

COVER SHEET

for
**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

SEC Registration Number

A S 9 4 0 0 7 1 6 0

COMPANY NAME

A R T H A L A N D C O R P O R A T I O N A N D S U B S I D I A R I E S

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

7 / F A r t h a l a n d C e n t u r y P a c i f i c T o w e r , 5 t
h A v e n u e c o r n e r 3 0 t h S t r e e t , B o n i f a c i o
G l o b a l C i t y , T a g u i g C i t y

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

—

Company's Telephone Number/s

(02) 403-6910

Mobile Number

—

No. of Stockholders

1,955

Annual Meeting (Month / Day)

Last Friday of June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Ferdinand A. Constantino

Email Address

faconstantino@arthaland.com

Telephone Number/s

(02) 403-6910

Mobile Number

—

CONTACT PERSON'S ADDRESS

7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City, Taguig City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

NOTE 2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.

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

The Management of **ARTHALAND CORPORATION** (the “Parent Company”) and its **Subsidiaries** (collectively, the “Group”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **31 December 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 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.

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

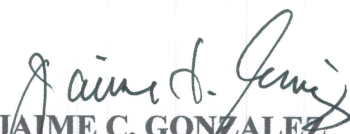
The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this **20th** day of **March 2019**, **Taguig City, Philippines**.



ERNEST K. CUYEGKENG
Chairman of the Board



JAIME C. GONZALEZ
Vice Chairman and President



FERDINAND A. CONSTANTINO
Chief Finance Officer

OATH

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY

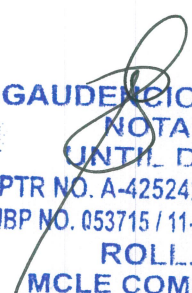
) SS.

I certify that on this **20th** day of **March 2019**, before me, a notary public duly authorized in the city named above to take acknowledgments, personally appeared the following whom I identified through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that they voluntarily affixed their signatures on the instrument for the purpose stated therein, and who declared to me that they executed the instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their principal:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Date/Place of Issue</u>
Ernest K. Cuyegkeng	Passport No. EC3327271	31 January 2015/Manila
Jaime C. Gonzalez	Passport No. P5521740A	05 January 2018/Manila
Ferdinand A. Constantino	Passport No. EC5969532	13 November 2015/NCR South

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

Doc No. 226
Page No. 47;
Book No. 2;
Series of 2019.


GAUDENCIO A. BARBOZA JR.
NOTARY PUBLIC
UNTIL DEC. 31, 2020
PTR NO. A-4252429 / 1-3-19 TAGUIG CITY
IBP NO. 053715 / 11-6-2018 RSM (FOR YR. 2019)
ROLI. NO. 41969
MCLE COMP. V No. 0021481
MAY 2, 2016
APP No.32(2019-2020)

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Arthaland Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2018, 2017 and 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of 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 the audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



Fair Value Measurement

The Group's investment properties amounted to ₱5,901.5 million as at December 31, 2018.

We focused our audit on the determination of the fair value of investment properties because the process involves significant management judgment when selecting the appropriate valuation techniques and inputs used to determine fair value. Moreover, fair value measurement is significant to our audit as the investment properties account for 47.8% of the Group's total assets as at December 31, 2018 (see Notes 3 and 10 to the consolidated financial statements).

We have assessed the independence and competency of the appraiser engaged by the Group. We have also reviewed the reasonableness of the assumptions used to estimate the fair value of the Group's investment properties by: (1) testing the underlying lease agreements on a sample basis, (2) testing raw land's value by comparison with similar properties, and (3) verifying valuation inputs such as yields, occupancy rates and discount rates to external industry data to ascertain if these are reasonably appropriate.

Revenue from Real Estate Sales

For the year ended December 31, 2018, the Group recognized revenue of ₱845.0 million from real estate sales using the percentage of completion (POC) method.

We focused our audit on revenue recognition as significant judgment is required when estimating POC, total project costs and the estimated costs to complete the real estate project that are used to determine POC at the end of the reporting period. In our view, this is significant to our audit as the amount of revenue from real estate sales for the year ended December 31, 2018 is material to the consolidated financial statements (see Notes 3 and 16 to the consolidated financial statements).

We obtained an understanding of the relevant processes and controls over the accounting for customer contracts and project reviews performed by management to be able to come up with estimates. We also obtained and reviewed component auditors' work and reports, reconciled revenue reported at a Group level to supporting documentations on a sample basis, validated estimates of costs to complete, and tested the mathematical accuracy of calculations and adequacy of project accounting.

