of raw land. Management believes that the established collection thresholds are appropriate based on the collection history and credit worthiness of customers in each revenue segment. Buyer's interest in the property (i.e., condominium unit or raw land) is considered to have vested when the payment of the applicable percentage benchmark of the contract price has been received from the buyer and the Group has ascertained the buyer's commitment and ability to complete the payment of the total contract price.

The related revenues recognized by the Group are presented as Construction contracts, Sale of condominium units and Land sales under the Revenues account in the consolidated statements of profit or loss while the related other income arising from the Consideration Agreement is presented as part of Other Income account in the 2018 consolidated statement of profit or loss.

(f) Determining Percentage-of-Completion for Real Estate Transactions

In determining the amount of revenue to be recognized for real estate transactions involving sale of condominium units wherein performance obligations are satisfied over time, the Group measures progress based on the input method that measures the percentage of total costs incurred to date over the estimated costs to complete the projects. The Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and applies changes as necessary. A significant change in estimated costs would result in a significant change in the amount of revenue recognized in the year of change.

The Group recognized revenues from sale of condominium units amounting to P119.4 million, P47.1 million and P0.7 million in 2018, 2017, and 2016, respectively, and is presented as Sale of condominium units under Revenues account in the consolidated statements of profit or loss.

(g) Determining Percentage-of-Completion for Construction Contracts

The Group also recognizes its revenue from construction contracts based on percentage-of-completion method of the project whereby the performance obligations are satisfied over time. The Group's application of the percentage-of-completion method is based on its efforts or inputs (i.e., actual costs incurred) to the satisfaction of a performance obligation relative to the total expected construction costs. Review of the benchmarks set by management necessary for the determination of percentage-of-completion is done regularly. Actual data is being compared to the related benchmarks and critical judgment is exercised to assess the reliability of the percentage of completion procedures which are currently in place and make the necessary revisions in the light of current progress.

(h) Determining the Amount of Costs Incurred to Obtain or Fulfill a Contract with Customers

In determining the amount of costs to obtain a contract that should be capitalized, the Group identifies those costs that would have not been incurred if the contract had not been obtained. The carrying amounts, net of subsequent amortization, of costs incurred to obtain the contracts with customers (or counterparties) relating to the sale of condominium units, and the Consideration Agreement are presented as part of Contract acquisition costs under Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 12 and 16).

For the costs incurred in fulfilling a contract, the Group recognizes an asset only if: those costs related directly to a contract or to an anticipated contract can be specifically identified; those costs generate or enhance the Group's resources that will be used in satisfying performance obligation in the future; and, the Group expects those costs to be recovered. There were no recognized assets arising from costs incurred in fulfilling the contracts during the reporting periods as the Group accounted for such costs in accordance with accounting policies related to other financial reporting standards as disclosed in Note 2.16.

(i) Estimating Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 5.2(b).

Based on management's assessment, the outstanding balances of receivables, net of outstanding allowance, and contract asset as of December 31, 2018 and 2017 are fully collectible (see Notes 9 and 10).

(j) Determining the Fair Value of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 16.2.

(k) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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.

Management assessed that the deferred tax assets as of December 31, 2018 and 2017, will be fully utilized as it is expecting sufficient taxable profits against which the deferred tax assets can be applied (see Note 24).

(l) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.21). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's evaluation, there is no impairment losses required to be recognized on the Group's non-financial assets in 2018, 2017 and 2016.

(m) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 23.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used on estimating such obligation are presented in Note 23.2.

4. SEGMENT REPORTING

4.1 Business Segments

The Group's operating businesses are recognized and managed separately according to the nature of services provided (primary segments) and the different markets served (secondary segments) with a segment representing a strategic business unit. The Group's business segments follow:

- (a) Construction* – principally refers to general construction business which involves site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.
- (b) Sale of Land and Condominium Units* – involve the development and sale of industrial and other parcels of land and residential condominium units.
- (c) Rentals* – refers to leasing of real estate properties, including land and building and other structures.

The Group has not identified any segment based on geographical location (see Note 4.4).

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, contract asset, land and land development cost, property development costs, property and equipment, and investment properties. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of loans and borrowings, trade and other payables, contract liability and deposits and advances. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

Segment information is analyzed as follows for the years ended December 31, 2018 and, 2017 and 2016 (as restated – see Note 27.5) (in thousands):

	Rentals			Construction			Sale of Land and Condominium Units			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
REVENUES												
Sales to external customers	P 1,901,199	P 1,440,897	P 1,271,046	P 130,824	P 202,133	P 231,164	P 120,604	P 1,135,407	P 601,341	P 2,152,327	P 2,778,347	P 2,103,551
Intersegment sales	<u>285,468</u>	<u>153,091</u>	<u>152,274</u>	<u>396,965</u>	<u>751,116</u>	-	-	-	-	<u>682,433</u>	<u>904,207</u>	<u>152,274</u>
Total revenues	<u>2,186,667</u>	<u>1,593,988</u>	<u>1,423,320</u>	<u>527,489</u>	<u>953,249</u>	<u>231,164</u>	<u>120,604</u>	<u>1,135,407</u>	<u>601,341</u>	<u>2,834,760</u>	<u>3,682,554</u>	<u>2,255,825</u>
COSTS AND OTHER OPERATING EXPENSES												
Cost of sales and services excluding depreciation and amortization	109,176	70,284	68,028	47,044	124,513	187,487	72,916	171,853	120,821	229,136	366,050	376,336
Depreciation and amortization	105,105	65,465	65,059	14,464	7,721	14,467	-	-	-	117,649	73,196	76,536
Other expenses	<u>664,296</u>	<u>117,732</u>	<u>118,989</u>	<u>4,526</u>	<u>5,148</u>	<u>3,415</u>	<u>25,528</u>	<u>63,658</u>	<u>18,789</u>	<u>194,290</u>	<u>186,509</u>	<u>141,184</u>
	<u>377,167</u>	<u>253,482</u>	<u>249,067</u>	<u>66,034</u>	<u>137,382</u>	<u>205,392</u>	<u>98,444</u>	<u>235,511</u>	<u>139,610</u>	<u>541,645</u>	<u>526,375</u>	<u>594,046</u>
SEGMENT OPERATING PROFIT	<u>P 1,809,500</u>	<u>P 1,340,416</u>	<u>P 1,174,253</u>	<u>P 461,455</u>	<u>P 815,867</u>	<u>P 25,775</u>	<u>P 22,160</u>	<u>P 899,896</u>	<u>P 461,731</u>	<u>P 2,293,115</u>	<u>P 3,056,179</u>	<u>P 1,661,779</u>

Segment assets and liabilities are allocated to each segment as follows (in thousands) (as restated – see Note 27.5):

	Rentals		Construction		Sale of Land and Condominium Units		Total	
	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Total Assets	Total Liabilities	Total Assets	Total Liabilities
December 31, 2018	P 19,901,718	P 9,431,032	P 5,522,104	P 968,503	P 3,579,441	P 969,592	P 29,003,263	P 11,369,127
December 31, 2017	14,876,544	9,178,722	2,958,038	967,787	3,071,967	982,639	20,906,549	11,129,148

Currently, the Group's operation is concentrated in one location; hence, it has no geographical segment (see Note 4.1).

In 2018, rental revenues from a single lessee account for 34.96% of the consolidated revenues. In 2017, rental revenues from a single lessee and sale of land from two customers account for 25.21% and 36.11% of the consolidated revenues, respectively, while in 2016, 60.42% of consolidated revenues pertained to rental revenues, construction revenues and sale of land from three major customers.

Rentals segment assets include certain real estate assets (i.e., parcels of land) held as investment properties for capital appreciation or future lease.

4.5 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the consolidated financial statements are as follows (in thousands):

	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Revenues			
Total segment revenues	P 2,834,760	P 3,682,554	P 2,255,825
Elimination of intersegment revenues	(682,433)	(904,207)	(152,274)
Revenues as reported in the consolidated statements of profit or loss	<u>P 2,152,327</u>	<u>P 2,778,347</u>	<u>P 2,103,551</u>
Profit or loss			
Segment operating profit	P 2,293,115	P 3,056,179	P 1,661,779
Elimination of intersegment revenues	(682,433)	(904,207)	(152,274)
Other unallocated operating income (expenses)* – net	(238,346)	(6,474)	214,548
Operating profit as reported in the consolidated statements of profit or loss	<u>1,372,336</u>	<u>2,158,446</u>	<u>1,724,053</u>
Finance costs	(69,852)	(72,107)	(83,791)
Finance income	69,523	7,163	3,961
Share in net earnings (losses) of associates and joint ventures	6,308	(993)	(5,298)
Other unallocated income*	<u>1,200,000</u>	<u>-</u>	<u>7,110</u>
Profit before tax as reported in the consolidated statements of profit or loss	<u>P 2,578,315</u>	<u>P 2,092,509</u>	<u>P 1,646,035</u>

* Other unallocated operating income includes gain on sale of investment properties in 2017 and 2016 while other unallocated income includes the income from the Consideration Agreement in 2018.

	2018	2017 (As Restated – see Note 27.5)
Assets		
Segment assets	P 29,003,263	P 20,906,549
Deferred tax assets – net	47,942	22,357
Other unallocated assets**	6,781,660	3,582,078
Elimination of intercompany accounts	(6,044,149)	(4,137,148)
Total assets reported in consolidated statements of financial position	<u>P 29,788,716</u>	<u>P 20,373,836</u>
Liabilities		
Segment liabilities	P 11,369,127	P 11,129,148
Deferred tax liabilities – net	720,977	496,168
Other unallocated liabilities**	1,260,317	1,254,070
Elimination of intercompany accounts	(2,427,684)	(1,824,499)
Total liabilities as reported in consolidated statements of financial position	<u>P 10,922,737</u>	<u>P 11,054,887</u>

**Other unallocated assets and liabilities mostly pertain to intercompany advances to and/or from related parties not eliminated in the consolidation.

4.6 Disaggregation of Revenue from Contracts with Customers and Other Counterparties

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 4.1 and 4.4.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PAS 17 and disclosed herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown in the succeeding page.

	Segment Revenues (Sales to External Customers)			Other Unallocated Income			
	Rentals	Construction	Sale of land	Sale of condominium units	Consideration Agreement	Rendering of administrative services	Total
December 31, 2018:							
Lease	P1,901,198,613	P -	P -	P -	P -	P -	P1,901,198,613
Over time	-	130,524,057	-	119,351,066	-	37,019,684	286,894,807
Point in time	-	-	1,252,800	-	1,200,000,000	-	1,201,252,800
Short-term	-	130,524,057	1,252,800	-	1,200,000,000	21,843,107	1,353,619,964
Long-term	1,901,198,613	-	-	119,351,066	-	-	2,020,549,679
December 31, 2017:							
Lease	P1,440,806,866	P -	P -	P -	P -	P -	P1,440,806,866
Over time	-	202,132,945	-	47,116,581	-	24,472,468	273,721,994
Point in time	-	-	1,088,290,000	-	-	-	1,088,290,000
Short-term	-	202,132,945	1,088,290,000	-	-	24,472,468	1,314,895,413
Long-term	1,440,806,866	-	-	47,116,581	-	-	1,487,923,447
December 31, 2016:							
Lease	P1,271,046,494	P -	P -	P -	P -	P -	P1,271,046,494
Over time	-	231,163,640	-	684,636	-	25,252,110	257,100,386
Point in time	-	-	600,656,000	-	-	-	600,656,000
Short-term	-	231,163,640	600,656,000	-	-	25,252,110	857,071,750
Long-term	1,271,046,494	-	-	684,636	-	-	1,271,731,130

Additional information not included above is the gain on sale of investment property in 2017 and 2016, which is recognized at a point in time, and other income aggregating to P72.5 million, P11.4 million, and P30.6 million in 2018, 2017 and 2016, respectively, that are considered by management insignificant to the Group's disaggregation information of revenues (see Note 21.3).

5. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 6. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its Ultimate Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described as follows:

5.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from its operating and financing activities.

(a) *Foreign Currency Risk*

Most of the Group's transactions are carried out in Philippine peso, its functional currency. The Group also holds United States (U.S.) dollar and European Union (Euro) denominated cash and cash equivalents. The Group does not have any financial liabilities denominated in foreign currency.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency denominated financial assets, translated into Philippine peso at the closing rate, are as follows:

	2018		2017	
	U.S. Dollar	Euro	U.S. Dollar	Euro
Financial assets	<u>P 30,885,030</u>	<u>P 9,322,435</u>	<u>P 12,615,026</u>	<u>P 7,714,442</u>

The following table illustrates the sensitivity of the Group's profit before tax and equity in 2018 and 2017 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2018				
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity		
U.S. Dollar	+/-11.16%	P 3,446,769	P 2,412,738		
Euro	+/-23.98%	<u>2,235,520</u>	<u>1,564,864</u>		
Total		<u>P 5,682,289</u>	<u>P 3,977,602</u>		
	2017				
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity		
U.S. Dollar	+/-10.88%	P 1,372,515	P 1,269,578		
Euro	+/-27.30%	<u>2,106,043</u>	<u>1,948,090</u>		
Total		<u>P 3,478,558</u>	<u>P 3,217,668</u>		

If the Philippine peso had strengthened against the U.S. dollar and Euro, with all other variables held constant, the Group's profit before tax and equity would have been lower by P5.7 million and P4.0 million, respectively, in 2018 and P3.5 million and P3.2 million, respectively, in 2017. Conversely, if the Philippine peso had weakened against the U.S. dollar and Euro by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2018 and 2017 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) *Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. As at December 31, 2018 and 2017, the Group is exposed to changes in market interest rates affecting the cash flows from cash and cash equivalents and certain interest-bearing loans and borrowings which are subject to variable interest rates (see Notes 8 and 17). All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

Interest-bearing loans and borrowings and cash and cash equivalents which are subject to repricing are tested on a reasonably possible change (weighted average) of +/-2.05% and +/-0.54% Philippine peso in 2018 and 2017, respectively. On the other hand, the Group's exposure to foreign currency interest rate is insignificant. The percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous 12 months estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with the effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P161.1 million and +/-P7.7 million in 2018 and 2017, respectively.

5.2 *Credit Risk*

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, arising from granting loans and receivables to customers, including related parties, and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of revenues, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	2018	2017 (As Restated – see Note 27.5)
Cash and cash equivalents	8	P 7,549,219,648	P 1,444,538,812
Short-term placement <i>(presented as part of Other Current Assets)</i>	12	1,400,000,000	-
Receivables – net <i>(except for Advances to suppliers)</i>	9	4,665,569,544	3,925,399,205
Contract asset	10	166,652,337	47,301,272
Refundable deposits <i>(presented as part of Other Non-current Assets)</i>	16	52,254,083	18,997,481
		<u>P13,833,695,612</u>	<u>P5,436,236,770</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in cash and cash equivalents are cash in banks which is secured by a maximum coverage of P0.5 million for every depositor per banking institution, as provided for under R.A. No. 9302, *Charter of Philippine Deposit Insurance Corporation*, which is also subjected to credit risk.

(b) Receivables and Contract Asset

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables and contract asset.

To measure the expected credit losses, trade and other receivables and contract asset have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables.

The expected loss rates are based on the payment profiles of revenues over a period of 36 months before December 31, 2018 and 2017, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the interest rate and gross domestic product to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2018 and 2017 was determined based on months past due, as follows for both trade and other receivables:

		<u>0-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 90 days</u>
December 31, 2018					
<i>Expected credit loss rate</i>		0.10%	7.75%	12.79%	52.96%
Rental and other receivables	P	147,652,284	P 3,121,941	P 2,167,224	P 18,618,886
Loss allowance		146,776	241,969	277,137	9,859,826
<i>Expected credit loss rate</i>		-	-	-	0.24%
Contract and retention receivables	P	4,321,169	P 1,009,523	P 895,805	P 668,649,388
Loss allowance		-	-	-	1,629,692
<i>Expected credit loss rate</i>		-	-	-	5.62%
Advances to related parties	P	21,177,992	P 13,232,599	P 5,383,897	P 748,528,198
Loss allowance		-	-	-	42,102,006

December 31, 2017

<i>Expected credit loss rate</i>		0.26%	12.06%	18.75%	14.08%
Rental and other receivables	P	80,940,785	P 638,438	P 243,106	P 16,582,606
Loss allowance		208,377	76,980	45,590	2,334,901
<i>Expected credit loss rate</i>		-	-	-	0.24%
Contract and retention receivables	P	62,002,071	P 11,995,679	P 1,653,453	P 668,632,201
Loss allowance		-	-	-	1,571,691
<i>Expected credit loss rate</i>		-	-	-	6.15%
Advances to related parties	P	24,301,322	P 17,529,406	P 7,600,330	P 677,651,741
Loss allowance		-	-	-	41,674,688

A reconciliation of the allowance for impairment for trade and other receivables as at December 31, 2018 and 2017 is presented below (see Note 9):

	December 31, 2018		December 31, 2017	
	Trade and other receivables*	Advances to related parties	Trade and other receivables*	Advances to related parties
Balance at beginning of year	P 4,237,539	P 41,674,668	P 3,692,225	P 41,187,765
Additional ECL	7,917,861	427,338	545,314	486,903
Balance at end of year	P 12,155,400	P 42,102,006	P 4,237,539	P 41,674,668

**Excluding advances to related parties*

The Group identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables beyond the normal credit terms of 45 to 90 days, depending on the terms with the customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

Large portion of the Group's receivables pertains to rental receivables from leasing operations to third parties, advances to related parties which are secured by an undertaking of another related party to pay in case of default, and contract receivables from the Philippine Reclamation Authority (PRA) related to various implementing agreements under the memorandum of agreement entered into by the Group in relation to the reclamation and development of Aseana Business Park (ABP), which is also part of the Aseana City (see Notes 9.1, 9.2, 9.3 and 9.4). Except for rental receivables from various and diversified profile of third party tenants, this makes the Group exposed to significant credit risk exposure to a single group of counterparties having similar characteristics.

On July 15, 2015, the PRA's BOD approved the conveyance of certain properties to the Group in settlement of PRA's liabilities related to various implementing agreements entered into with the Group. As of December 31, 2018, the title to the properties are not yet transferred to the Group.

The Contract Asset account is secured to the extent of the fair value of the condominium units sold since the title to the real estate properties remains with the Company until the contract assets or receivables are fully collected. Therefore, there is no expected loss given default on the contract asset.

With respect to refundable deposits, management assessed that these financial assets have low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit ratings) that sustain the operation of Aseana City and other related projects.

5.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

As of December 31, 2018 and 2017, the Group's financial liabilities have contractual maturities as follows:

Notes	Current		Non-current	
	Upon Demand/ Within 6 months	6 to 12 Months	1 to 5 Years	
December 31, 2018				
Loans and borrowings	17	P 1,396,348,592	P 70,100,644	P 568,615,500
Trade and other payables (except tax liabilities)	18	501,113,930	227,034,296	-
Advances from a co-joint venturer	13.2	1,000,000,000	-	-
Advances from and due to related parties	25.2	4,611,174,814	-	-
Rental deposits	19	-	54,400,070	182,589,901
Construction bond	19	-	47,566,440	-
		P 7,508,637,336	P 399,101,450	P 751,205,401

Notes	Current		Non-current	
	Upon Demand/ Within 6 months	6 to 12 Months	1 to 5 Years	
December 31, 2017 (As Restated – see Note 27.5)				
Loans and borrowings	17	P 1,706,297,957	P 45,153,827	P 881,407,063
Trade and other payables (except tax liabilities)	18	752,013,568	209,920,471	-
Advances from a co-joint venturer	13.2	1,000,000,000	-	-
Advances from and due to related parties	25.2	4,656,057,252	-	-
Rental deposits	19	-	88,498,491	116,756,462
Construction bond	19	-	14,101,059	-
		P 8,114,368,777	P 357,673,848	P 998,163,525

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of the reporting periods.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Values and Fair Values by Category

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2018		2017 (As Restated – see Note 27.5)	
Notes	Carrying Values	Fair Values	Carrying Values	Fair Values	
Financial Assets					
<i>At amortized cost:</i>					
Cash and cash equivalents	8	P 7,549,219,648	P 7,549,219,648	P 1,444,538,812	P 1,444,538,812
Short-term placement (presented as part of Other Current Assets)	12	1,400,000,000	1,400,000,000		
Receivables – net	9	4,665,569,544	4,665,569,544	3,925,399,205	3,925,399,205
Contract asset	10	166,652,337	166,652,337	47,301,272	47,301,272
Refundable deposits (presented as part of Other Non-current assets)		52,254,083	52,254,083	18,997,481	18,997,481
		13,833,695,612	13,833,695,612	5,436,236,770	5,436,236,770
<i>Financial assets at FVOCI</i>					
	16.2	74,755,905	74,755,905	74,536,260	74,536,260
		P13,908,451,517	P13,908,451,517	P 5,510,773,030	P 5,510,773,030

Notes	2018		2017 (As Restated – see Note 27.5)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Liabilities				
<i>At amortized cost:</i>				
Loans and borrowings	17	P 1,928,920,000	P 1,896,659,323	P 2,476,902,945 P 2,432,942,006
Trade and other payables	18	728,148,226	728,148,226	961,934,039 961,934,039
Advances from and due to related parties	25.2	4,611,174,814	4,611,174,814	4,656,057,252 4,656,057,252
Advances from a co-joint venturer	13.2	1,000,000,000	1,000,000,000	1,000,000,000 1,000,000,000
Rental deposits	19	236,989,971	236,989,971	205,254,953 205,254,953
Construction bond	19	47,566,440	47,566,440	14,101,059 14,101,059
		<u>P 8,552,799,451</u>	<u>P 8,520,538,774</u>	<u>P 9,314,250,248</u> <u>P 9,270,289,309</u>

See Notes 2.4 and 2.10 for a description of the accounting policies for financial assets and financial liabilities, respectively, including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 5.

6.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments as of December 31, 2018 and 2017 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval of both parties' BODs and stockholders or upon instruction by the Ultimate Parent Company.

The following financial assets presented as part of Advances to related parties under Receivables account in the consolidated statements of financial position can be offset by the amount of outstanding Advances from and Due to a Related Parties account:

Notes	Gross amounts recognized in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position	Net amount
Advances to related parties: December 31, 2018	P 788,322,686	(P 430,355,411)	P 357,967,275
December 31, 2017	727,082,799	(400,425,054)	326,657,745
Advances from and due to related parties: December 31, 2018	P 4,611,174,814	(P 430,355,411)	P 4,180,819,403
December 31, 2017	4,656,057,252	(400,425,054)	4,225,632,198

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which an asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which does not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

7.2 Financial Instruments Measurement at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares, which are categorized within Level 2 as their prices are not derived from market considered as active due to lack of regular trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured using the market approach by reference to the fair value of a comparable instrument adjusted for inputs (i.e., financial forecast of cash flows or profit or loss) internally developed by management to consider the differences in corporate profile and historical performance of the entity. As of December 31, 2018 and 2017, the Group's financial assets at FVOCI measured at fair value amounted to P74.8 million and P74.5 million, respectively (see Note 16.2).

The Group has no financial liabilities measured at fair value as of December 31, 2018 and 2017.

There were neither transfers between Levels 1 and 2 nor changes in the carrying amount of Level 3 instruments in both years.

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

		December 31, 2018				
	Notes		Level 1	Level 2	Level 3	Total
Financial Assets						
Cash and cash equivalents	8	P	7,549,219,648	P -	P -	P 7,549,219,648
Short-term placement (presented as part of Other Current Assets)	12		1,400,000,000	-	-	1,400,000,000
Receivables – net	9		-	-	4,665,569,544	4,665,569,544
Contract asset	10		-	-	166,652,337	166,652,337
Refundable deposits (presented as part of Other Non-current Assets)	16		-	-	52,254,083	52,254,083
			P 8,949,219,648	P -	P 4,884,475,964	P 13,833,695,612
Financial Liabilities						
Loans and borrowings	17	P	-	P -	P 1,896,659,323	P 1,896,659,323
Trade and other payables	18		-	-	728,148,226	728,148,226
Advances from and due to related parties	25.2		-	-	4,611,174,814	4,611,174,814
Advances from a co-joint venturer	13.2		-	-	1,000,000,000	1,000,000,000
Rental deposits	19		-	-	236,989,971	236,989,971
Construction bond	19		-	-	47,566,440	47,566,440
			P -	P -	P 8,520,538,774	P 8,520,538,774

		December 31, 2017 (As Restated – see Note 27.5)			
	Notes	Level 1	Level 2	Level 3	Total
<i>Financial Assets</i>					
Cash and cash equivalents	8	P 1,444,538,812	P -	P -	P 1,444,538,812
Receivables – net	9	-	-	3,925,399,205	3,925,399,205
Contract asset	10	-	-	47,301,272	47,301,272
Refundable deposits (presented as part of Other Non-current Assets)	16	-	-	18,997,481	18,997,481
		<u>P 1,444,538,812</u>	<u>P -</u>	<u>P 3,991,697,958</u>	<u>P 5,436,236,770</u>
<i>Financial Liabilities</i>					
Loans and borrowings	17	P -	P -	P 2,432,942,006	P 2,432,942,006
Trade and other payables	18	-	-	961,934,039	961,934,039
Advances from and due to related parties	25.2	-	-	4,656,057,252	4,656,057,252
Advances from a co-joint venturer	13.2	-	-	1,000,000,000	1,000,000,000
Rental deposits	19	-	-	205,254,953	205,254,953
Construction bond	19	-	-	14,101,059	14,101,059
		<u>P -</u>	<u>P -</u>	<u>P 9,270,289,309</u>	<u>P 9,270,289,309</u>

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

7.4 Fair Value Disclosures for Investment Properties Carried at Cost

The table below shows the levels within the hierarchy of non-financial assets that are not measured at fair value but for which fair values are disclosed.

	Note	Level 1	Level 2	Level 3	Total
December 31, 2018					
Land	P	-	P 96,656,221,177	P -	P 96,656,221,177
Buildings and improvements		-	-	4,332,113,063	4,332,113,063
Construction in progress		-	-	40,754,389	40,754,389
	15	P -	P 96,656,221,177	P 4,372,867,452	P 101,029,088,629
December 31, 2017					
Land	P	-	P 71,993,562,982	P -	P 71,993,562,982
Buildings and improvements		-	-	2,865,122,127	2,865,122,127
Construction in progress		-	-	946,745,476	946,745,476
	15	P -	P 71,993,562,982	P 3,811,867,603	P 75,805,430,585

The fair value of the Group's investment properties as of December 31, 2018 and 2017 are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment properties is their current use.

The fair values of the Group's investment properties were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations as determined by an independent appraiser. Under this approach, when sales prices and/or actual sales transaction of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2.

The fair value is determined by the Group using the fair values of certain parcels of land adjacent to the location of the Group's investment. The fair value is based on the market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties.

(b) *Fair Value Measurement for Buildings and Improvements and Construction in Progress*

As of December 31, 2018 and 2017, the Level 3 fair value of the buildings and improvements was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties. Based on the foregoing inputs, the actual cost incurred to date recorded under Construction in Progress approximates its fair value.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2018	2017 (As Restated – see Note 27.5)
Short-term placements	P 4,238,295,198	P 139,674,121
Cash on hand and in banks	<u>3,310,924,450</u>	<u>1,304,864,691</u>
	<u>P 7,549,219,648</u>	<u>P 1,444,538,812</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods of between 30 to 90 days and earn effective interest ranging from 4.80% to 6.90% per annum in 2018, 0.75% to 0.88% per annum in 2017 and 0.40% to 1.90% per annum in 2016. Interest income from cash in banks and short-term placements amounting to P54.9 million, P7.2 million and P3.0 million in 2018, 2017 and 2016, respectively, are included as part of Finance Income in the consolidated statements of profit or loss (see Note 21.2). Accrued interest from short-term placements is presented as part of Others under current Receivables account (see Note 9).

9. RECEIVABLES

This account is composed of the following:

	Notes	2018	2017 (As Restated – see Note 27.5)
Current:			
Rental receivables	9.1	P 698,167,326	P 626,426,101
Advances to:	9.2		
Related parties	25.1	788,322,686	727,082,799
Suppliers		145,774,627	108,163,395
Officers and employees		9,016,070	9,194,347
Contracts receivables	9.3, 25.4	665,049,553	690,680,730
Retention receivables	25.4	9,826,332	53,602,674
Others	8, 9.4, 12	<u>60,618,706</u>	<u>54,634,557</u>
		2,376,775,300	2,269,784,603
Allowance for impairment	5.2(b)	(<u>54,257,406</u>)	(<u>45,912,207</u>)
		<u>2,322,517,894</u>	<u>2,223,872,396</u>
Non-current:			
Rental receivables	9.1	<u>2,488,826,277</u>	<u>1,809,690,204</u>
		<u>P 4,811,344,171</u>	<u>P 4,033,562,600</u>

Receivables do not bear any interest. All receivables are subject to credit risk exposures (see Note 5.2).

9.1 Rental Receivables

Rental receivables represent uncollected monthly receivables from third party tenants of the Group. This includes rent receivables arising from the application of PAS 17, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods. PAS 17 rent receivables amounted to P3,137.3 million and P2,420.5 million as of December 31, 2018 and 2017, respectively.

9.2 Advances

Except for certain advances which are secured by an undertaking of another related party to pay in case of default, advances to related parties are unsecured, noninterest-bearing and are granted for working capital requirements. There are no definite repayment and settlement term on these advances.

Advances to suppliers pertain to mobilization funds provided to various suppliers for use primarily in the construction and development of the Group's residential condominium projects and investment properties (see Notes 10, 15 and 16), and are reduced proportionately upon receipt of progress billings from the said suppliers.

Advances to officers and employees are noninterest-bearing and collectible through salary deduction within 12 months from the end of the reporting period.

9.3 Contracts Receivables

Contracts receivables are noninterest-bearing and usually due within 270 days. Of the total outstanding balance, P557.5 million is due from PRA as of December 31, 2018 and 2017. Management believes that these receivables are fully recoverable through collection of the accounts from customers, which is partially secured by construction bonds and whereby there is an outstanding balance of retention payable (see Notes 18 and 19). With respect to the amount due from PRA, the receivable is recoverable in full through transfer of certain properties owned by PRA to the Group (see Note 5.2).

9.4 Other Receivables

Other receivables include amounts collectible for rendering of certain services incidental to the Group's leasing and real estate businesses.

10. PROPERTY DEVELOPMENT COSTS AND CONTRACT ACCOUNTS

10.1 Property Development Costs

The Group capitalized certain costs as property development costs representing properties under development and construction. Costs incurred comprise of actual costs of land, construction and related engineering, architectural and other consultancy fees related to the development of residential condominium projects, namely, "Pixel Residences" and "MidPark Towers", both located in Aseana City, 1702 Parañaque City, Metro Manila.

In 2017, the title of land under the development was transferred to the Group (see Note 25.9). Portion of the land with carrying amount of P30.1 million as of December 31, 2017 was used as collateral for certain loans with local banks, which was released in 2018 (see Note 17).

The accumulated balance of Property Development Costs as presented in the consolidated statements of financial position amounted to as follows:

	<u>2018</u>	2017 (As Restated – see Note 27.5)
MidPark Residences	P 457,677,960	P 467,645,959
Pixel Residences	<u>253,733,214</u>	<u>127,462,542</u>
	<u>P 711,411,174</u>	<u>P 595,108,501</u>

Cost of condominium units sold amounted to P72.9 million, P30.3 million and P0.4 million in 2018, 2017 and 2016, respectively (see Notes 20.3 and 22).

10.2 Contract Accounts

The significant changes in the contract asset and liability balances during the reporting periods are as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Contract Asset</u>	<u>Contract Liability</u>	<u>Contract Asset</u>	<u>Contract Liability</u>
Balance at beginning of year	P 47,301,272	P 124,328,053	P 684,636	P 6,154,956
Increase as a result of changes in measurement of progress	119,351,065	-	46,616,636	-
Increase due to cash received excluding amount recognized as revenue during the year	<u>-</u>	<u>86,131,768</u>	<u>-</u>	<u>118,173,097</u>
Balance at end of year	<u>P 166,652,337</u>	<u>P 210,459,821</u>	<u>P 47,301,272</u>	<u>P 124,328,053</u>

The transaction price allocated to the remaining performance obligation (unsatisfied or partially satisfied) as at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Within one year	P 161,284,978	P 273,714,609
More than one year	<u>50,031,967</u>	<u>8,365,287</u>
	<u>P 211,316,945</u>	<u>P 282,079,896</u>

The remaining performance obligations expected to be recognized within one year and in more than one year relate to the continuous development of the Group's real estate projects. The Group's condominium units are expected to be completed within three years from start of construction.

11. LAND AND LAND DEVELOPMENT COSTS

This account pertains to the cost of land available for sale located in Aseana Business Park, Parañaque City; Ciudad Nuevo Park, Cavite City; and Lunzuran Heights Subdivision, Zamboanga City with a total lot area of 247,851 square meters and 248,031 square meters as of December 31, 2018 and 2017, respectively.

The analysis of the movements of the balance of Land and Land Development Costs is as follows:

	Note	2018	2017 (As Restated – see Note 27.5)
Balance at beginning of year		P 1,954,437,686	P 2,008,680,490
Additions during the year		207,811,737	141,987,098
Sales during the year	22	(40,078)	(141,520,283)
Reclassification	15	-	(54,709,619)
Balance at end of year		<u>P 2,162,209,345</u>	<u>P 1,954,437,686</u>

Management has estimated that the net realizable value of Land and Land Development Costs is higher than its carrying value as of December 31, 2018 and 2017. As of December 31, 2018 and 2017, certain portion of the parcels of land owned by the Group with a total lot area of 2,777 square meters and carrying amounts of P44.2 million is used as collateral to secure certain peso denominated interest-bearing loans (see Note 17). The loans do not contain any restriction on the sale of the land except that the mortgage is annotated in the titles of the said properties.

12. OTHER CURRENT ASSETS

This account consists of the following:

	Note	2018	2017 (As Restated – see Note 27.5)
Short-term placement		P 1,400,000,000	P -
Deferred input VAT		157,544,447	103,843,638
Input VAT		134,853,815	168,018,560
Prepayments		106,465,149	155,408,894
Contract acquisition costs	3.2(h)	49,255,546	18,528,605
Creditable withholding tax		6,292,333	102,416,124
Others		-	3,779,975
		<u>P 1,854,411,290</u>	<u>P 551,995,796</u>

Short-term placement pertains to a time deposit with maturity of 102 days from date of acquisition. The related interest income amounting to P11.8 million is included as part of Finance income account (see Note 21.2) in 2018 while accrued interest is presented as part of Others under current Receivables account as of December 31, 2018 (see Note 9).

Deferred input VAT pertains to the corresponding input VAT on subcontract services, which are yet to be recognized in installments in the next reporting period.

Prepayments mostly pertain to real property taxes and other incidental business prepayments which are expected to be realized within 12 months after the end of the reporting period.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

This account consists of the following:

	Notes	2018	2017 (As Restated – see Note 27.5)
Investments in:			
Associates	13.1	P 49,168,560	P 49,526,587
Joint ventures	13.2	<u>6,665,905</u>	<u>127,062,953</u>
		<u>P 55,834,465</u>	<u>P 176,589,540</u>

The Group's associates and joint ventures are all incorporated and with principal operations in the Philippines. These entities are engaged in businesses related to the Parent Company's operations.

The components of the carrying amounts of investments in associates and joint ventures are as follows:

13.1 Investments in Associates

The movements in the carrying amount of investments in associates which is accounted for under the equity method in the consolidated financial statements of the Group, are shown below.

	2018	2017
Acquisition costs	<u>P 56,913,213</u>	<u>P 56,913,213</u>
Accumulated share in net losses:		
Balance at beginning of year	(7,386,626)	(7,161,955)
Share in net losses	(358,027)	(224,671)
Balance at end of year	(<u>7,744,653</u>)	(<u>7,386,626</u>)
	<u>P 49,168,560</u>	<u>P 49,526,587</u>

The Group's associates include ERTI, ACBMDC and AHEC. Although AHEC is currently in the process of liquidation [see Note 1.2(q)], the Group has assessed that the Group's existing share in the net assets of AHEC exceeds the carrying amount of its investment considering that AHEC has sufficient assets, including construction equipment related to the business of the Group. Upon completion of AHEC's liquidation, management of the Group believes that the Group may obtain portion of these assets in the form of a return of invested capital.