Other Information

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



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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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, these 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 audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditors' report is Michelle R. Mendoza-Cruz.

REYES TACANDONG & Co.

MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2017

Valid until March 8, 2020

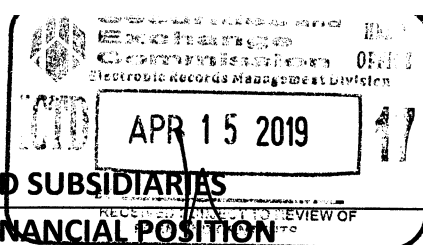
PTR No. 7334342

Issued January 3, 2019, Makati City

March 20, 2019

Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



		December 31	
	Note	2018	2017
ASSETS			
Cash and cash equivalents	6	₱326,679,590	₱721,795,236
Financial assets at fair value through profit or loss (FVPL)	7	154,828,061	387,879,631
Receivables	8	742,932,730	186,274,230
Contract assets	5	785,197,944	–
Real estate for sale	9	3,412,713,425	2,646,731,618
Creditable withholding taxes		259,819,891	253,188,078
Investment properties	10	5,901,514,575	6,457,315,253
Property and equipment	11	237,452,955	39,743,166
Net deferred tax asset	22	16,197,731	61,212,233
Other assets	12	499,128,861	492,672,321
		₱12,336,465,763	₱11,246,811,766
LIABILITIES AND EQUITY			
Liabilities			
Loans payable	13	₱4,169,976,102	₱4,268,892,416
Accounts payable and other liabilities	14	1,655,848,013	702,744,459
Contract liabilities	5	20,385,280	121,712,461
Due to a related party	23	386,666,691	286,666,691
Net retirement liability	20	66,088,998	50,668,546
Net deferred tax liabilities	22	779,222,593	752,508,368
Total Liabilities		7,078,187,677	6,183,192,941
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	15	989,757,136	989,757,136
Additional paid-in capital		2,031,441,541	2,031,441,541
Retained earnings		2,214,144,875	2,085,398,501
Cumulative remeasurement gains on net retirement liability - net of tax	20	18,169,495	7,448,391
Parent Company's preferred shares held by a subsidiary	15	(12,500,000)	(12,500,000)
		5,241,013,047	5,101,545,569
Non-controlling Interests	4	17,265,039	(37,926,744)
Total Equity		5,258,278,086	5,063,618,825
		₱12,336,465,763	₱11,246,811,766

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2018	2017	2016
REVENUES	16			
Real estate sales		₱992,593,844	₱433,964,838	₱439,160,673
Leasing operations		132,436,268	22,997,690	8,103,925
Project management fees		7,439,974	6,576,066	3,810,463
		1,132,470,086	463,538,594	451,075,061
COST OF SALES AND SERVICES				
Cost of real estate sales	9	599,734,444	320,515,983	389,043,136
Cost of leasing operations	10	15,260,471	7,993,692	4,631,402
Cost of services		3,804,324	4,315,726	2,638,279
		618,799,239	332,825,401	396,312,817
GROSS INCOME		513,670,847	130,713,193	54,762,244
OPERATING EXPENSES	17	397,610,494	322,243,222	362,490,179
INCOME (LOSS) FROM OPERATIONS		116,060,353	(191,530,029)	(307,727,935)
NET GAIN ON CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES	10	172,819,094	428,390,699	1,417,865,206
FINANCE COSTS	18	(73,647,288)	(80,663,240)	(80,348,345)
OTHER INCOME - Net	19	339,120,693	67,443,318	147,643,198
INCOME BEFORE INCOME TAX		554,352,852	223,640,748	1,177,432,124
PROVISION FOR INCOME TAX	22	165,735,606	85,240,763	355,015,749
NET INCOME		388,617,246	138,399,985	822,416,375
OTHER COMPREHENSIVE INCOME				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gains on net retirement liability	20	15,315,863	6,323,380	2,902,163
Income tax expense relating to item that will not be reclassified	22	(4,594,759)	(1,897,014)	(870,649)
		10,721,104	4,426,366	2,031,514
TOTAL COMPREHENSIVE INCOME		₱399,338,350	₱142,826,351	₱824,447,889

(Forward)

Years Ended December 31				
	Note	2018	2017	2016
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱333,479,516	₱191,850,580	₱840,225,824
Non-controlling interests	4	55,137,730	(53,450,595)	(17,809,449)
		₱388,617,246	₱138,399,985	₱822,416,375
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱344,200,620	₱196,276,946	₱842,257,338
Non-controlling interests	4	55,137,730	(53,450,595)	(17,809,449)
		₱399,338,350	₱142,826,351	₱824,447,889
EARNINGS PER SHARE - Basic and diluted	25	₱0.0362	₱0.0096	₱0.1514

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	2018	2017	2016
CAPITAL STOCK	15			
Common - at ₱0.18 par value - issued and outstanding		₱957,257,136	₱957,257,136	₱957,257,136
Preferred - at ₱1.00 par value - issued and outstanding		32,500,000	32,500,000	32,500,000
		989,757,136	989,757,136	989,757,136
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		2,031,441,541	2,031,441,541	75,000,000
Issuance of preferred shares	15	—	—	1,980,000,000
Stock issuance costs	15	—	—	(23,558,459)
Balance at end of year		2,031,441,541	2,031,441,541	2,031,441,541
RETAINED EARNINGS				
Balance at beginning of year		2,085,398,501	2,098,281,063	1,258,055,239
Net income for the year		333,479,516	191,850,580	840,225,824
Dividends declared during the year	15	(204,733,142)	(204,733,142)	—
Balance at end of year		2,214,144,875	2,085,398,501	2,098,281,063
CUMULATIVE REMEASUREMENT GAINS ON NET RETIREMENT LIABILITY - Net of tax	20			
Balance at beginning of year		7,448,391	3,022,025	990,511
Remeasurement gains on retirement liability		15,315,863	6,323,380	2,902,163
Income tax expense relating to other comprehensive income for the year		(4,594,759)	(1,897,014)	(870,649)
Balance at end of year		18,169,495	7,448,391	3,022,025
PARENT COMPANY'S PREFERRED SHARES HELD BY A SUBSIDIARY - at cost	15	(12,500,000)	(12,500,000)	(12,500,000)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		5,241,013,047	5,101,545,569	5,110,001,765
NON-CONTROLLING INTERESTS	4			
Balance at beginning of year		(37,926,744)	(414,731)	—
Share in net income (loss) during the year		55,137,730	(53,450,595)	(17,809,449)
Effect of consolidation of Arcosouth Development Inc. (Arcosouth)	3	54,053	—	—
Subscription to a subsidiary		—	15,938,582	17,394,718
Balance at end of year		17,265,039	(37,926,744)	(414,731)
		₱5,258,278,086	₱5,063,618,825	₱5,109,587,034

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱554,352,852	₱223,640,748	₱1,177,432,124
Adjustments for:				
Gain on settlement of loans payable	13	(319,553,431)	–	–
Net gain on change in fair value of investment properties	10	(172,819,094)	(428,390,699)	(1,417,865,206)
Interest expense	13	72,872,660	77,918,542	79,540,215
Retirement expense	20	35,736,315	9,747,561	9,345,010
Depreciation and amortization	11	15,449,610	9,330,955	8,214,176
Realized gain on disposals of financial assets at FVPL	7	(14,190,431)	(37,576,414)	(17,310,183)
Loss on disposal of investment properties	10	8,334,033	–	–
Unrealized holding (gains) loss on financial assets at FVPL	7	6,385,529	(1,874,352)	(5,856,676)
Interest income	6	(6,088,906)	(14,245,251)	(10,692,204)
Amortization of initial direct leasing costs	10	1,126,823	249,952	–
Foreign exchange gains	19	(906,754)	(83,998)	(600,156)
“Day 1” gain on loan discounting	13	–	(2,907,783)	(80,883,656)
Loss (gain) on sale of property and equipment	11	–	475,131	(185,888)
Operating income (loss) before working capital changes		180,699,206	(163,715,608)	(258,862,444)
Decrease (increase) in:				
Receivables		(556,576,406)	115,652,434	1,530,025,607
Contract assets		(785,197,944)	–	–
Real estate for sale		(423,556,692)	(888,977,768)	(179,886,377)
Other assets		(6,456,540)	(307,844,233)	5,800,990
Increase (decrease) in:				
Accounts payable and other liabilities		240,318,176	19,945,138	(460,884,204)
Contract liabilities		(101,327,181)	(100,425,968)	(21,286,493)
Net cash generated from (used for) operations		(1,452,097,381)	(1,325,366,005)	614,907,079
Interest paid		(174,354,580)	(118,691,181)	(81,791,916)
Income taxes paid		(103,536,471)	(35,305,720)	(107,942,444)
Interest received		6,006,812	13,408,173	10,692,204
Contribution to retirement plan assets	20	(5,000,000)	–	–
Net cash provided by (used in) operating activities		(₱1,728,981,620)	(₱1,465,954,733)	₱435,864,923