13.2 Investments in Joint Ventures

The Group's joint ventures include ABCC and BRADCO. The movements in the carrying amount of investments in joint ventures, which is accounted for under the equity method in the consolidated financial statements of the Group, are shown below.

	2018	2017 (As Restated – see Note 27.5)
Acquisition costs		
Balance at beginning of year	P 165,303,749	P 165,303,749
Reclassification to investment in joint venture held for termination	(163,303,749)	-
Balance at end of year	<u>2,000,000</u>	<u>165,303,749</u>
Accumulated share in net losses:		
Balance at beginning of year	(38,240,796)	(37,472,490)
Reclassification to investment in joint venture held for termination	36,240,796	-
Share in net income (losses)	<u>6,665,905</u>	(768,306)
Balance at end of year	<u>4,665,905</u>	(38,240,796)
	<u>P 6,665,905</u>	<u>P 127,062,953</u>

a) ABCC

On December 23, 2010, the Parent Company, WHI and Alphaland Development, Inc. (ADI) entered in a Memorandum of Agreement (MOA) whereby the Parent Company, WHI and ADI agreed to transfer certain parcels of land located in ABP in exchange for shares of stock of ABCC, the joint venture entity. While the increase in authorized capital stock of ABCC is pending approval by the SEC, the Parent Company agreed to transfer 96,751 square meters of land with carrying amount of P1,886.5 million [prior to restatement (see Note 27.5)] as of that date. Relative to this, the Parent Company recognized investment in ABCC, under a deed of assignment, amounting to P2,902.5 million [prior to restatement (see Note 27.5), which is equivalent to the fair market value of the parcels of land contributed at the time of investment] and accounted for as an investment in a joint venture.

Further, the Parent Company and WHI agreed to contribute additional parcels of land to ABCC in exchange for additional shares of stock upon transfer of ownership and control of the subject parcels of land from PRA to the Parent Company and WHI. As of December 31, 2018, the ownership and control of the parcels of land to be contributed are not yet transferred to the Parent Company and WHI.

Likewise in 2010, the Parent Company agreed, through the MOA, to receive noninterest-bearing advances amounting to P1,000 million from ADI in consideration of which the Parent Company agreed to assign all its rights and interest on certain number of common shares to be issued by ABCC to the Parent Company so as to arrive at the agreed ownership structure of ABCC. Since then, the assignment has been put on hold pending the performance of certain conditions under the MOA. These advances are previously presented as Advances from a Co-joint Venturer account in the consolidated statements of financial position.

In 2018, the Parent Company, along with WHI and ABCC, entered into a Settlement Agreement with ADI regarding their joint venture agreement (the JV Agreement), and all disputes related thereto, in relation to the development of the Alphaland Bay City project located in Aseana City. Under the Settlement Agreement (SA), the parties have agreed to terminate, rescind or otherwise cancel the JV Agreement, and waive and release any and all rights or interests they, or may have arising therefrom subject to certain conditions.

In the same year, the Parent Company entered into a Consideration Agreement with certain third parties whereby one of the performance obligations of the Parent Company, together with WHI, in exchange for the Parent Company's non-refundable cash consideration is to transfer their rights provided for under a certain JV Agreement, through giving their consent in favor of the third parties to be able to acquire from ADI certain parcels of land contributed by ADI to the joint venture. The related performance obligation was accordingly satisfied by the Parent Company in 2018 [see Notes 3.1(a)(iv)]. The same Consideration Agreement also requires a second performance obligation in exchange for another cash consideration whereby the Parent Company shall provide specific guidelines, review the compliance and undertake related activities thereto, in favor of the third parties with respect to its development project design on the parcels of land purchased by one of the third parties from ADI in Aseana City. The second performance obligation is to be satisfied over time from January to August 2019. Subject to the foregoing certain terms and conditions governing the transfer of such rights to the third parties and their ability to take full and unrestricted control over the development of the parcels of land, the Parent Company is entitled to consideration totaling P2,050.0 million collectible in two years, of which the aforementioned non-refundable portion amounting to P1,200.0 million was received by the Parent Company in 2018 as the consideration for the consent given by the Parent Company. This is included as part of Other income account in the 2018 consolidated statement of profit or loss (see Note 21.4).

As part of the termination of the JV Agreement, the parties agreed to withdraw their earlier request for a tax free ruling from the Bureau of Internal Revenue (BIR) on the property contributions for shares in ABCC and to petition the SEC to cancel its approval of the increase in capital stock of ABCC in 2012. The approval by the SEC was obtained on December 18, 2018 whereby it ordered ABCC's capital stock to be corrected.

Management, in consultation with its external legal counsel, is of the opinion that the cancellation of the aforementioned SEC's approval on the increase in capital stock of ABCC should be accounted for retrospectively. Accordingly, the Group restated its investment in ABCC to reflect the original valuation of the parcels of land from its fair value amounting to P2,902.5 million to the land's carrying value amounting to P1,866.5 million since the parcels of land previously contributed to the joint venture were no longer intended to be applied to the increase in capital stock of ABCC in 2012. This also resulted in the Group's derecognition of the previous gain on exchange of parcels of land for shares of stock amounting to P1,016.0 million, net of the related deferred tax liability amounting to P101.6 million arising from such contribution by the Group to ABCC, to the Retained Earnings Account as of January 1, 2016 (see Note 27.5). Further, the Group restated the original carrying amount of P1,886.5 million to reflect the correct valuation of the asset after eliminating the effect of the estimated liability for development costs that were previously capitalized as part of the carrying amount of such parcels of land (see Note 27.5).

The carrying amount after reflecting the effect of the restatements to the Group's investment in ABCC (see Note 27.5), which is lower than its fair value less cost to terminate, contributed by the Parent Company under the JV Agreement was reclassified from Investments in joint venture under the Investments in Associates and Joint Ventures account as of December 31, 2017 to Investment in Joint Venture Held for Termination account in the 2018 consolidated statement of financial position (see Notes 2.14 and 13.3). The Group intends to recover such investment in joint venture held for termination through the receipt of the previously contributed investment property within one year from the end of the reporting period, subject to the fulfillment of the conditions as set forth in the SA.

b) BRADCO

On February 15, 1992, the Parent Company entered into a joint venture agreement with the Armed Forces of the Philippines Retirement and Separation Benefits System (AFPRSBS) to form BRADCO, a joint venture. The Company and AFPRSBS each owns 50% interest in the joint venture.

Pursuant to the joint venture agreement, the Parent Company and BRADCO entered into a construction agreement whereby the Parent Company undertook the construction of a building intended to be held for lease. The construction of the building was completed in 2015 with the accumulated costs totaling P38.6 million recognized as part of Buildings and improvements under Investment Properties account.

There are no significant risks, commitments, or contingencies related to the Group's interests in BRADCO during the reporting periods.

13.3 Financial Information of Associates and Joint Ventures

The summarized financial information of ABCC, which management considered to be material to the Group, as of December 31, 2017 is shown below. No other associates or joint venture are considered by management as material to the consolidated financial statements.

Total assets	P 8,428,096,600
Total liabilities	(175,032,379)
Net assets	8,253,064,221
Percentage interest	<u>34.73%</u>
Carrying value prior to restatement (see Note 27.5)	2,866,289,204
Adjustments for:	
Derecognition of gain on exchange of parcels of land for shares of stock, gross of deferred tax [see Note 13.2(a)]	(1,015,991,664)
Restatement to derecognize the capitalized capitalized cost from estimated liability for land development costs [see Note 13.2(a)]	(<u>1,723,234,587</u>)
Carrying value – as restated	<u>P 127,062,953</u>

Net loss, which is equivalent to all expenses, of ABCC amounted to P2.3 million for the year ended December 31, 2017. The Group's proportionate share of 34.73% in net assets of ABCC approximates to the carrying amount of the investment in ABCC (prior to restatement) as of December 31, 2017.

No dividends were received from the associates and joint ventures in 2018, 2017 and 2016.

These associates and joint ventures are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospect of the business or the recoverable amount from the net assets of these associates and joint ventures.

13.4 Acquisition of Assets

On December 9, 2016, AHI acquired 100% equity ownership interest in Reine. Reine holds investment properties representing land and building (see Note 15).

In accordance with the Group's policy (see Note 2.17), the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination. The purchase price upon acquisition amounting to P160.0 million was allocated among the asset and liability accounts based on their relative fair values.

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Reine arising from its own operations shall be updated and accounted for in the books of the Group on a line-by-line basis, as if they are consolidated into a single entity. The registered office of Reine is located at Escolta, Manila while its principal place of business is in Makati City.

13.5 Noncontrolling Interests

Noncontrolling interests (NCI) pertain to the 37.8%, 44.6%, 19.0%, 33.0%, 44.0%, 4.0% and 40.0% equity ownership of minority stockholders in FRDC, R-1, MLCL, AITPI, SBRI, ARESM and BAHI. The selected financial information (before inter-company eliminations) of BAHI, which is considered the only material NCI is shown below.

	2018	2017
Assets	P 6,133,532,010	P 6,090,531,236
Liabilities	4,459,604,546	4,452,073,265
Equity	1,673,927,464	1,638,457,971
NCI in equity	669,560,741	655,365,850
Net income	21,274,602	1,163
Net income allocated to NCI	14,194,891	697

The principal place of business of BAHI is located at 6th Floor, LTA Building, 118 Perea Street, Legaspi Village, Makati City, Metro Manila.

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

14. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation and amortization of property and equipment at the beginning and end of 2018 and 2017 are shown below.

	Land	Land Improvements	Leasehold Improvements	Machinery and Construction Equipment	Transportation Equipment	Furniture and Office Equipment	Machinery and Other Equipment	Total
December 31, 2018								
Cost	P 9,291,800	P 4,034,354	P 36,447,238	P 437,985,422	P 44,372,629	P 37,711,745	P 14,244,402	P 584,087,590
Accumulated depreciation and amortization	-	(2,641,557)	(20,638,782)	(351,706,232)	(34,804,802)	(29,736,852)	(13,871,780)	(453,430,005)
Net carrying amount	P 9,291,800	P 1,392,797	P 15,778,456	P 86,279,190	P 9,567,827	P 7,974,893	P 372,622	P 130,657,585
December 31, 2017								
Cost	P 9,291,800	P 4,034,354	P 36,307,260	P 416,235,610	P 39,264,635	P 34,830,606	P 14,244,402	P 554,239,667
Accumulated depreciation and amortization	-	(2,376,794)	(14,376,605)	(318,110,172)	(36,414,614)	(25,439,012)	(13,552,911)	(410,300,111)
Net carrying amount	P 9,291,800	P 1,657,560	P 21,930,655	P 98,125,438	P 3,850,021	P 9,391,594	P 691,491	P 143,938,556
January 1, 2017								
Cost	P 9,291,800	P 4,034,354	P 35,492,165	P 405,550,668	P 39,264,635	P 27,451,902	P 14,244,402	P 535,329,926
Accumulated depreciation and amortization	-	(2,112,031)	(8,129,241)	(289,239,065)	(33,912,045)	(21,591,581)	(13,253,462)	(368,528,325)
Net carrying amount	P 9,291,800	P 1,922,323	P 27,371,924	P 116,311,703	P 5,352,590	P 5,860,321	P 990,940	P 166,801,601

A reconciliation of the carrying amounts at the beginning and end of 2018 and 2017 of property and equipment is shown below.

	Land	Land Improvements	Leasehold Improvements	Machinery and Construction Equipment	Transportation Equipment	Furniture and Office Equipment	Machinery and Other Equipment	Total
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 9,291,800	P 1,657,560	P 21,930,655	P 98,125,438	P 2,850,012	P 9,391,563	P 691,491	P 143,938,556
Additions	-	-	139,978	21,749,812	5,107,994	2,851,139	-	29,848,923
Depreciation and amortization charges for the year	-	(264,763)	(6,292,177)	(23,595,060)	(1,609,814)	(4,267,829)	(318,829)	(42,129,894)
Balance at December 31, 2018, net of accumulated depreciation and amortization	<u>P 9,291,800</u>	<u>P 1,392,797</u>	<u>P 15,778,456</u>	<u>P 86,279,190</u>	<u>P 9,567,827</u>	<u>P 7,974,893</u>	<u>P 372,662</u>	<u>P 130,657,588</u>
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 9,291,800	P 1,622,323	P 27,371,924	P 116,311,703	P 5,452,560	P 5,430,321	P 990,940	P 166,801,601
Additions	-	-	815,066	10,684,942	-	7,408,704	-	18,908,711
Depreciation and amortization charges for the year	-	(364,363)	(6,256,364)	(28,871,207)	(2,692,571)	(3,477,432)	(292,442)	(41,771,783)
Balance at December 31, 2017, net of accumulated depreciation and amortization	<u>P 9,291,800</u>	<u>P 1,657,560</u>	<u>P 21,930,655</u>	<u>P 98,125,438</u>	<u>P 2,850,012</u>	<u>P 9,391,563</u>	<u>P 691,491</u>	<u>P 143,938,556</u>

As of December 31, 2018 and 2017, fully depreciated assets with original costs amounting to P330.0 million and P324.4 million, respectively, are still being used in operations.

The amount of depreciation and amortization is allocated as follows:

	Notes	2018	2017	2016
Cost of construction contracts Capitalized as part of land and land development costs	20.1	P 14,464,456	P 7,721,327	P 14,466,637
General and administrative expenses	2.5(a)	14,588,572	22,395,603	9,136,432
	22	<u>14,076,866</u>	<u>11,654,856</u>	<u>12,978,346</u>
		<u>P 43,129,894</u>	<u>P 41,771,786</u>	<u>P 36,581,415</u>

The management believes that the carrying amount of property and equipment is recoverable in full; hence, no impairment loss is recognized in 2018, 2017 and 2016.

15. INVESTMENT PROPERTIES

The gross carrying amounts and the accumulated depreciation of investment properties at the beginning and end of 2018 and 2017 are shown below.

	Land (As Restated – see Note 27.5)	Building and Improvements	Condominium Units	Construction in Progress	Total
December 31, 2018					
Cost	P 8,720,243,460	P 2,989,677,001	P 25,228,650	P 162,085,268	P 11,897,234,379
Accumulated depreciation	-	(445,344,411)	(3,507,438)	-	(448,851,849)
Net carrying amount	<u>P 8,720,243,460</u>	<u>P 2,544,332,590</u>	<u>P 21,721,212</u>	<u>P 162,085,268</u>	<u>P 11,448,382,530</u>
December 31, 2017					
Cost	P 8,720,243,460	P 1,759,236,249	P 25,228,650	P 946,745,476	P 11,451,453,835
Accumulated depreciation	-	(340,267,692)	(2,498,292)	-	(342,765,984)
Net carrying amount	<u>P 8,720,243,460</u>	<u>P 1,418,968,557</u>	<u>P 22,730,358</u>	<u>P 946,745,476</u>	<u>P 11,108,687,851</u>
January 1, 2017					
Cost	P 13,303,681,180	P 1,670,413,757	P 25,228,650	P 272,833,239	P 15,272,156,826
Accumulated depreciation	-	(272,391,090)	(1,489,146)	-	(273,880,236)
Net carrying amount	<u>P 13,303,681,180</u>	<u>P 1,398,022,667</u>	<u>P 23,739,504</u>	<u>P 272,833,239</u>	<u>P 14,998,276,590</u>

The reconciliation of the carrying amounts of investment properties at the beginning and end of 2018 and 2017 is shown below.

	<u>Land</u> <u>(As Restated –</u> <u>see Note 27.5)</u>	<u>Building and</u> <u>Improvements</u>	<u>Condominium</u> <u>Units</u>	<u>Construction in</u> <u>Progress</u>	<u>Total</u>
Balance at January 1, 2018, net of accumulated depreciation	P 8,720,243,460	P 1,418,968,557	P 22,730,358	P 946,745,476	P 11,108,687,851
Additions	-	-	-	445,780,544	445,780,544
Reclassification from CIP to building and improvements	-	1,230,440,752	-	(1,230,440,752)	-
Depreciation charges for the year	-	(105,076,719)	(1,009,146)	-	(106,085,865)
Balance at December 31, 2018, net of accumulated depreciation	<u>P 8,720,243,460</u>	<u>P 2,544,332,590</u>	<u>P 21,721,212</u>	<u>P 162,085,268</u>	<u>P 11,448,382,530</u>
Balance at January 1, 2017, net of accumulated depreciation	P 8,789,675,980	P 1,398,022,667	P 23,739,504	P 272,833,239	P 10,484,271,390
Additions	67,000,000	7,201,260	-	755,533,468	829,734,728
Disposal	(191,142,139)	-	-	-	(191,142,139)
Reclassification from CIP to building and improvements	-	81,621,231	-	(81,621,231)	-
Reclassification from land and land development costs	54,709,619	-	-	-	54,709,619
Depreciation charges for the year	-	(67,876,601)	(1,009,146)	-	(68,885,747)
Balance at December 31, 2017, net of accumulated depreciation	<u>P 8,720,243,460</u>	<u>P 1,418,968,557</u>	<u>P 22,730,358</u>	<u>P 946,745,476</u>	<u>P 11,108,687,851</u>

The amount of depreciation is allocated as follows:

	<u>Notes</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cost of rentals	20.2	P 103,185,483	P 65,464,981	P 62,059,362
General and administrative expenses		<u>2,900,382</u>	<u>3,420,766</u>	<u>1,685,897</u>
	22	<u>P 106,085,865</u>	<u>P 68,885,747</u>	<u>P 63,745,259</u>

a) Building and Improvements

Building and improvements include the building of Reine amounting to P2.9 million arising from the asset acquisition by AHI (see Note 13.4).

The Group received certain condominium unit with parking lots valued at P23.7 million as a result of a deed of exchange in 2015 (see Note 27.1). The remaining estimated useful life of these assets approximates to those applied in depreciating similar type of assets.