(Forward)

Years Ended December 31				
	Note	2018	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of:				
Financial assets at FVPL		₱1,507,648,191	₱2,611,246,414	₱3,475,401,873
Investment properties		20,462,000	–	6,630,000
Property and equipment		623,878	1,173,957	2,101,160
Additions to:				
Financial assets at FVPL	7	(1,266,791,719)	(909,600,000)	(4,769,675,068)
Investment properties	10	(486,818,962)	(1,422,318,493)	(1,043,245,128)
Property and equipment	11	(36,917,708)	(30,651,541)	(12,999,058)
Net cash provided by (used in) investing activities		(261,794,320)	249,850,337	(2,341,786,221)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from:				
Loans payable	13	1,846,036,912	2,050,662,463	2,386,606,892
Due to a related party	23	100,000,000	36,876,855	249,789,836
Issuance of preferred shares		–	–	1,976,441,541
Payment of dividends	15	(204,273,545)	(204,884,469)	–
Payments of loans payable	13	(152,000,000)	(951,520,000)	(2,338,783,409)
Subscription of non-controlling interest		–	15,938,582	17,394,718
Net cash provided by financing activities		1,589,763,367	947,073,431	2,291,449,578
EFFECT OF CONSOLIDATION OF ARCOSOUTH		4,990,173	–	–
NET EFFECT OF EXCHANGE RATE CHANGES TO CASH AND CASH EQUIVALENTS		906,754	83,998	600,156
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(395,115,646)	(268,946,967)	386,128,436
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		721,795,236	990,742,203	604,613,767
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	₱326,679,590	₱721,795,236	₱990,742,203

(Forward)

Years Ended December 31				
	Note	2018	2017	2016
COMPONENTS OF CASH AND CASH EQUIVALENTS				
	6			
Cash on hand		₱80,000	₱35,000	₱30,000
Cash in banks		46,526,688	70,690,170	34,869,125
Cash equivalents		280,072,902	651,070,066	955,843,078
		₱326,679,590	₱721,795,236	₱990,742,203
NONCASH FINANCIAL INFORMATION:				
Settlement of loans payable through dacion en pago	13	₱1,847,539,634	₱—	₱—
Recognition of property of Arcosouth	3	490,983,477	—	—
Transfer of raw land and asset under construction from “Real estate for sale” account to “Investment properties” account	9	216,890,959	1,092,000	45,019,935
Transfer of construction in progress from “Investment properties” account to “Property and equipment” account	10	176,865,569	—	—
Capitalized borrowing costs	13	172,826,857	104,822,854	54,581,665
Acquisition of real estate for sale asset on account		—	—	314,332,750

See accompanying Notes to Consolidated Financial Statements.

ARTHALAND CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

Corporate Information

Arthaland Corporation (the Parent Company or ALCO) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 10, 1994. ALCO's common shares and Series B preferred shares are listed for trading in the Philippine Stock Exchange (PSE). The Parent Company is primarily engaged in real estate development and leasing.

The Parent Company is currently 40.3% owned by CPG Holdings, Inc. (CPG), a holding company incorporated in the Philippines, and 26.0% owned by AO Capital Holdings 1, Inc. (AOCH1), a holding company also incorporated in the Philippines.

In December 2016, the Parent Company made a follow-on offering of 20.0 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated perpetual Series B preferred shares at ₱1.00 par value a share at the issuance price of ₱100 a share (see Note 15).

The new registered office and principal place of business of the Parent Company is 7/F Arthaland Century Pacific Tower, 5th Avenue corner 30th Street, Bonifacio Global City (BGC), Taguig City, Philippines, upon SEC's approval of the amendment of its Articles of Incorporation on September 4, 2018.