Construction in progress account also includes capitalized borrowing costs from interest-bearing loans obtained specifically to finance the construction amounting to P28.3 million, P16.3 million and P1.4 million in 2018, 2017 and 2016, respectively, at a capitalization rate of 3.0% to 5.3% in 2018, 2.8% to 3.4% in 2017 and 3.0% to 3.8% in 2016 (see Note 17).

b) Land

In 2017, the Group purchased parcels of land from a certain stockholder amounting to P67.0 million where the obligation was offset against the advances granted to the related party (see Notes 25.1 and 25.10). There was no similar transaction in 2018.

In 2017 and 2016, the Group sold certain investment properties to third parties with selling price amounting to P400.9 million and P713.1 million, respectively, which resulted in the recognition of gain on sale of investment properties amounting to P257.7 million and P312.5 million, respectively, and are presented as part of Other Operating Income account in the 2017 and 2016 consolidated statements of profit or loss (see Note 21.3). There were no outstanding balances arising from the sale transactions as of December 31, 2017. There was no similar transaction in 2018.

In 2017, the Group reclassified certain parcels of land which were previously presented under Land and Land Development Costs to Investment Properties amounting to P54.7 million. The reclassification resulted from the change in management intention evidenced by using the parcels of land for rental in 2017 (see Note 11).

Land include the property owned by Reine amounting to P153.4 million acquired through asset acquisition (see Note 13.4).

c) Other Information

Land and building rental revenues recognized from investment properties amounted to P1,727.4 million, P1,349.1 million and 1,205.1 million in 2018, 2017 and 2016, respectively, and are shown as part of Rentals under Revenues account in the consolidated statements of profit or loss. Costs incurred related to investment properties, including the depreciation, are presented as Rentals under Costs of Services and Sales account in the consolidated statements of profit or loss (see Note 20.2).

The fair value of investment properties amounted to P101,029.1 million and P75,805.4 million as of December 31, 2018 and 2017, respectively (see Note 7.4).

Management believes that the carrying amounts of investment properties are recoverable in full; hence, no impairment loss is recognized in 2018, 2017 and 2016.

Certain investment properties with carrying amount of P301.5 million as of December 31, 2018 and 2017 are used as collateral for certain loans with local banks (see Note 17).

16. OTHER NON-CURRENT ASSETS

This account includes the following:

	<u>Notes</u>	<u>2018</u>	2017 (As Restated – see Note 27.5)
Advances to suppliers	9.2	P 436,224,883	P 44,917,970
Project advances	16.3	97,185,923	86,669,884
Financial assets at FVOCI	16.2	74,755,905	74,536,260
Deposits for future investment	16.1	54,026,935	54,026,935
Refundable deposits	16.4	52,254,083	18,997,481
Contract acquisition costs	3.2(i)	5,503,473	5,747,730
Others		<u>3,637,164</u>	<u>10,421,751</u>
		<u>P 723,588,366</u>	<u>P 295,318,011</u>

16.1 Deposits for Future Investment

Included in the deposits for future investment as of December 31, 2018 and 2017 are deposits totaling to P40.3 million made by the Group to acquire certain properties. While the title of the properties are not yet transferred to the Group, management remains committed to purchase the properties as of December 31, 2018 and 2017.

This account also includes deposits made by the Group to third party landowners of certain parcels of land located in Romblon under a joint agreement to develop the property. The Group is entitled to an irrevocable and exclusive option to purchase the property from the landowners. In case the Group exercises the said option, the total amount from which the landowners have received the deposits shall form part of the total purchase price; otherwise, whatever amount of deposits received by the landowners shall be forfeited in favor of the latter. The Group remains committed under the joint agreement. As of December 31, 2018 and 2017, the deposits made by the Group amounted to P13.7 million.

16.2 Financial Assets at Fair Value Through Other Comprehensive Income

The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

	Note	2018	2017 (As Restated – see Note 27.5)
Balance at beginning of year		P 74,536,260	P 25,627,365
Unrealized fair value gains	27.2	219,645	80,115
Additions		-	48,828,780
Balance at end of year		<u>P 74,755,905</u>	<u>P 74,536,260</u>

Financial assets at FVOCI consist of investment in golf club shares and certain unquoted equity securities. The Group used Level 2 and 3 in determining the fair value of Financial assets at FVOCI (see Note 7.2). Addition in 2017 pertain to certain unquoted investment in equity securities acquired by the Group which did not result in a control or significant influence by the Group over the investee.

Fair value gains recognized on these Financial assets at FVOCI are shown as part of Other Comprehensive Income (Loss) in the consolidated statements of comprehensive income which formed part of the balance of revaluation reserves on financial assets at FVOCI presented as part of Revaluation Reserves under the equity section of the consolidated statements of financial position (see Note 27.2).

16.3 Project Advances

Project advances significantly pertain to a Contract of Reclamation entered into in prior years with the City of Mandaue, Cebu. In January 2018, the Construction Industry Arbitration Commission issued the Writ of Execution ordering the City of Mandaue to honor the Contract of Reclamation, and the parties to comply with their reciprocal obligations therein, without prejudice to the parties agreeing to alternative reclamation sites to avoid further delay in the implementation of the contract.

The Group may opt to be paid either in the form of land or cash proceeds from the sale of land to be reclaimed. As of December 31, 2018 and 2017, the project has not commenced but the Group has assessed that the amount of project advances collectible in the form of land is recoverable in full.

There are other projects with similar nature and circumstances (i.e., feasibility and/or pre-development stages) with the Philippine government and other counterparties, of which management has assessed that the related project advances remain recoverable as of December 31, 2018 and 2017.

16.4 Refundable Deposits

Refundable deposits significantly include deposits, which are perpetual in nature, made to power and water distribution companies pursuant to the supply needs of the Group's existing and on-going projects in Aseana City.

17. LOANS AND BORROWINGS

The Group's short-term and long-term loans and borrowings are classified in the consolidated statements of financial position as follows:

	2018	2017
Current	P 1,417,170,000	P 1,656,593,434
Non-current	<u>511,750,000</u>	<u>820,309,511</u>
	<u>P 1,928,920,000</u>	<u>P 2,476,902,945</u>

The Group obtained bank loans to support its working capital requirements, financing and investing activities, which include the Group's construction and development of certain investment properties (see Note 15).

Bank loans represent partially secured and unsecured loans from local commercial banks. These loans bear annual interest rates ranging from 3.60% to 5.75% per annum, 3.00% to 3.25% per annum and 2.79% to 3.80% per annum in 2018, 2017 and 2016, respectively, and are subject to monthly repricing based on prevailing market rate, except for certain long-term bank loans that are subject to fixed rate. Bank loans have maturity of six months from the end of each reporting period while other portion of the loans have quarterly payments over a period of seven years starting in the second year from initial loan release with two years grace period.

As of December 31, 2018 and 2017, bank loans are partially secured by certain assets as follows:

	Note	2018	2017 (As Restated – see Note 27.5)
Investment properties	15	P 301,525,742	P 301,525,742
Land and land development costs	11	44,230,441	44,230,441
Property development costs	10	-	30,089,741
		<u>P 345,756,183</u>	<u>P 375,845,924</u>

The reconciliation of the carrying amounts of the Group's loans and borrowings arising from financing activities is shown below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 2,476,902,945	P 2,663,409,274
Repayments	(1,552,982,945)	(545,478,732)
Additional borrowings	1,005,000,000	358,972,403
Balance at end of year	<u>P 1,928,920,000</u>	<u>P 2,476,902,945</u>

In 2018, 2017 and 2016, interest costs related to bank loans amounted to P64.5 million, P65.9 million and P77.6 million, respectively, and were recognized as part of Finance costs under Other Income (Charges) account in the consolidated statements of profit or loss (see Note 21.1). On the other hand, capitalized borrowing costs in 2018 and 2017 amounted to P28.3 million and P16.3 million, respectively (see Note 15). There is no unpaid interest related to bank loans as of December 31, 2018 and 2017.

Except as disclosed in Note 29, the Group has no significant loan covenants as of December 31, 2018 and 2017.

18. TRADE AND OTHER PAYABLES

This account consists of the following:

	<u>Notes</u>	<u>2018</u>	<u>2017</u> (As Restated – see Note 27.5)
Trade payables	25.6, 25.9	P 370,014,513	P 699,018,185
Deferred output VAT payable		280,364,702	133,623,833
Accrued expenses		216,842,603	233,679,117
Retention payable		121,189,596	15,457,818
Income tax payable		111,190,439	23,573,076
Other payables		25,549,317	8,506,414
		<u>P 1,125,151,170</u>	<u>P 1,113,858,443</u>

Deferred output VAT payable relates to outstanding receivables from construction contracts as of the end of the reporting periods.

Accrued expenses include withholding taxes on compensation, expanded withholding taxes and other statutory liabilities that are expected to be settled within twelve months from the end of each reporting period.

Retention payable represent a portion of progress billings received from third party contractors for the construction work performed which is retained by the Group to bind the contractors in completing the agreed performance obligation.

19. DEPOSITS AND ADVANCES

This account consists of:

	<u>Notes</u>	<u>2018</u>	<u>2017</u> (As Restated – see Note 27.5)
Current:			
Advance rentals		P 381,340,153	P 284,646,483
Reservation deposits	2.16	294,014,598	134,307,178
Rental deposits		54,400,070	88,498,491
Construction bond	9.3	47,566,440	14,101,059
Unearned rent income		9,625,087	2,648,953
Buyers' deposits	2.16	1,009,196	1,009,196
Others		5,596,053	15,158,112
		<u>793,551,597</u>	<u>540,369,472</u>
Non-current:			
Advance rentals		P 234,512,765	P 397,188,898
Rental deposits		182,589,901	116,756,462
Unearned rent income		67,617,063	54,190,339
Retention payable		14,280,510	7,541,043
Buyers' deposits	2.16	5,827,833	5,827,833
Others		30,900	-
		<u>504,858,972</u>	<u>581,504,575</u>
		<u>P 1,298,410,569</u>	<u>P 1,121,874,047</u>

Advance rentals pertain to payments received from tenants to be applied on future rentals due on the lease of the Group's properties held under operating lease agreements. For income tax purposes, advance rentals are considered as part of taxable income upon receipt, less initial direct costs incurred by the Group in negotiating and arranging the specific operating lease, which shall be amortized over the same term as that of the advance rentals (see Note 24). In addition, the application of the non-current portion of the advance rentals commenced in 2017 in accordance with the terms of the lease agreement.

Unearned rent income resulted from the recognition of day-one gain on discounting of rental deposits, which are amortized over the remaining lease term.

Buyers' deposits represent advances received from customers for real estate land to be sold. Buyers' deposits will be applied against the receivables from customers upon consummation of sale.

20. COSTS OF SERVICES AND SALES

20.1 Cost of Construction Contracts

The details of cost of construction contracts are shown below.

	Notes	2018	2017	2016
Subcontract services	25.7	P 30,723,774	P 42,456,220	P 8,269,240
Depreciation and amortization	14	14,464,456	7,721,327	14,466,637
Construction materials		13,246,474	71,841,745	172,998,045
Salaries and employee benefits	23.1	1,868,051	10,215,311	2,480,013
Gasoline and oil		1,206,026	-	3,739,549
	22	P 61,508,781	P 132,234,603	P 201,953,484

20.2 Cost of Rentals

The following are the details of direct costs and expenses of rentals, including common usage and service area charges:

	Notes	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Depreciation	15	P 103,185,483	P 65,464,981	P 62,059,362
Outside services		26,249,185	19,581,760	19,840,598
Real property tax		23,209,168	21,414,885	24,743,404
Repairs and maintenance		17,498,386	9,589,936	4,275,988
Utilities		16,435,443	6,506,540	7,890,882
Office supplies		8,631,715	3,245,176	4,213,176
Professional fees		7,659,353	4,671,968	3,673,197
Others		9,492,510	5,274,210	3,390,270
	22	P 212,361,243	P 135,749,456	P 130,086,877

20.3 Cost of Sale of Condominium Units

The following are the details of direct costs and expenses of condominium units sold:

	Notes	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Outside services		P 60,377,372	P 24,683,471	P 368,083
Land cost		8,292,309	3,334,186	50,468
Others		4,206,037	2,314,597	26,923
	10.1, 22	P 72,875,718	P 30,332,254	P 445,474

21. OTHER OPERATING AND NON-OPERATING INCOME (CHARGES)

Presented below are the details of other income (charges).

21.1 Finance Costs

	Notes	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Interest expense:				
Bank loans	17	P 64,529,725	P 65,929,168	P 77,596,673
Retirement benefit obligation	23.2	1,875,261	4,005,985	2,404,687
Obligations under finance lease		-	-	687,312
		66,404,986	69,935,153	80,688,672
Others		3,446,556	2,171,936	3,102,203
		P 69,851,542	P 72,107,089	P 83,790,875

21.2 Finance Income

	Notes	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Interest income	8, 12	P 66,668,597	P 7,154,349	P 2,993,008
Foreign currency gain – net		2,854,408	9,394	967,540
		P 69,523,005	P 7,163,743	P 3,960,548

21.3 Other Operating Income

	Notes	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Income from rendering of administrative and other services	25.5	P 37,019,684	P 24,472,468	P 25,252,110
Gain on sale of investment property	15	-	257,686,063	312,453,209
Others	9.4	72,504,606	11,355,500	30,654,145
		P 109,524,290	P 293,514,031	P 368,359,464

Others also includes parking fee income, vetting fee and signage rental. In 2016, others include an amount received from a certain buyer of land in previous years as penalty settlement of the latter's non-compliance with a certain provision of the contract of sale.

21.4 Other Income

Other income presented in the 2018 and 2016 consolidated statements of profit or loss included the income recognized from the Consideration Agreement amounting to P1,200.0 million in 2018 [see Note 13.2(a)] and Gain from acquisition of a subsidiary amounting to P7.1 million in 2016 (see Note 27.5).

22. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Depreciation and amortization	14, 15	P 134,627,187	P 88,261,930	P 91,190,242
Professional fees		139,192,160	101,529,631	23,879,153
Salaries and employee benefits	23.1	114,436,104	110,608,579	74,626,896
Taxes and licenses		93,340,624	76,711,135	83,159,596
Outside services		92,120,302	50,235,130	27,194,537
Commission		55,117,782	57,663,408	10,708,386
Subcontract services	25.7	30,723,774	42,456,220	8,269,240
Representation and entertainment		29,649,513	27,315,681	24,477,460
Association dues	25.6	26,177,767	31,329,646	20,196,772
Repairs and maintenance		23,242,913	13,101,312	17,397,223
Utilities		21,524,241	11,447,219	12,188,881
Office supplies		18,538,071	8,264,166	7,075,855
Bond and insurance		13,418,161	7,586,107	5,027,147
Construction materials and spare parts		13,246,474	71,841,745	172,998,045
Transportation and travel		10,347,309	3,991,897	2,343,809
Corporate affairs		9,527,077	6,501,742	4,780,988
Impairment loss on financial assets	5.2(b)	8,345,199	1,032,217	3,249,766
Land cost		8,292,309	3,334,186	50,468
Cost of sale of land	11	40,078	141,520,283	120,375,150
Donation		-	19,906,877	-
Others		47,607,921	38,775,638	38,667,323
		P 889,514,966	P 913,414,749	P 747,856,937

Others include gasoline and oil, utilities, equipment rentals, postage and communication, bid documents and subsistence.

These expenses are classified in the consolidated statements of profit or loss as follows:

	Notes	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Cost of rentals	20.2	P 212,361,243	P 135,749,456	P 130,086,877
Cost of sale of condominium units	10.1, 20.3	72,875,718	30,332,254	445,474
Cost of construction contracts	20.1	61,508,781	132,234,603	201,953,484
Cost of sale of land	11	40,078	141,520,283	120,375,150
General and administrative expenses		477,827,022	412,273,915	273,796,546
Selling expenses		64,902,124	61,304,238	21,199,406
		P 889,514,966	P 913,414,749	P 747,856,937

The details of general and administrative expenses are shown below.

	Notes	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Professional fees		P 131,532,807	P 96,857,663	P 20,205,956
Salaries and employee benefits	23.1	112,568,053	100,393,268	72,146,883
Taxes and licenses		70,131,456	55,296,250	58,416,192
Representation and entertainment		29,649,513	27,315,681	24,477,460
Association dues	25.6	26,177,767	31,329,646	20,196,772
Depreciation and amortization	14, 15	16,977,248	15,075,622	14,664,243
Transportation and travel		10,347,309	3,991,897	2,343,809
Office supplies		9,906,356	5,018,990	2,862,679
Corporate affairs		9,527,077	6,501,742	4,780,988
Impairment loss on financial assets	5.2(b)	8,345,199	1,032,217	3,249,766
Repairs and maintenance		5,744,527	3,511,376	13,121,235
Outside services		5,493,745	5,969,899	6,985,856
Utilities		5,088,798	4,940,679	4,297,999
Bond and insurance		3,925,651	2,311,897	1,636,877
Donation		-	19,906,877	-
Others		32,411,516	32,820,211	24,409,831
		P 477,827,022	P 412,273,915	P 273,796,546

Others include gasoline and oil, equipment rentals, postage and communication, bid documents and subsistence.

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits Expense

The details of salaries and employee benefits are presented below.

	Notes	2018	2017 (As Restated – see Note 27.5)	2016
Short-term employee benefits		P 112,335,781	P 108,628,286	P 72,039,262
Post-employment defined benefit	23.2	2,100,323	1,980,293	2,587,634
	22	P 114,436,104	P 110,608,579	P 74,626,896

Salaries and employee benefits are classified and presented in the consolidated statements of profit or loss as follows:

	Notes	2018	2017 (As Restated – see Note 27.5)	2016
Cost of construction contracts	20.1	P 1,868,051	P 10,215,311	P 2,587,634
General and administrative expenses	22	112,568,053	100,393,268	72,039,262
	22	P 114,436,104	P 110,608,579	P 74,626,896

23.2 Post-employment Defined Benefit Obligation

(a) Characteristics of the Post-employment Defined Benefit Plan

In 2018, the Group is in the process of establishing a non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees. As of December 31, 2018, the post-employment benefit plan is subject for approval of the Parent Company's BOD.

The Group conforms to the minimum requirement of Philippine Law wherein it accrues the estimated cost of retirement benefits required by the provisions of R.A. No. 7641. R.A. No. 7641 does not, however, require it to be funded.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the post-employment benefit cost. All amounts presented are based on the actuarial valuation report obtained from an independent actuary in 2018, 2017 and 2016.

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2018</u>	<u>2017</u>
Present value of the obligation	P 70,288,717	P 65,698,627
Fair value of plan assets	(42,644,803)	-
	<u>P 27,643,914</u>	<u>P 65,698,627</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books are as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 65,698,627	P 75,018,446
Current service cost	2,100,323	1,980,293
Interest expense	3,744,822	4,005,985
Actuarial losses (gains) arising from:		
- experience adjustments	6,822,830	(13,003,686)
- changes in financial assumptions	(6,205,067)	(1,335,833)
Benefits paid	(1,872,818)	(966,578)
Balance at end of year	<u>P 70,288,717</u>	<u>P 65,698,627</u>

The movements in the fair value of plan assets are presented below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P -	P -
Contributions to the plan	65,598,627	-
Interest income	1,869,561	-
Return on plan assets (excluding amounts included in net interest)	(24,823,385)	-
Balance at end of year	<u>P 42,644,803</u>	<u>P -</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	<u>2018</u>	<u>2017</u>
Quoted equity securities	P 42,575,520	P -
Unit investment trust fund	69,283	-
	<u>P 42,644,803</u>	<u>P -</u>

The fair values of the above equity securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

Plan assets include the Parent Company's own financial instruments (see Note 25.11).

The components of amounts recognized in the consolidated statements of profit or loss and in the consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are as follows:

	<u>Notes</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Recognized in consolidated profit or loss:</i>				
Current service cost	23.1	P 2,100,323	P 1,980,293	P 2,587,634
Net interest expense	21.1	1,875,261	4,005,985	2,404,687
		<u>P 3,975,584</u>	<u>P 5,986,278</u>	<u>P 4,992,321</u>
<i>Recognized in consolidated other comprehensive income:</i>				
<i>Actuarial losses (gains) arising from:</i>				
- remeasurement loss on plan assets		P 24,823,385	P -	P -
- experience adjustments		6,822,830	(13,003,686)	24,622,336
- changes in financial assumptions		(6,205,067)	(1,335,833)	(720,295)
	27.2	<u>P 25,441,148</u>	<u>(P 14,339,519)</u>	<u>P 23,902,041</u>

Current service cost is recognized as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of profit or loss (see Note 23.1).

The net interest expense is included as part of Finance costs under Other Income (Charges) account in the consolidated statements of profit or loss (see Note 21.1).

Amount recognized in consolidated other comprehensive income is included and presented as item that will not be reclassified subsequently to consolidated profit or loss.

In determining the amounts of post-employment defined benefit obligation, the following significant actuarial assumptions were used:

	<u>2018</u>	<u>2017</u>
Discount rates	7.49%	5.70%
Expected rate of salary increases	3.00%	3.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 20.5 years and 18.9 years as of December 31, 2018 and 2017, respectively, both for males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risk Associated with the Post-employment Plan*

The plan exposes the Group to actuarial risks such as interest rate risk and longevity and salary risks.

(i) *Interest Rate Risk*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan are described below.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment defined benefit obligation as of December 31, 2018 and 2017:

	<u>Impact on Post-employment Defined Benefit Obligation</u>			
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>December 31, 2018</u>				
Discount rate	+/- 1.0%	(P	2,774,716)	P 3,245,440
Salary growth rate	+/- 1.0%		3,363,591	(2,912,317)
<u>December 31, 2017</u>				
Discount rate	+/- 1.0%	(P	3,349,630)	P 3,903,861
Salary growth rate	+/- 1.0%		3,302,995	(2,851,849)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Funding Arrangements and Expected Contributions*

At the end of the reporting period, the Group has not determined yet the additional funding of its post-employment defined benefit obligation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 20.5 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years as of December 31 follows:

	<u>2018</u>	<u>2017</u>
Within one year	P 45,338,438	P 44,040,792
More than one year to five years	3,546,855	2,834,326
More than five years to 10 years	12,622,476	8,977,073
	<u>P 61,507,769</u>	<u>P 55,852,191</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.3 years.

24. INCOME TAXES

The components of tax expense reported in the consolidated statements of profit or loss and consolidated statements of comprehensive income are as follows:

	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
<i>Reported in consolidated profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 437,385,496	P 316,700,311	P 184,918,316
Final tax at 20% and 7.5%	13,251,558	938,556	482,624
Minimum corporate income tax (MCIT) at 2%	25,033	346,670	466,350
Capital gains tax at 6%	-	24,054,600	42,444,000
	<u>450,662,087</u>	<u>342,040,137</u>	<u>228,311,290</u>
Utilization of excess MCIT over RCIT	-	(152,796)	(40,630)
	<u>450,662,087</u>	<u>341,887,341</u>	<u>228,270,660</u>
Deferred tax expense relating to origination and reversal of temporary differences	<u>206,856,776</u>	<u>192,833,378</u>	<u>208,758,464</u>
	<u>P 657,518,863</u>	<u>P 534,720,719</u>	<u>P 437,029,124</u>
<i>Reported in consolidated other comprehensive income –</i>			
Deferred tax expense (income) relating to remeasurement of retirement benefit obligation	<u>(P 7,632,344)</u>	<u>P 4,301,856</u>	<u>(P 7,170,612)</u>

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of profit or loss is as follows:

	2018	2017 (As Restated – see Note 27.5)	2016 (As Restated – see Note 27.5)
Tax on pretax profit at 30%	P 773,494,560	P 627,752,805	P 493,810,572
Adjustment for income subjected to lower tax rates	(4,611,353)	(51,599,352)	(51,262,036)
Tax effects of:			
Excess of optional standard deduction (OSD) over itemized deductions	(122,029,220)	(50,510,106)	(7,982,463)
Non-deductible expenses	9,306,915	9,247,827	3,773,087
Unrecognized deferred tax on net operating loss carryover (NOLCO) and impairment loss on receivables	4,840,404	2,266,996	2,346,008
Non-taxable income	(3,914,058)	(2,398,142)	(3,656,044)
Derecognition of deferred tax asset on expired NOLCO and MCIT	630,924	-	-
Applied NOLCO	(199,309)	(39,309)	-
	<u>P 657,518,863</u>	<u>P 534,720,719</u>	<u>P 437,029,124</u>

The net deferred tax liabilities relate to the following as of December 31:

	2018	2017 (As Restated – see Note 27.5)
Deferred tax assets:		
Advance rentals	P 181,272,921	P 198,433,956
Excess deferred gross profit on sale of condominium units	47,941,716	22,390,479
Retirement benefit obligation	28,533,631	19,709,588
Allowance for impairment on receivables	14,348,222	13,773,662
NOLCO	2,159,164	5,040,768
MCIT	<u>544,386</u>	<u>621,568</u>
	<u>274,800,040</u>	<u>259,970,021</u>
Deferred tax liabilities:		
Rent income based on PAS 17	(941,236,396)	(725,393,533)
Revaluation increment on land	(5,714,368)	(5,714,368)
Unrealized foreign currency gains	(884,473)	(2,345)
Deferred gain on sale of land	-	(2,670,540)
	<u>(947,835,237)</u>	<u>(733,780,786)</u>
Net deferred tax liabilities	<u>(P 637,035,197)</u>	<u>(P 473,810,765)</u>

The aggregated net deferred tax liabilities of P637.0 million and P473.8 million are composed of net deferred tax assets of P48.0 million and P22.4 million from a certain subsidiary, and net deferred tax liabilities of P721.0 million and P496.2 million from the Parent Company and two other operating subsidiaries, as of December 31, 2018 and 2017, respectively.

Movements in net deferred tax liabilities for the years ended December 31, 2018 and, 2017 and 2016 (as restated – see Note 27.5) are as follows:

	Profit or Loss			Other Comprehensive Income		
	2018	2017	2016	2018	2017	2016
Rent income based on PAS 17	P 215,842,863	P 180,631,343	P 229,039,075	P -	P -	P -
Excess deferred gross profit on sale of condominium units	(25,551,237)	(20,806,819)	(1,583,660)	-	-	-
Advance rentals	17,161,035	35,839,344	(9,822,235)	-	-	-
NOLCO	2,881,604	295,123	(5,107,136)	-	-	-
Deferred gain on sale of land	(2,670,540)	2,670,540	-	-	-	-
Retirement benefit obligation	(1,191,699)	(1,505,911)	(1,244,962)	(7,632,344)	4,301,856	(7,170,612)
Unrealized foreign currency gains	882,128	(271,502)	(986,308)	-	-	-
Allowance for impairment of receivables	(574,560)	(309,665)	(974,930)	-	-	-
MCIT	77,182	(17,374)	(561,380)	-	-	-
Unrealized gross profit on sale of land	-	(3,691,701)	-	-	-	-
Deferred tax expense (income) – net	<u>P 206,856,776</u>	<u>P 192,833,378</u>	<u>P 208,758,464</u>	<u>(P 7,632,344)</u>	<u>P 4,301,856</u>	<u>(P 7,170,612)</u>

The Group is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. The Group is liable for RCIT in 2018, 2017 and 2016 since RCIT was higher than MCIT, except for ACTTC which was subjected to MCIT, R-1 and BAH in 2017, and FI in 2017 and 2016.

The Group did not recognize deferred tax assets on NOLCO and MCIT of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The Group did not also recognize the deferred tax asset amounting to P1.9 million arising from the impairment loss on receivables amounting to P6.4 million of a certain subsidiary. The total recognized and unrecognized deferred tax assets relating to NOLCO and MCIT is presented below.

	2018		2017	
	Recognized	Unrecognized	Recognized	Unrecognized
NOLCO	P 2,159,164	P 7,978,378	P 5,040,768	P 8,516,009
MCIT	<u>544,386</u>	<u>262,866</u>	<u>621,568</u>	<u>290,663</u>
	<u>P 2,703,550</u>	<u>P 8,241,244</u>	<u>P 5,662,336</u>	<u>P 8,806,672</u>

The details of NOLCO and MCIT related to the Parent Company's certain subsidiaries, which can be claimed as deduction from future taxable income and regular corporate income tax liabilities, respectively, within three years from the year the NOLCO and MCIT were incurred are shown below.

Year Incurred	Amount	Applied	Expired	Remaining Balance	Valid Until
NOLCO:					
2018	P 9,621,235	P -	P -	P 9,621,235	2021
2017	12,348,767	-	-	12,348,767	2020
2016	16,144,212	(4,322,407)	-	11,821,805	2019
2015	<u>21,174,111</u>	<u>(155,427)</u>	<u>(21,018,684)</u>	<u>-</u>	
	<u>P 59,288,325</u>	<u>(P 4,477,834)</u>	<u>(P 21,018,684)</u>	<u>P 33,791,807</u>	

MCIT:

2018	P 25,033	P -	P -	P 25,033	2021
2017	370,282	-	-	370,282	2020
2016	564,733	(152,796)	-	411,937	2019
2015	<u>141,575</u>	<u>(11,563)</u>	<u>(130,012)</u>	<u>-</u>	
	<u>P 1,101,623</u>	<u>(P 164,359)</u>	<u>(P 130,012)</u>	<u>P 807,252</u>	

In 2018, 2017 and 2016, the Group claimed itemized deductions in computing its income tax due, except for the Parent Company, which opted to claim OSD in 2018, and AHI, which opted to claim OSD in 2018 and 2017.

25. RELATED PARTY TRANSACTIONS

The Group's related parties include its Ultimate Parent Company, associates, joint ventures, related parties under common ownership and management, stockholders and key management personnel as described below.

The summary of the Group's significant transactions in 2018, 2017 and 2016 with its related parties and the outstanding balances as of December 31, 2018 and 2017 are presented below and in the succeeding pages.

Related Party Category	Note	Outstanding Balances		Amount of Transactions		
		2018	2017	2018	2017	2016
Ultimate parent company:						
Cash advances granted (collected)	25.1	P 430,355,411	P 400,425,054	P 29,930,357	P 380,708,845	(P 19,416,209)
Advances from purchase of land	25.2	(4,604,167,018)	(4,644,167,018)	40,000,000	-	595,000
Transfer of parcels of land	25.9	262,230,400	478,140,000	(215,909,600)	478,140,000	-
Associates:						
Cash advances granted (collected)	25.1	7,150,430	6,782,580	367,850	320,257	351,142
Rentals	25.3	-	-	55,405	198,412	194,064
Joint ventures:						
Cash advances granted (collected)	25.1	96,067,379	95,503,565	563,814	317,640	(7,411,084)
Construction contracts	25.4	28,912,993	28,912,993	-	-	311,431
Related parties under common ownership and management:						
Cash advances granted (collected)	25.1	179,755,559	172,271,510	7,484,049	(375,160,772)	15,863
Cash advances paid (obtained)	25.2	(7,007,796)	(428,838)	(6,578,958)	8,960,439	(2,206,515)
Association dues	25.6	32,508,043	21,216,743	26,993,200	24,441,174	15,069,868
Contracts of services	25.7	-	-	28,254,600	9,073,066	3,608,449
Other income	25.5	-	-	14,400,000	14,400,000	24,625,029
Rentals	25.3	-	-	115,795	260,665	254,953
Stockholders:						
Cash advances granted (collected)	25.1	74,993,907	52,100,090	22,893,817	(89,077,364)	13,860,186
Cash advances paid (obtained)	25.2	-	(11,461,396)	11,461,396	(1,219,082)	(2,050,270)
Purchase of parcels of land	25.10	-	-	-	67,000,000	-
Key management personnel –						
Compensation	25.8	-	-	53,464,128	54,330,443	51,130,395
Retirement Fund						
	25.11	42,644,803	-	42,644,803	-	-

The outstanding balance of receivables and payables from these transactions are unsecured, noninterest-bearing and due upon demand, unless otherwise stated.

The Group's outstanding receivables with related parties were subjected to impairment using PFRS 9's ECL model. These receivables have substantially the same risk characteristics as the trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties. Impairment losses in 2018, 2017 and 2016 are recognized as part of Impairment loss on financial assets under General and Administrative Expenses account in the consolidated statements of profit or loss (see Note 22) while the disclosure on allowance for ECL is presented in Note 5.2(b).

25.1 Advances to Related Parties

In the normal course of business, the Group grants unsecured and noninterest-bearing cash advances to related parties for working capital requirements and other purposes. The advances have no fixed repayment terms and collectible upon demand.

Certain advances to related parties are secured by an undertaking of another related party to pay in case of default. These advances are presented as Advances to related parties under Receivables account in the consolidated statements of financial position (see Note 9).

	<u>2018</u>	<u>2017</u>
Ultimate parent company	P 430,355,411	P 400,425,054
Related parties under common ownership and management	179,755,559	172,271,510
Joint ventures	96,067,379	95,503,565
Stockholders	74,993,907	52,100,090
Associates	<u>7,150,430</u>	<u>6,782,580</u>
	<u>P 788,322,686</u>	<u>P 727,082,799</u>

In 2017, the Group, WHI and a certain related party under common ownership and management executed an Assumption of Liability Agreement whereas WHI assumes the rights, duties, liabilities, and financial obligations of the related party to the Group.

The movements in the carrying amount of the advances to related parties in 2018 and 2017 are as follows:

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of year		P 727,082,799	P 809,974,193
Additions		126,377,851	102,693,465
Collections		(65,137,964)	(116,271,856)
Reclassification		-	(2,313,003)
Offsetting	15(b), 25.10	<u>-</u>	<u>(67,000,000)</u>
Balance at end of year		<u>P 788,322,686</u>	<u>P 727,082,799</u>

25.2 Advances from and Due to Related Parties

The Group has outstanding amount due to the Ultimate Parent Company representing a payable for certain land acquired in prior years. The Group also obtains cash advances from other related parties to assist its daily operational and other requirements.

Advances from and due to related parties, which is presented as current liabilities (as restated – see Note 27.5), consist of:

	<u>2018</u>	<u>2017</u>
Ultimate parent company	P 4,604,167,018	P 4,644,167,018
Related party under common ownership and management	7,007,796	428,838
Stockholders	<u>-</u>	<u>11,461,396</u>
	<u>P 4,611,174,814</u>	<u>P 4,656,057,252</u>

Advances from and due to related parties arise from and are considered as financing activities. The reconciliation of the carrying amounts of these accounts with movements during the reporting periods as presented in the consolidated statements of cash flows is shown below.

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 4,656,057,252	P 4,663,798,609
Repayments	(44,882,438)	(8,960,439)
Additions	<u>-</u>	<u>1,219,082</u>
Balance at end of year	<u>P 4,611,174,814</u>	<u>P 4,656,057,252</u>

Outstanding balances with related parties are unsecured, noninterest-bearing, have no fixed repayment and settlement terms, except as disclosed in Note 5.3, and are presented as Advances from and Due to Related Parties account in the consolidated statements of financial position.

25.3 Rentals

The Group leases certain parcels of land and portion of a building to its associates and other related parties under common ownership and management for terms ranging from one to 12 years and with annual escalation rate of 2.00%. Rental income from these transactions amounted to P0.2 million in 2018, P0.5 million in 2017 and P0.4 million in 2016, and included as part of Rentals under Revenues account in the consolidated statements of profit or loss. There were no outstanding receivables from these transactions as of December 31, 2018 and 2017.

25.4 Contract Revenues and Receivables

The Group and BRADCO entered into certain construction contracts in 2016 and prior years whereby the Group undertook to complete the design and construction of the roads and drainage system of certain lots situated at ABP. The construction was completed in 2017. The related contract receivable, which is unsecured, noninterest-bearing and payable in 90 days, amounting to P27.1 million and retention receivable amounting to P1.8 million as of December 31, 2018 and 2017, are included as part of Contract receivables and Retention receivables under Receivables account in the consolidated statements of financial position (see Note 9).

25.5 Other Income from Rendering of Administrative Services

The Group recognized income amounting to P14.4 million in 2018 and 2017 and P24.6 million in 2016 from rendering of various administrative services to its related parties and are included as part of Other Operating Income account in the consolidated statements of profit or loss (see Note 21.3). There are no outstanding receivables related to these transactions.