Composition of the Group

The consolidated financial statements include the Parent Company and the following subsidiaries (collectively referred herein as "the Group"):

Subsidiary	Place of Incorporation	Effective % of Ownership	
		2018	2017
Cazneau, Inc. (Cazneau)	Philippines	100%	100%
Emera Property Management, Inc. (EPMI)	Philippines	100%	100%
Manchesterland Properties, Inc. (MPI)	Philippines	100%	100%
Savya Land Development Corporation (SLDC)	Philippines	100%	100%
Urban Property Holdings, Inc. (UPHI)	Philippines	100%	100%
Zileya Land Development Corporation (ZLDC)	Philippines	100%	100%
Cebu Lavana Land Corp. (CLLC)	Philippines	60%	60%

All of the subsidiaries were established to engage primarily in real estate development and presently hold parcels of land for future development, except for EPMI which is a property management company, and Cazneau and MPI which are engaged in leasing of properties.

In 2017, the Parent Company subscribed to 100% shares of SLDC. SLDC was registered with the SEC on February 10, 2017 to engage primarily in real estate development.

Major Projects

The Parent Company's first major development project is the Arya Residences Towers 1 and 2 (Arya Residences) located in BGC, Taguig City. Arya Residences is the first top-market condominium development in the Philippines to be awarded the US Green Building Council's (USGBC) Leadership in Energy and Environmental Design (LEED) program Gold certification and a 4-star rating from the Philippine Green Building Council's (PHILGBC) Building for Ecologically Responsive Design Excellence (BERDE) program. Arya Residences was completed on December 31, 2016.

In 2014, the Parent Company started the construction of Arthaland Century Pacific Tower (ACPT), ALCO's flagship office project, which is set to be BGC's landmark of sustainability. This 30-storey AAA-grade office building located along the prime 5th Avenue is designed by SOM New York, the same group that penned the One World Trade Center and Burj Khalifa in Dubai. ACPT secured the LEED Platinum and BERDE 5-star certification in 2018. ACPT became the first office building in the Philippines to secure the dual certification of the highest rating from USGBC LEED as Platinum and PHILGBC's BERDE as 5-star rated. ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise (see Note 22) and was completed in the 1st quarter of 2019.

In 2016, CLLC commenced the development of Cebu Exchange Project (Cebu Exchange), a 38-storey office building that will be developed in Barangay Lahug, Cebu City. Cebu Exchange has been pre-certified for LEED and is aiming to get the Gold certification. Similarly, the project is also targeting to secure a multiple star certification from the BERDE rating system of the PHILGBC. Besides being designed to be a world-class workplace, Cebu Exchange is envisioned to be a complete ecosystem, with four retail floors for the convenience of its occupants. With a gross floor area of 110,000 square meters (sqm), Cebu Exchange boasts of being the largest green building in the country. The construction of Cebu Exchange commenced in the second quarter of 2018 and is expected to be completed in 2021.

In 2018, Cazneau started the construction of the first phase of an integrated community project in an eight-hectare property in Laguna. The initial development called Courtyard Hall is a campus-type or dormitory-type residential community, which is expected to be completed in 2019 (see Note 10). This project will be catering to start-ups, incubators, students, faculty population and starter families within the area. The entire project is expected to be completed in 2023.

In February 2019, SLDC launched the development of Savya Financial Center. This project is composed of two towers with a gross floor area of 59,900 sqm which will be developed in Arca South, Taguig City. The project is expected to be completed in 2021.

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issue by the BOD on March 20, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), the Group's functional and presentation currency. All values are stated in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at FVPL and investment properties, which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or fair value consideration received in exchange for incurring liability.

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group (working closely with external qualified valuers) using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Further information about assumptions made in measuring fair values is included in the following:

- Note 3 - Significant Judgments, Accounting Estimates and Assumptions
- Note 7 - Financial Assets at FVPL
- Note 10 - Investment Properties
- Note 27 - Fair Value Measurement

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

The Group has applied the requirements of PFRS 9 retrospectively.

The Group has performed an assessment and determined the following impact of PFRS 9 on its financial instruments:

Classification and Measurement. Based on the Group's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as of January 1, 2018, the Group has concluded that all of its financial assets and financial liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified under PFRS 9.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Group's financial assets:

		Classification under PFRS 9	
	Classification under PAS 39	Financial assets at amortized cost	Financial assets at FVPL
Cash and cash equivalents	Loans and receivables	₱721,795,236	₱—
Financial assets at FVPL	Held for trading	—	387,879,631
Receivables*	Loans and receivables	65,029,531	—
Deposits	Loans and receivables	66,444,390	—
Amounts held in escrow	Loans and receivables	20,096,757	—
Investment in time deposits	Loans and receivables	19,972,000	—
		₱893,337,914	₱387,879,631

*Excludes advances for project development and accrued rent under straight-line basis of accounting aggregating ₱121.2 million as at December 31, 2017.