25.6 Association Dues

The Group incurred association dues amounting to P27.0 million, P24.4 million and P15.1 million in 2018, 2017 and 2016, respectively, as member of Aseana Business Park Estate Association and Aseana Power Station Association, Inc. which are presented as part of Association dues under General and Administrative Expenses account in the consolidated statements of profit or loss (see Note 22). Outstanding payables, which are due upon demand, related to these transactions amounting to P32.5 million and P21.2 million as of December 31, 2018 and 2017, respectively, are included as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 18).

25.7 Contracts of Services

On October 13, 2010, the Group renewed its contract of services with a certain related party under common ownership and management. Under such contract, the same related party will provide consultancy, management and labor services to the Group upon the latter's request. Total costs incurred related to these contracts amounted to P28.3 million, P9.1 million and P3.6 million for the years ended December 31, 2018, 2017 and 2016, respectively, and are shown as part of Cost of construction contracts under Costs of Services and Sales account in the consolidated statements of profit or loss (see Note 20.1). There was no outstanding liability related to this transaction as of December 31, 2018 and 2017.

25.8 Key Management Personnel Compensation

Compensation paid to key management personnel consist of short-term benefits, which include among others, salaries and allowances, bonuses and other employee benefits amounting to P53.5 million, P54.3 million and P51.1 million in 2018, 2017 and 2016, respectively. There are no outstanding liabilities arising from this transaction.

25.9 Transfer of Land to ARHC

In 2016, the Group was under negotiation with WHI to purchase its property to be used for the Group's residential project (see Note 10). The purchase transaction was completed in 2017. The property is presented as part of Property Development Costs account and the outstanding liability, which is due upon demand, is presented as part of Trade payables under Trade and Other Payables account in the 2017 consolidated statement of financial position (see Note 18).

25.10 Purchase of Parcels of Land

In 2017, the Group purchased parcels of land from a certain stockholder amounting to P67.0 million. There were no outstanding liabilities related to this transaction as of December 31, 2017 as the related liability was offset against the advances granted to such related party in the same period [see Notes 15(b) and 25.1]. There was no similar transaction in 2018 and 2016.

25.11 Transactions with the Retirement Fund

As discussed in Note 23.2, the Group is in the process of establishing a non-contributory post-employment benefit plan that is being administered by a trustee bank. The quoted equity securities included in the plan assets pertain to the shares of the Parent Company measured at its fair value as of December 31, 2018.

26. EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

	<u>2018</u>	<u>2017</u> (As Restated – see Note 27.5)	<u>2016</u> (As Restated – see Note 27.5)
Net profit attributable to the equity holders of the Parent Company	P 1,911,245,490	P 1,558,462,597	P 1,206,692,949
Divided by weighted average number of outstanding common shares*	<u>3,056,277,650</u>	<u>2,716,691,200</u>	<u>1,716,691,200</u>
Basic and diluted earnings per share	<u>P 0.625</u>	<u>P 0.574</u>	<u>P 0.703</u>

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

27. EQUITY

27.1 Capital Stock

The Parent Company's capital stock consists of:

	<u>Shares</u>		<u>Amount</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Common shares – P1.00 par value in 2018 and 2017				
Authorized – 4,000.0 million shares in 2018 and 2017				
Issued and outstanding:				
Balance at beginning of year	2,716,691,200	1,716,691,200	P 2,716,691,200	P 1,716,691,200
Issuance during the year	679,172,900	-	679,172,900	-
Stock dividends declared	-	1,000,000,000	-	1,000,000,000
Balance at end of year	<u>3,395,864,100</u>	<u>2,716,691,200</u>	<u>P 3,395,864,100</u>	<u>P 2,716,691,200</u>

On March 6, 2018, the Parent Company filed its application with the PSE for the listing of its common shares, which was approved by the PSE on May 23, 2018. Also on March 6, 2018, the Parent Company filed a Registration Statement covering the Initial Public Offering (IPO) of its common shares with the PSE, in accordance with the provisions of the SEC's Securities Regulation Code. Pursuant to its filing with the PSE, on June 29, 2018, the Parent Company issued through the IPO the additional 679,172,800 common shares at P12.00 price per share generating offering proceeds of P8,150.1 million. The related additional paid-in capital arising from the IPO, after deducting transaction costs associated with the issuance of shares, amounted to P6,964.6 million. The common share price closed at P7.8 per share as of December 31, 2018.

In their respective meetings on January 20, 2017, the Parent Company's BOD and stockholders approved the declaration of stock dividends representing 1,000,000,000 common shares or equivalent to P1,000.0 million (see Note 27.3).

In 2015, the Parent Company issued 3,216,910 common shares at par value of P100.00 per share to a certain individual stockholder pursuant to a deed of exchange (see Notes 1.2, 15, 25.9 and 27.4).

As of December 31, 2018, there are 11 holders of the listed common shares owning at least one board lot of 100 shares. The public float lodged with PCD Nominee is counted as one stockholder only.

27.2 Revaluation Reserves

The movements of this account in 2018 and 2017 are as follows:

	Investment Properties (see Note 2.25)	Retirement Benefit Obligation (see Notes 23.2 and 24)	Financial Assets at FVOCI (see Note 16.2)	Total
Balance as of January 1, 2018	P 19,047,893	(P 28,943,049)	(P 1,040,020)	(P 10,935,176)
Remeasurements of post-employment defined benefit plan	-	(25,441,148)	-	(25,441,149)
Fair value gain on financial assets at FVOCI	-	-	219,645	219,645
Other comprehensive income (loss) before tax	-	(25,441,148)	219,645	(25,221,503)
Tax expense	-	7,632,344	-	7,632,344
Other comprehensive income (loss) after tax	-	(17,808,804)	219,645	(17,589,159)
Balance as of December 31, 2018	P 19,047,893	(P 46,751,853)	(P 820,375)	(P 28,524,335)
Balance as of January 1, 2017	P 19,047,893	(P 38,980,712)	(P 1,120,135)	(P 21,052,954)
Remeasurements of post-employment defined benefit plan	-	14,339,519	-	14,339,519
Fair value gain on financial assets at FVOCI	-	-	80,115	80,115
Other comprehensive income before tax	-	14,339,519	80,115	14,419,634
Tax expense	-	(4,301,856)	-	(4,301,856)
Other comprehensive income after tax	-	10,037,663	80,115	10,117,778
Balance as of December 31, 2017	P 19,047,893	(P 28,943,049)	(P 1,040,020)	(P 10,935,176)

	Investment Properties (see Note 2.25)	Retirement Benefit Obligation (see Notes 23.2 and 24)	Financial Assets at FVOCI (see Note 16.2)	Total
Balance as of January 1, 2016	P 19,047,893	(P 22,249,283)	(P 1,039,440)	(P 4,240,830)
Remeasurement of post-employment defined benefit plan	-	(23,902,041)	-	(23,902,041)
Fair value loss on financial assets at FVOCI	-	-	(80,695)	(80,695)
Other comprehensive loss before tax	-	(23,902,041)	(80,695)	(23,982,736)
Tax income	-	7,170,612	-	7,170,612
Other comprehensive loss after tax	-	(16,731,429)	(80,695)	(16,812,124)
Balance as of December 31, 2016	P 19,047,893	(P 38,980,712)	(P 1,120,135)	(P 21,052,954)

In 2003, certain parcel of land located in Quezon City, classified as property and equipment, was appraised by independent appraisers and resulted in revaluation increment of P19.0 million. In 2007, upon change of the intention of the management, such parcel of land was transferred from property and equipment to investment property at the appraised amount of P30.4 million. As of December 31, 2018, the parcel of land is held by the management for capital appreciation. The amount of revaluation reserves of the land remains to be recognized under equity until the land is derecognized.

27.3 Unrestricted Retained Earnings

Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits (or retained earnings) in excess of their paid-in capital, except when justified by any of the reasons mentioned in the Code.

In meetings held on December 23, 2013 and October 8, 2012, the Parent Company's BOD approved the appropriation of the unrestricted retained earnings of the Parent Company amounting to P500.0 million and P700.0 million, respectively, necessary to cover the business expansion of the Group as part of its long term corporate strategy. Relative to this, the Group was able to complete two additional buildings under similar nature and purpose of its existing investment properties in 2017 and 2018. Also in 2018, the Group commenced the construction of a new building, which is expected to be completed by the end of 2020. Accordingly, the management has retained the appropriation until the expected completion of the on-going development of its most recent building, which shall add to its existing portfolio of investment properties.

As a matter of policy, stockholders may be entitled to receive, upon declaration by the Parent Company's BOD and subject to the availability of unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Parent Company's audited financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Parent Company's BOD; (ii) when the Group is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Group, such as when there is a need for special reserves for probable contingencies.

On February 10, 2017, as discussed in Note 27.1, the BOD and stockholders declared P1,000.0 million stock dividends from the Parent Company's unrestricted retained earnings.

27.4 Other Reserves

Other Reserves account in the consolidated statements of financial position includes the excess of the consideration paid by the Group for the additional 40% direct ownership in FI and the excess minority share in net assets of UCTPI over the cost of additional investments acquired by the Group in 2015 which amounted to P297.4 million and P21.4 million, respectively.

27.5 Prior Period Restatements and Reclassifications of Accounts

- *Correction on the Valuation of Investment in Joint Venture*

As more fully discussed in Note 13.2(a), the Group restated the amount of its investment in joint venture from its fair value at the time of the initial recognition amounting to P2,902.5 million to the original carrying value of certain parcels of land contributed by the Group to ABCC amounting P1,886.5 million. This further resulted in the derecognition of the corresponding gain on exchange of parcels of land for shares of stock previously recognized amounting to P1,016.0 million and the related deferred tax liability of P101.6 million, or net amount of P914.4 million to the Retained Earnings account as of January 1, 2016.

- *Presentation of Estimated Liability for Land Development Costs*

The Group derecognized the Estimated Liability for Land Development Costs account amounting to P7,606.4 million and P7,748.4 million as of December 31, 2017 and January 1, 2017, respectively, to present such estimated liability as a net against the related amount of the affected assets when such estimated liability was previously recognized by the Group. The foregoing adjustments resulted in the corresponding adjustments to decrease the balances of Land and Land Development Costs, Investment Properties and Investment in joint venture (representing certain parcels of land contributed by the Group in ABCC and presented under Investments in Associates and Joint Ventures) accounts amounting to P1,369.2 million, P4,514.0 million and P1,723.2 million as of December 31, 2017, and P1,511.2 million, P4,514.0 million and P1,723.2 million as of January 1, 2017, respectively, as these accounts were increased in prior years arising from the previously capitalized estimated development costs of such parcels of land [see Notes 11, 15 and 13.2(a)].

- *Consolidation of ARESM*

In 2018, the Group restated its 2017 and 2016 consolidated financial statements as a result of an error in accounting for the equity ownership interest over ARESM that should have been included in the consolidation. The Group obtained control in ARESM through its 95.98% equity ownership interest over such subsidiary by capital cash infusion towards the end of 2016. Prior to the restatement, the Group accounted for its investment in ARESM as financial assets at FVOCI since its equity ownership interest was previously determined at 14.00%, which did not represent a control or significant influence.

Accordingly, the Group accounted for this transaction under the acquisition method of accounting under PFRS 3, *Business Combinations*, since ARESM constitutes a "business" having elements of inputs, processes, and outputs by undertaking strategic consultancy and management services over certain real estate properties [see Notes 2.9 and 3.1(j)]. Management determined that the impact over the applicable reporting periods was not material to the consolidated financial statements as total assets, liabilities, and net income of ARESM only amounted to P15.3 million, P12.8 million and P5.3 million, respectively, as of and for the year ended December 31, 2017 and P9.6 million, P0.9 million and P3.7 million, respectively, as of and for the year ended December 31, 2016.

The amount of P7.1 million representing the excess of the Group's share in ARESM's fair value of its net assets amounting to P8.4 million over the Group's investment consideration amounting to P1.3 million is recognized as gain from acquisition of a subsidiary under the Other Income account in the 2016 consolidated statement of profit or loss (see Note 21.4).

- The following are the reclassifications made in the Group's 2017 and 2016 consolidated financial statements:

- 1) Advances to suppliers amounting to P44.9 million and P170.3 million as of December 31, 2017 and January 1, 2017, respectively, and relating to future application for the construction and development of certain investment properties were reclassified from Receivables account under current assets to Other Non-current Assets account in relation to Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2018-15, PAS 1 – *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current* issued in 2018 (see Notes 9 and 16);
- 2) Advances to related parties amounting to P119.5 million and P120.4 million as of December 31, 2017 and January 1, 2017, respectively, were reclassified from Advances to and Investments in Associates, Joint Ventures and Other Related Parties account under non-current assets to Advances to related parties under current Receivables as the advances have no definite repayment terms (see Notes 9, 13 and 25.1);

3) Refundable deposits amounting to P19.0 million and P24.3 million as of December 31, 2017 and January 1, 2017, respectively, were reclassified from Receivables account under current assets to Other Non-current Assets account as these deposits are expected to be recovered for more than 12 months from the end of the reporting periods (see Notes 9, 13 and 25.1);

4) Project advances amounting to P86.7 million and P84.4 million as of December 31, 2017 and January 1, 2017, respectively, were reclassified from Advances to related parties under Receivables and Advances to and Investments in Associates, Joint Ventures and Other Related Parties accounts to Other Non-current Assets account as this account is expected to be recovered in the form of land (see Notes 9, 13 and 16);

5) Certain portion of Retention payables amounting to P7.5 million and P7.5 million as of December 31, 2017 and January 1, 2017, respectively, relating to construction and development of certain investment properties were reclassified from current Trade and Other Payables account to non-current Deposits and Advances account as the expected payment of these remaining payables, net of recoupment by the contractors, is for more than 12 months from the completion date of the construction and development (see Note 18);

6) Due to a related party amounting to P4,343.6 million as of December 31, 2017 and January 1, 2017 relating to the outstanding payable from the purchase of land in previous years were reclassified from a non-current liability to a current liability as this payable has no definite repayment terms unless demanded (see Note 25.2); and,

7) Commission expense amounting to P64.5 million in 2017 and P12.7 million in 2016 and relating to real estate and leasing transactions were reclassified from General and Administrative Expenses account to Selling Expenses account (see Note 22).

- The Group also reclassified certain line items in the 2017 and 2016 consolidated statements of profit or loss to conform to the presentation of the current year which included Income from rendering of administrative and other services and other incidental income from operations, and Gain on sale of investment property from Other Income account to Other Operating Income account.

The effects of the restatements on the assets, liabilities, and equity accounts are summarized below.

	As of December 31, 2017					
	As previously reported	Effect of adoption of PFRS 9	Effect of adoption of PFRS 15	Effect of prior period errors	Effect of reclassifications	As restated
<i>Changes in Assets</i>						
<i>Current Assets</i>						
Cash and cash equivalents	P 1,431,417,365	P -	P -	P 13,121,447	P -	P 1,444,538,812
Receivables - net	2,330,700,527	(44,340,516)	(12,834,718)	1,949,963	(51,602,860)	2,223,872,396
Contract asset	-	-	47,301,272	-	-	47,301,272
Land development costs	3,323,617,571	-	-	(1,369,179,885)	-	1,954,437,686
Property development costs	593,004,032	-	2,104,469	-	-	595,108,501
Other current assets	533,396,960	-	18,528,606	70,230	-	551,995,796
<i>Non-current Assets</i>						
Receivables	1,916,924,794	-	(107,234,590)	-	-	1,809,690,204
Advances to and investments in subsidiaries, associates, joint ventures and other related parties	3,035,348,266	-	-	(2,739,226,251)	(119,532,475)	176,589,540
Investment properties	15,622,693,051	-	-	(4,514,005,200)	-	11,108,687,851
Deferred tax assets	-	-	-	22,357,274	-	22,357,274
Other non-current assets	119,560,933	-	5,747,731	(1,125,988)	171,135,335	295,318,011
Effect on total assets	P29,050,602,055	(P 44,340,516)	(P 46,387,230)	(P8,586,039,410)	P -	P20,373,835,899
<i>Changes in Liabilities</i>						
<i>Current Liabilities</i>						
Trade and other payables	1,093,125,793	-	15,460,561	12,813,131	(7,541,043)	1,113,858,443
Contract liability	-	-	124,328,053	-	-	124,328,053
Advances from and due to related parties	312,485,234	-	-	-	4,343,572,018	4,656,057,252
Estimated liability for land development cost	570,710,150	-	-	(570,710,150)	-	-
Deposit and advances	540,604,530	-	(235,058)	-	-	540,369,472
Reserve for property development	101,054,804	-	(101,054,804)	-	-	-
Deferred gross profit on real estate sales	30,536,000	-	(30,536,000)	-	-	-
<i>Non-current Liabilities</i>						
Due to a related party	4,343,572,018	-	-	-	(4,343,572,018)	-
Estimated liability for land development cost	7,035,709,522	-	-	(7,035,709,522)	-	-
Deposit and advances	573,963,532	-	-	-	7,541,043	581,504,575
Reserve for property development	42,749,889	-	(42,749,889)	-	-	-
Deferred gross profit on real estate sales	17,844,231	-	(17,844,231)	-	-	-
Deferred tax liabilities - net	588,750,291	(13,302,155)	(33,205)	(79,246,891)	-	496,168,039
Effect on total liabilities	P18,793,707,566	(P 13,302,155)	(P 52,664,573)	(P7,672,853,432)	P -	P11,054,887,406
<i>Change in Equity</i>						
Retained earnings	P 7,168,150,683	(P 31,038,361)	P 6,277,343	(P 913,184,978)	P -	P 6,230,204,687

		As of December 31, 2016					
	As previously reported	Effect of adoption of PFRS 9	Effect of adoption of PFRS 15	Effect of prior period errors	Effect of reclassifications	As restated	
<i>Changes in Assets</i>							
<i>Current Assets</i>							
Cash and cash equivalents	P 815,171,402	P -	P -	P 4,344,363	P -	P 819,515,765	
Receivables - net	2,140,590,942	(43,308,299)	(17,738,019)	4,415,539	(179,189,337)	1,904,770,826	
Contract asset	-	-	684,636	-	-	684,636	
Land development costs	3,519,847,473	-	-	(1,511,166,983)	-	2,008,680,490	
Property development costs	24,286,634	-	46,603	-	-	24,333,237	
Other current assets	263,196,627	-	1,096,065	655,915	-	264,948,607	
<i>Non-current Assets</i>							
Advances to and investments in subsidiaries, associates, joint ventures and other related parties	3,037,163,264	-	-	(2,739,226,251)	(120,354,496)	177,582,517	
Investment properties	14,998,276,590	-	-	(4,514,005,200)	-	10,484,271,390	
Other non-current assets	77,936,177	-	3,089,952	(1,144,193)	299,543,833	379,425,769	
Effect in total assets	P 26,798,215,075	(P 43,308,299)	(P 12,820,763)	(P 8,756,126,810)	P -	P 17,983,959,203	
<i>Changes in Liabilities</i>							
<i>Current Liabilities</i>							
Trade and other payables	531,301,609	-	119,757	865,241	(7,754,760)	524,531,847	
Contract liability	-	-	6,154,956	-	-	6,154,956	
Advances from and due to related parties	320,226,591	-	-	-	4,343,572,018	4,663,798,609	
Estimated liability for land development cost	477,517,753	-	-	(477,517,753)	-	-	
Deposit and advances	314,375,710	-	291,283	-	-	314,666,993	
Reserve for property development	4,649,584	-	(4,649,584)	-	-	-	
Deferred gross profit on real estate sales	792,504	-	(792,504)	-	-	-	
<i>Non-current Liabilities</i>							
Due to a related party	4,343,572,018	-	-	-	(4,343,572,018)	-	
Estimated liability for land development cost	7,270,889,017	-	-	(7,270,889,017)	-	-	
Deposit and advances	702,906,705	-	-	-	7,754,760	710,661,465	
Reserve for property development	13,585,695	-	(13,585,695)	-	-	-	
Deferred gross profit on real estate sales	2,315,628	-	(2,315,628)	-	-	-	
Deferred tax liabilities - net	390,685,191	(12,992,490)	586,996	(101,604,166)	-	276,675,531	
Effect in total liabilities	P 18,111,245,724	(P 12,992,490)	(P 14,190,419)	(P 7,849,145,695)	P -	P 10,234,917,120	
<i>Changes in Equity</i>							
Retained earnings	P 6,607,669,358	(P 30,315,809)	P 1,369,656	(P 906,981,115)	P -	P 5,671,742,090	

		As of January 1, 2016			
	As previously reported	Effect of adoption of PFRS 9	Effect of prior period errors	As restated	
<i>Changes in Assets, Liabilities and Equity</i>					
<i>Current Assets</i>					
Receivables – net	P 2,932,449,397	(P 25,953,325)	P -	P 2,906,496,072	
Land and land development costs	3,946,538,413	-	(1,721,053,954)	2,225,484,459	
Investment properties	15,250,353,443	-	(4,672,309,764)	10,578,043,679	
<i>Non-current Assets</i>					
Advances to and investments in subsidiaries, associates, joint ventures, and other related parties	3,057,777,220	(14,105,208)	(1,723,234,587)	1,320,437,425	
<i>Non-current Liabilities</i>					
Deferred tax liabilities – net	(188,709,405)	12,017,560	(101,604,166)	278,296,011	
Estimated liability for land development costs	8,116,598,305	-	(8,116,598,305)	-	
<i>Change in Equity</i>					
Retained earnings	P 5,407,477,612	(P 28,040,973)	(P 914,387,498)	P 4,465,049,141	

The effects of prior period adjustments on certain line items in the consolidated statements of profit or loss for the years ended December 31, 2017 and 2016 are summarized below.

		December 31, 2017					
	As previously reported	Effect of adoption of PFRS 9	Effect of adoption of PFRS 15	Effect of consolidation of ARESM	Effect of reclassifications	As restated	
<i>Revenue</i>							
Rentals:							
Land	P 919,417,814	P -	P -	P -	P -	P 919,417,814	
Building	429,701,872	-	-	-	-	429,701,872	
Other revenues	157,900,022	-	(66,212,842)	-	-	91,687,180	
Construction contracts	202,132,945	-	-	-	-	202,132,945	
Sale of condominium units	213,784,261	-	(166,667,680)	-	-	47,116,581	
Land sales	1,088,290,000	-	-	-	-	1,088,290,000	
Total revenues	3,011,226,914	-	(232,880,522)	-	-	2,778,346,392	
<i>Cost of Services and Sale</i>							
Rentals	(201,962,298)	-	66,212,842	-	-	(135,749,456)	
Condominium units sold	(157,266,639)	-	126,934,385	-	-	(30,332,254)	
Construction contracts	(132,234,603)	-	-	-	-	(132,234,603)	
Land	(141,520,283)	-	-	-	-	(141,520,283)	
Deferred gross profit	(45,772,044)	-	45,772,044	-	-	-	
Total cost of sales and services	(678,755,867)	-	238,919,271	-	-	(439,836,596)	
<i>Other Operating Income (Expense)</i>							
General and administrative expenses	(461,763,755)	(1,032,217)	-	(13,996,116)	64,518,173	(412,273,915)	
Selling expenses	(3,640,829)	-	6,854,764	-	(64,518,173)	(61,304,238)	
Other operating income	-	-	-	10,072,468	283,441,563	293,514,031	

December 31, 2017						
	As previously reported	Effect of adoption of PFRS 9	Effect of adoption of PFRS 15	Effect of consolidation of ARESM	Effect of reclassifications	As restated
Finance costs	(P 72,107,089)	P -	P -	P -	P -	(P 72,107,089)
Finance income	15,769,771	-	(8,606,028)	-	-	7,163,743
Other income	25,755,500	-	-	-	(25,755,500)	-
Share in net losses of associates and joint venture	(992,977)	-	-	-	-	(992,977)
Gain on sale of investment property	257,686,063	-	-	-	(257,686,063)	-
Tax income (expense)	(533,370,371)	309,665	620,200	(2,280,213)	-	(534,720,719)
Net profit	1,559,807,360	(722,552)	4,907,685	(6,203,861)	-	1,557,788,632
Earnings per share	0.574	-	-	-	-	0.574
December 31, 2016						
	As previously reported	Effect of adoption of PFRS 9	Effect of adoption of PFRS 15	Effect of consolidation of ARESM	Effect of reclassifications	As restated
Revenues						
Rentals	P 860,514,881	P -	P -	P -	P -	P 860,514,881
Land	344,601,606	-	-	-	-	344,601,606
Building	121,480,554	-	(55,550,547)	-	-	65,930,007
Other revenues	231,163,640	-	-	-	-	231,163,640
Construction contracts	21,919,360	-	(21,234,724)	-	-	684,636
Sale of condominium units	600,656,000	-	-	-	-	600,656,000
Land sales	2,180,336,041	-	(76,785,271)	-	-	2,103,550,770
Cost of Services and Sales						
Construction contracts	(201,953,484)	-	-	-	-	(201,953,484)
Rentals	(185,637,424)	-	(55,550,547)	-	-	(130,086,877)
Land	(120,375,150)	-	-	-	-	(120,375,150)
Condominium units sold	(18,727,355)	-	(18,281,881)	-	-	(445,474)
Deferred gross profit	(3,108,132)	-	(3,108,132)	-	-	-
Total cost of sales and services	(529,801,545)	-	(76,940,560)	-	-	(452,860,985)
Other Operating Income (Expenses)						
General and administrative expenses	(283,216,177)	(3,249,765)	-	-	12,669,396	(273,796,546)
Selling expenses	(10,491,021)	-	1,961,011	-	(12,669,396)	(21,199,406)
Other operating income	-	-	-	-	368,359,464	368,359,464
Other Income						
Finance costs	(83,790,875)	-	-	-	-	(83,790,875)
Finance income	4,120,195	-	(159,647)	-	-	3,960,548
Other income	55,610,000	-	-	7,406,382	(55,906,255)	7,110,127
Share in net losses of associates and joint venture	(5,297,857)	-	-	-	-	(5,297,857)
Gain on sale of investment property	312,453,209	-	-	-	(312,453,209)	-
Tax income (expense)	(437,417,058)	974,930	(586,996)	-	-	(437,029,124)
Net profit	1,202,504,913	(2,274,836)	1,369,657	7,406,382	-	1,209,006,116
Earnings per share	0.699	(0.001)	0.001	0.004	-	0.703

The effects of prior period adjustments on certain line items in the consolidated statements of cash flows for the years ended December 31, 2017 and 2016 are summarized below.

December 31, 2017			
	As previously reported	Effect of restatements	As restated
Profit before tax	P 2,093,177,731	(P 668,380)	P 2,092,509,351
Cash flows from operating activities			
Adjustment for –			
Finance income	(15,760,377)	8,606,028	(7,154,349)
Working capital changes:			
Increase in receivables	(423,240,357)	(31,185,443)	(454,425,800)
Increase in contract assets	-	(46,616,636)	(46,616,636)
Decrease in land and land development costs	141,520,283	(141,987,098)	(466,815)
Increase in property development costs	(568,717,398)	(2,057,866)	(570,775,264)
Increase in other assets	(577,530,165)	106,605,444	(470,924,721)
Increase in trade and other payables	561,824,185	27,502,412	589,326,597
Increase in contract liability	-	118,173,097	118,173,097
Decrease in estimated liability for land development costs	(141,987,097)	141,987,097	-
Increase in deposits and advances	95,836,052	(740,058)	95,095,994
Increase in reserve for property development	125,569,414	(125,569,414)	-
Increase in deferred gross profit on real estate sales	45,272,099	(45,272,099)	-
Effect of changes on cash flows from operating activities	1,245,201,420	8,777,084	1,253,978,504
Cash flows from investing activities			
Additional advances to related parties	13,578,391	(116,271,856)	(102,693,465)
Collection of advances to associates, joint ventures and other related parties	-	116,271,856	116,271,856
Effect of changes on cash flows from investing activities	(351,757,833)	-	(351,757,833)
Net increase in cash and cash equivalents	616,245,963	8,777,084	625,023,047
Cash and cash equivalents at beginning of year	815,171,402	4,344,363	819,515,765
Cash and cash equivalents at end of year	<u>P 1,431,417,365</u>	<u>P 13,121,447</u>	<u>P 1,444,538,812</u>

	December 31, 2016		
	As previously reported	Effect of restatements	As restated
Profit before tax	P 1,639,921,971	P 6,113,269	P 1,646,035,240
<i>Cash flows from operating activities</i>			
Adjustments for:			
Finance income	(3,152,655)	159,647	(2,993,008)
Gain on acquisition of a subsidiary	-	(7,110,127)	(7,110,127)
Working capital changes:			
Increase in receivables	(671,346,401)	320,371,970	(350,974,431)
Increase in contract assets	-	(684,636)	(684,636)
Decrease in land and land development costs	120,375,150	(90,073,393)	30,301,757
Increase in property development costs	(24,286,634)	(46,603)	(24,333,237)
Increase in other assets	(145,782,227)	(304,026,105)	(449,808,332)
Decrease in trade and other payables	(112,977,288)	(7,635,004)	(120,612,292)
Increase in contract liability	-	6,154,956	6,154,956
Decrease in estimated liability for land development costs	(90,073,394)	90,073,394	-
Increase in deposits and advances	(76,391,732)	8,046,043	(68,345,689)
Increase in reserve for property development	18,235,279	(18,235,279)	-
Increase in deferred gross profit on real estate sales	3,108,132	(3,108,132)	-
Effect of changes on cash flows from operating activities	495,436,427	-	495,436,427
<i>Cash flows from investing activities</i>			
Net collection from (additional advances to) and investments in associates, joint ventures and other related parties	(28,673,762)	(83,845,487)	(112,519,249)
Collection of advances to associates, joint ventures and other related parties	-	83,845,487	83,845,487
Acquisition of financial assets at FVOCI	(1,250,000)	1,250,000	-
Acquisition of a subsidiary	-	(1,250,000)	(1,250,000)
Effect of changes on cash flows from investing activities	(20,046,247)	-	(20,046,247)
Cash and cash equivalent of new subsidiary	-	4,344,363	4,344,363
Cash and cash equivalents at end of year	<u>P 815,171,402</u>	<u>P 4,344,363</u>	<u>P 819,515,765</u>

28. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

28.1 Operating Leases – Group as a Lessor

The Group is a lessor under operating leases covering certain real estate properties presented in the consolidated statements of financial position as Investment Properties. The lease agreements have a term of one year, subject to annual renewal and monthly payment of minimum rental plus additional rental based on certain percentage of the lessee's gross sales. Lease agreements with large tenants have terms ranging from five to 45 years with monthly rental payment on certain rate per square meter of leased area subject to annual escalation rates of 5.00% to 10.00% per annum.

The future minimum lease collections under these operating leases as of the end of the reporting periods are as follows:

	2018	2017
Within one year	P 1,051,641,523	P 678,351,396
After one year but not more than five years	3,965,602,534	2,659,730,237
More than five years	<u>32,173,993,819</u>	<u>32,772,787,185</u>
	<u>P 37,191,237,876</u>	<u>P 36,110,868,818</u>

The total rent income recognized on investment properties amounted to P1,727.4 million, P1,349.1 million and P1,205.1 million, including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PAS 17 amounting to P716.8 million, P605.9 million and P749.4 million in 2018, 2017 and 2016, respectively, and are presented as Land and Building Rentals under Revenues account in the consolidated statements of profit or loss.

Contingent rent, which pertains to a certain percentage share in the lessees' revenues, is included as part of total rent income amounting to P13.0 million, P13.1 million and P7.6 million in 2018, 2017 and 2016, respectively.

28.2 Legal Claims

There are pending claims and legal actions filed by the Group or against the Group arising from the normal course of its business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

28.3 Deficiency Tax Assessments

The Group has certain final deficiency tax assessment and has received letters of authority from the Bureau of Internal Revenue (BIR), pursuant to which the BIR has sought to investigate certain tax periods of the Group and consequently examine certain books, records and accounts that relate to transactions in the ordinary course of business. There are final deficiency tax assessments in the ordinary course of business against the Parent Company that are pending with the BIR covering taxable years 2015, 2013 and 2009. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsels and advisors in relation to these matters.

As of December 31, 2018, the final deficiency tax assessments are still under protest. Management believes that the Group has enough basis in law, Supreme Court and Court of Tax Appeals decisions and evidence to support their claim; hence, no provisions were recognized in the consolidated financial statements.

28.4 Capital Commitments in Aseana City

Aseana City is an integrated community currently being developed by the Group, which is situated on the land reclaimed by the Group and home of several entertainment, commercial and residential establishments. The Group has capital commitments pertaining to the estimated development costs (i.e., civic and structural works; power, water and telecommunication distribution systems; roadworks and streetlights; drainage and sewerage systems; and, the estimated restoration costs thereto) of such parcels of land whereby the Group has an unconditional obligation to complete the development of the parcels of land in accordance with the entire estate of Aseana City. The estimated liability for land development costs is based on the estimates of the engineering department of the Parent Company. The details of these capital commitments in Aseana City are as follows:

	Land and Land Development Costs (see Note 11)	Land under Investment Properties (see Note 15)	Investment in joint venture [see Note 13.2(a)]	Total
December 31, 2018:				
Gross valuation	P 3,323,577,493	P 13,234,248,653	P 1,850,297,540	P 18,408,123,686
Estimated liability for land development costs	(1,161,368,148)	(4,514,005,193)	(1,723,234,587)	(7,398,607,928)
Net amounts	<u>P 2,162,209,345</u>	<u>P 8,720,243,460</u>	<u>P 127,062,953</u>	<u>P 11,009,515,758</u>
December 31, 2017:				
Gross amounts	P 3,323,617,571	P 13,234,248,660	P 1,850,297,540	P 18,408,163,771
Estimated liability for land development costs	(1,369,179,885)	(4,514,005,200)	(1,723,234,587)	(7,606,419,672)
Net amounts	<u>P 1,954,437,686</u>	<u>P 8,720,243,460</u>	<u>P 127,062,953</u>	<u>P 10,801,744,099</u>

The movements in the estimated liability for land development costs are as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	P 7,606,419,672	P 7,748,406,770
Settlements	(207,811,744)	(141,987,098)
Balance at end of year	<u>P 7,398,607,928</u>	<u>P 7,606,419,672</u>

28.5 Reclaimed Land and Others

The Group's existing land holdings in Aseana City, which were obtained pursuant to certain series of agreements involving reclamation and related projects with the Philippine Government, are entirely located on reclaimed foreshore land. Although the Group holds registered titles to these land holdings, Philippine law provides that issuance of titles does not create or vest title, but only constitutes evidence of ownership over such properties. In view of this, the Group's ownership, registration, and possession of titles and actual possession of these land holdings do not negate the possibility that the Philippine Government or third parties may at any time, file lawsuits to challenge the Group's rights to these land holdings. While the PRA and the Philippine Office of the Government Corporate Counsel (OGCC) are of the opinion that the Group's titles can no longer be invalidated, there is no assurance that the Philippine Government or third parties will not challenge the Group's rights to such reclaimed lands in the future. Notwithstanding the foregoing, the Group is not aware of the validity of the Group's titles being questioned, impugned, challenged or invalidated by the Philippine Government or any other third party since the time the Group acquired ownership over these land holdings in Aseana City and up to the audit report date. In addition to the opinions of the PRA and OGCC, management believes that the Group has enough basis in law and in the decisions of the relevant courts, to support the validity of its titles and ownership over these subject properties.

There are other commitments, litigations and contingencies that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of December 31, 2018, management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

29. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions primarily those current and expected future events that affect or likely to affect the real estate and leasing sector. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by measuring the ratio of loans and borrowings to total capital and net loans and borrowings to total capital. Loans include all short-term and long-term borrowings while net interest-bearing loans include all short-term and long-term loans net of cash and cash equivalents.

As of December 31, 2018 and 2017, the Group's ratios of net interest-bearing loans to total capital are as follows:

	Notes	2018	2017 (As Restated – see Note 27.5)
Total loans and borrowings	17	P 1,928,920,000	P 2,476,902,945
Less: Cash and cash equivalents and short-term placement	8, 12	(8,949,219,648)	(1,444,538,812)
Net loans and borrowings (a)		(7,020,299,648)	1,032,364,133
Total equity		<u>18,865,978,379</u>	<u>9,318,948,493</u>
Net loans and borrowings and equity (b)		<u>P11,845,678,731</u>	<u>10,351,312,626</u>
Gearing ratio (a/b)		<u>-59%</u>	<u>10%</u>

Certain loans with a local bank are subject to a cross default arrangement wherein if the Group or any of its related parties fail to pay or default in the payments of any installment of the principal or interest, or fails to comply with or commits breach or violation of any term, condition or stipulation of any other agreement, contract, or document with the lending bank, the Group's obligation will become due and demandable. The Group has complied with its loan covenants as of December 31, 2018 and 2017.

The Group has no other significant loan covenants in 2018 and 2017 (see Note 17).

30. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

The following discusses the supplemental information on non-cash activities as presented in the consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016:

- In 2018, the Group reclassified its investment in a joint venture which was previously presented under Investments in Associates and Joint Ventures to Investment in Joint Venture Held for Termination amounting to P127.1 million [see Note 13.2(a)]. There was no similar transaction in 2017 and 2016.
- In 2018, 2017 and 2016, capitalized borrowing costs to investment properties amounted to P28.3 million, P16.3 million and P1.4 million, respectively (see Notes 15 and 17).
- On January 20, 2017, the Parent Company's BOD and stockholders approved the declaration of stock dividends representing 1,000,000,000 common shares or equivalent to P1,000.0 million (see Note 27.1). There was no similar transaction in 2018 and 2016.
- In 2017, the Group purchased parcels of land from a certain stockholder amounting to P67.0 million. There was no outstanding liabilities related to this transaction as of December 31, 2017 as the related liability was offset against the advances granted to the related party [see Notes 15(b) and 25.1]. There was no similar transaction in 2018 and 2016.

In 2017 and 2016, the Group sold certain investment properties to third parties with selling price amounting to P400.9 million and P713.1 million, respectively. The outstanding balance from these transactions amounted to P226.1 million as of December 31, 2016 and is presented as part of Installment receivables under Receivables account, which was collected in full in 2017 (see Notes 9 and 15). There was no outstanding receivable from the 2017 transaction. There was no similar transaction in 2018.

- In 2017 and 2016, the Group reclassified certain parcels of land which were previously presented under Land and Land Development Costs to Investment Properties amounting to P54.7 million and P186.5 million, respectively. The reclassification resulted from change in management's intention to hold the related land for rental purposes (see Notes 11 and 15). There was no similar transaction in 2018.

31. EVENT AFTER THE END OF THE REPORTING PERIOD

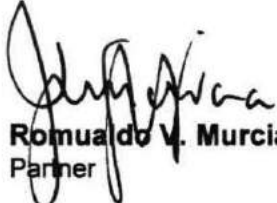
On February 15, 2019, the Parent Company's BOD approved the declaration cash dividends of P0.04 per share or equivalent to P120.0 million to stockholders of record as of March 4, 2019. The dividends shall be paid on March 28, 2019 and shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2018.

**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange
Commission Filed Separately
from the Basic Consolidated
Financial Statements**

The Board of Directors and Stockholders
D.M. Wenceslao & Associates, Incorporated and Subsidiaries
(A Subsidiary of Wendel Holdings Co., Inc.)
3rd Floor Aseana Powerstation Building
Pres. Macapagal Avenue
Aseana Business Park, Parañaque City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of D.M. Wenceslao & Associates, Incorporated and Subsidiaries (the Group) for the year ended December 31, 2018, on which we have rendered our report dated February 15, 2019. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, of the Philippine Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: 
Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 7333697, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-3 (until Nov. 29, 2019)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-22-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 15, 2019

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002-FR-5

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D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

Schedule	Content	Page
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A	Financial Assets Financial Assets at Fair Value Through Profit or Loss Financial Assets at Fair Value Through Other Comprehensive Income	1
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C	Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	3
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	Map Showing the Relationship Between and Among the Company and its Related Entities	15

*Information presented herein are based on the separate financial statements of D.M. Wenceslao & Associates, Incorporated

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-B
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2018
(Amounts in Philippine Pesos)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Amounts Written-off	Current	Not Current	
Amounts Receivable from Related Parties							
Wendel Holdings Co., Inc.	P 400,425,054	P 29,930,357	P -	P -	P 430,355,411	P -	P 430,355,411
Wendel Vega Marine Carrier	86,203,591	10,338,608	-	-	96,542,199	-	96,542,199
Stockholders	52,100,090	38,683,701	15,789,884	-	74,993,907	-	74,993,907
Alphaland Bay City Corporation	50,504,500	563,814	-	-	51,068,314	-	51,068,314
Bay Resources and Development Corporation	44,999,065	-	-	-	44,999,065	-	44,999,065
Wendel Ground Improvement, Inc.	36,059,716	9,090	5,686,644	-	30,382,162	-	30,382,162
Urban Agro Products, Inc.	19,761,533	646,944	438,580	-	19,969,897	-	19,969,897
European Resources & Technologies, Inc.	6,782,580	583,565	215,717	-	7,150,428	-	7,150,428
10k South Concrete Mix	5,541,105	-	713,840	-	4,827,265	-	4,827,265
Bay Security Services, Inc.	4,835,115	26,483	-	-	4,861,598	-	4,861,598
Wendel Construction Co., Inc.	3,504,164	28,097,457	31,355,516	-	646,105	-	646,105
Wendel Oaks Realty Corporation	1,623,129	17,483	-	-	1,640,612	-	1,640,612
Aseana Urban Art Foundation	1,001,629	225,514	-	-	1,227,143	-	1,227,143
Cagayan Economic Development	750,000	-	-	-	750,000	-	750,000
Cagayan Valley Bio Energy	538,000	1,500	-	-	539,500	-	539,500
Patriot Log Home Asia, Inc.	2,333	25,483	-	-	27,816	-	27,816
Others	12,051,195	17,227,853	10,937,783	-	18,341,262	-	18,341,262
TOTAL	P 727,082,799	P 126,377,851	P 65,137,964	-	P 788,322,683	-	P 788,322,686

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-B
Schedule A - Financial Assets
December 31, 2018
(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Not Applicable				
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Equity Securities				
Powersource Philippine Distributed Power Holdings, Inc.	Seventy two million four hundred fifty three thousand seven hundred eighty (72,453,780)	P 72,673,425	P 72,673,425	p -
Tagaytay Highland International Golf Club Inc.	One (1)	600,000	600,000	-
Tagaytay Midland Golf Club	One (1)	550,000	550,000	-
Quezon City Sport Club	One (1)	480,000	480,000	-
Alphaland City Club	One (1)	450,000	450,000	-
Philippine Long Distance Telephone Company	One (1)	1,480	1,480	-
Philippine Construction Association	One (1)	1,000	1,000	-
		74,755,905	74,755,905	-
GRAND TOTAL		P 74,755,905	P 74,755,905	P -

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule C - Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

December 31, 2018

(Amounts in Philippine Peso)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Amounts Written-off	Current	Not Current	

Amounts Receivable from Related Parties Eliminated During Consolidation:

Bay Area Holdings, Inc.	P 101,576,397	P 5,488	P -	P -	P 101,581,885	P -	P 101,581,885
Ascana Holdings, Inc.	99,129,745	7,059	154,839	-	98,981,965	-	98,981,965
Boracay International Airport & Dev't Corp.	48,512,061	106,040	-	-	48,618,101	-	48,618,101
Ascana City Transport & Travel Corp.	6,577,125	2,900	2,400	-	6,577,625	-	6,577,625
Fabricom Realty Development Corporation	6,064,061	70,796	-	-	6,134,857	-	6,134,857
R-1 Consortium, Inc.	5,762,383	67,281	-	-	5,829,664	-	5,829,664
Mandaul Land Consortium, Inc.	3,085,948	258,456	-	-	3,344,404	-	3,344,404
Ascana LT Plaza, Inc.	665,101	65,896	-	-	730,997	-	730,997
Ascana Residential Holdings Corp.	633,503	-	633,503	-	-	-	-
SFLP BPF Realty, Inc.	198,514	11,740	7,200	-	203,054	-	203,054
Fortal Holdings, Inc.	-	266,051	56,051	-	210,000	-	210,000
	P 272,204,838	P 861,707	P 853,993	P -	P 272,212,552	-	P 272,212,552

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-E

Schedule D - Intangible/Other Assets

December 31, 2018

(Amounts in Philippine Peso)

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
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Not Applicable

The Group does not have any intangible asset as at December 31, 2018.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-B

Schedule E - Long-term Debt

December 31, 2018

(Amounts in Philippine Pesos)

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current Portion of Long-term Debt" in Related Consolidated Statement of Financial Position	Amount Shown Under Caption "Long-term Debt" in related Consolidated Statement of Financial Position
Bank of the Philippine Islands Loans payable		P 77,200,000	P 511,750,000
BDO Unibank, Inc. Loans payable		374,970,000	-
Security Bank Philippines Loans payable		965,000,000	-
TOTAL		P 1,417,170,000	P 511,750,000

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES

SEC Released Amended SRC Rule 68

Annex 68-B

Schedule F - Indebtedness to Related Parties (Non-current Liabilities)

December 31, 2018

(Amounts in Philippine Pesos)

Name of Related Party	Balance at Beginning of Period	Balance at End of Period	Purpose
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Not Applicable

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2018
(Amounts in Philippine Pesos)

Name of Issuing Entity of Securities Guaranteed by the Company for which This Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which This Statement is Filed	Nature of Guarantee
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Not Applicable

The Group does not have any guarantee as at December 31, 2018.

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
SEC Released Amended SRC Rule 68
Annex 68-E
Schedule H - Capital Stock
December 31, 2018
(Amounts in Philippine Pesos)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Condition Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Related Parties	Directors, Officers and Employees	Others
Common shares, P1.00 Par Value	4,000,000,000	3,395,864,100	-	2,136,554,780	578,881,360	680,427,960

D.M. WENCESLAO & ASSOCIATES, INCORPORATED AND SUBSIDIARIES
Schedule of Financial Indicators for December 31, 2018 and 2017
As required under SRC Rule 68, as amended
For the Years Ended December 31, 2018 and 2017
(Amounts in Philippine Pesos)

	December 31, 2018	December 31, 2017 (As restated)	December 31, 2018	December 31, 2017 (As restated)
I. Current/Equidity ratios				
a. Current Ratio				
Total Current Assets	14,766,421,688	6,817,254,463	1.61	0.75
Total Current Liabilities	9,157,507,402	9,091,206,654		
b. Quick Ratio				
[Cash and Cash Equivalents + Receivables - net]	9,871,737,542	3,668,411,208	1.08	0.40
Total Current Liabilities	9,157,507,402	9,091,206,654		
II. Solvency ratios				
a. Solvency Ratio				
Earnings Before Interest and Taxes	2,578,643,738	2,157,452,697	0.24	0.20
Total Liabilities	10,922,737,201	11,054,887,406		
b. Debt Ratio				
Total Loans and Borrowings	1,928,920,000	2,476,902,945	0.06	0.12
Total Assets	29,788,715,580	20,378,835,899		
c. Debt-to-Equity Ratio				
Total Loans and Borrowings	1,928,920,000	2,476,902,945	0.11	0.29
Total Equity Attributable to Owners of Parent Company	18,197,464,904	8,659,985,866		
III. Asset-to-equity ratio				
Total Assets	29,788,715,580	20,378,835,899	1.64	2.35
Total Equity Attributable to Owners of Parent Company	18,197,464,904	8,659,985,866		
IV. Interest Coverage Ratio				
Earnings Before Interest and Taxes	2,578,643,738	2,157,452,697	27.77	26.23
Interest Costs*	92,858,995	82,236,991		
V. Profitability Ratios				
a. Net Profit Margin				
Net Profit	1,920,796,338	1,557,788,632	0.89	0.56
Revenues	2,152,326,536	2,778,346,392		
b. Gross Profit Margin				
Gross Profit	1,805,540,716	2,338,509,796	0.84	0.84
Revenues	2,152,326,536	2,778,346,392		
c. Return on Equity				
Net profit	1,920,796,338	1,557,788,632	0.14	0.20
Average Equity Attributable to Owners of the Parent Company	13,428,725,385	7,875,695,679		
d. Return on Assets				
Net Profit	1,920,796,338	1,557,788,632	0.08	0.08
Average Total Assets	25,081,275,740	19,179,897,551		

* Interest expense for bank loans plus capitalized borrowing costs.

D.M. Wenceslao & Associates, Incorporated
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards**	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters**	✓		
	Amendments 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: Deletion of Short-term Exemptions**	✓		
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: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation* (effective January 1, 2019)			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* (effective January 1, 2019)			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance**	✓		
	Amendments to PFRS 10: Investment Entities**	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception**	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance**	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation (effective January 1, 2019)			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance**	✓		
	Amendments to PFRS 12: Investment Entities**	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception**	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases* (effective January 1, 2019)			✓
PFRS 17	Insurance Contracts* (effective January 1, 2021)			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	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: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative* (effective January 1, 2017)	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends* (effective January 1, 2019)			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants**	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation**	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans**	✓		
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities**	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception**	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss**	✓		
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture* (effective January 1, 2019)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Reclassification to and from Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - 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 and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Leases**	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments (effective January 1, 2019)			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

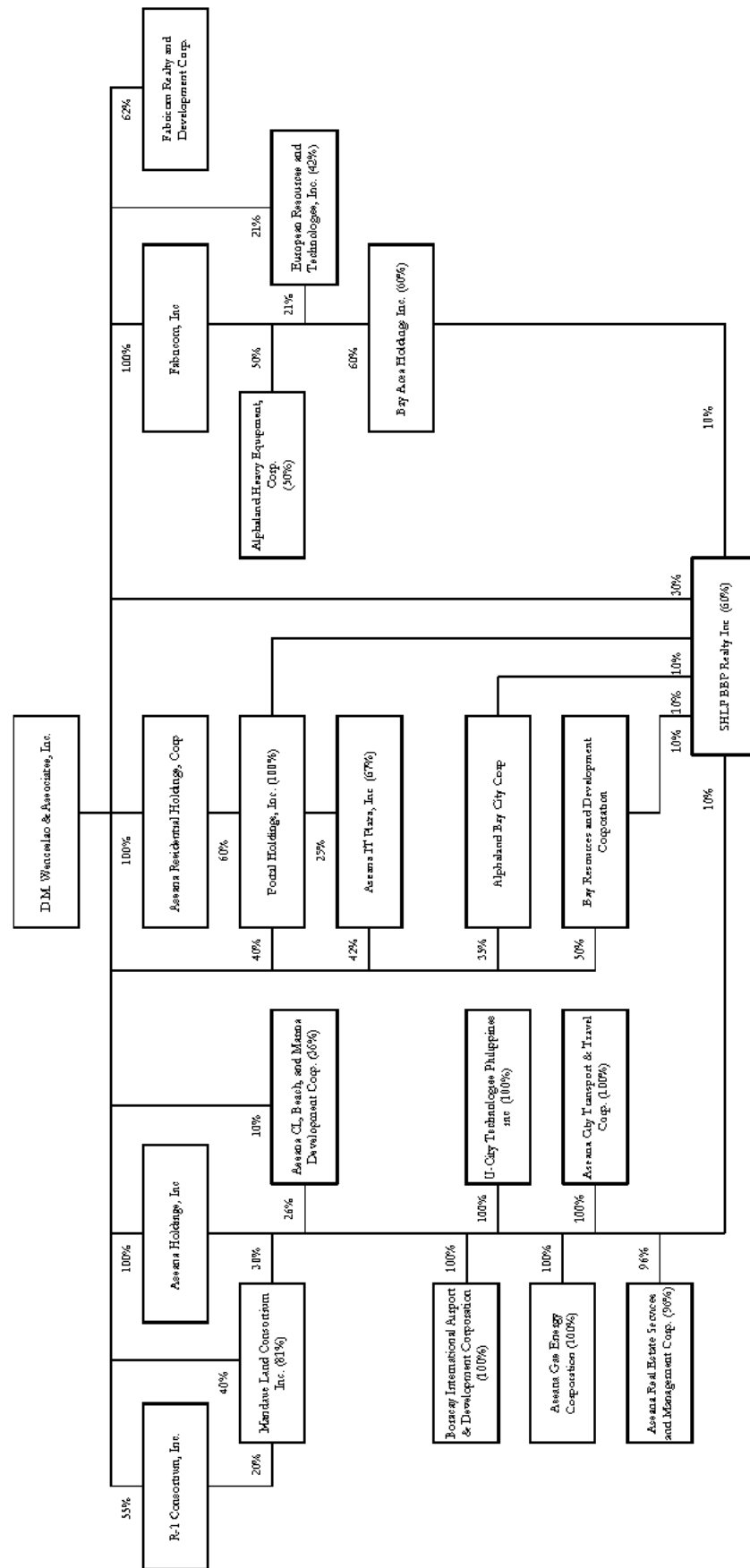
* These standards will be effective for periods subsequent to 2018 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

D. M. WENCESLAO & ASSOCIATES, INCORPORATED
3rd Floor, Aseana Powerstation Building
Pres. Macapagal Avenue, Aseana Business Park, Paranaque City

Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2018

Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year (As Previously Reported)	P	4,408,212,490
Effect of Prior Period Adjustments	(	998,213,862)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year (As Restated)		3,409,998,628
Rent income based on		
Philippine Accounting Standard (PAS) 17, <i>Leases</i>	(	2,298,453,530)
Deferred tax income from deferred tax assets	(	227,211,899)
Revaluation increment on land	(	19,047,893)
Unrealized gross profit on real estate sale	(	8,901,800)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year (As Adjusted)		856,383,506
Net Profit Realized During the Year		
Net profit per audited financial statements		1,525,799,058
Non-actual/unrealized income		
Deferred tax income from deferred tax assets	(	4,824,790)
		1,520,974,268
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	2,377,357,774



Corporate INFORMATION

Our common shares are traded on the Philippine Stock Exchange under the stock ticker symbol DMW.

Investor Relations Office

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Email: iro@dmwai.com

For inquiries about dividend payments, or to report a change of address or lost stock certificate, or to request account information changes, please contact our stock transfer agent:

Stock Transfer Agent

RCBC Stock Transfer Processing Section
9th Floor Yuchengco Tower, RCBC Plaza
6819 Ayala Avenue,
Makati City 1226
Tel: +632 892 4156 / 892 7566
Fax: +632 892 3139

Credits

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