There are no changes in classification and measurement for the Group's financial liabilities.

The application of the classification and measurement requirements under PFRS 9 did not materially affect the carrying amounts of the Group's financial instruments.

Impairment. The new impairment requirements do not result to additional provision for impairment with respect to trade receivables from sale of real estate because the credit exposure arising from these financial assets was mitigated by the Group's policy that title should transfer only upon full payment by the buyer and the Group can take possession of the subject property in case the buyer fails to pay the outstanding balance.

For trade receivables and contract assets, the Group applies the simplified approach in measuring ECL. This approach does not track changes in credit risk, but instead recognize an allowance for impairment losses based on lifetime ECL.

While cash in banks and cash equivalents, deposits, amounts held in escrow and investment in time deposits are subject to the impairment requirements of PFRS 9, the resulting impairment loss is not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.

For other financial assets at amortized cost which mainly comprise related party transactions, the PFRS 9 impairment requirements do not result in significant ECL. In performing the assessment, the Group considered the available liquid assets of the related parties.

Hedging. The Group does not have transactions that will require the use of hedge accounting.

There is no material impact on the basic and diluted earnings per share as a result of the Group's adoption of PFRS 9.

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaced PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

The following are the related literature issued subsequent to the adoption of PFRS 15:

- Philippine Interpretations Committee (PIC) Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* – The interpretation addresses some implementation issues affecting real estate industry due to changes brought about by the adoption of PFRS 15.
- SEC Memorandum Circular No. 14, Series of 2018, *PIC Q&A 2018-12 Implementation Issues Affecting the Real Estate Industry* – The circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage of completion (POC), for a period of three (3) years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.
- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

The Group adopted PFRS 15 using the retrospective approach but deferred the application of the provisions of PIC Q&A No. 2018-12.

Upon adoption of PFRS 15, the Group recognized contract assets amounting to ₱785.2 million and nil as at December 31, 2018 and 2017, respectively, representing consideration earned but is conditional upon successful completion of the related real estate project (see Note 5). Contract assets are measured as the excess of cumulative revenues from real estate sales over total collections received from buyers.

The Group also recognized contract liabilities amounting to ₱20.4 million and ₱121.7 million as at December 31, 2018 and 2017, respectively, representing consideration received but is conditional upon performance of the Group's obligations under its real estate contracts (see Note 5). Contract liabilities are measured as the excess of total collections received from buyers over cumulative revenues from real estate sales.

Had the Group opted to adopt in full the guidance provided in PIC Q&A 2018-12, there would have been a decrease in revenue from real estate sales because of lower POC rate. Moreover, the Group may have to recognize interest expense (income) if the buyers' payments are higher (lower) than the POC rate.

PFRS 15 did not have a significant impact on the Group's other revenue streams.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of the amendments to PFRS 40 and Philippine Interpretation IFRIC 22 did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases*, and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Group's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. However, the Group's non-cancellable operating lease, in which the Group acted as a lessee, has ceased in 2018 (see Note 21). Thus, the Group does not have to recognize right-of-use asset (ROU) and a corresponding liability in respect of this lease. Moreover, the Group will opt not to apply the requirements to recognize ROU and finance liability for leases with terms of one year or less and leases for which the underlying asset is of low value. The Group acts as a lessor in other non-cancellable operating leases as at December 31, 2018. Accordingly, PFRS 16 will not have a significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

Basis of Consolidation

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

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

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

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Group retains interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at fair value through other comprehensive income (FVOCI) depending on the level of influence retained.

Non-controlling interest represents the portion of profit or loss and net assets not held by the Parent Company and is presented separately in the Group's consolidated statements of comprehensive income and within equity in the Group's consolidated statements of financial position, separate from equity attributable to equity holders of the Parent Company, respectively.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss.

In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

As at December 31, 2018, the Group does not have financial assets at FVOCI and financial liabilities at FVPL.

Financial Assets at FVPL. Financial assets at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these asset.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

The Group classified its investment in money market fund under this category (see Note 7). The Group does not have financial liabilities at FVPL.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 and 2017, the Group’s cash and cash equivalents, receivables (excluding advances for project development and accrued rent under straight-line basis of accounting), deposits, amounts held in escrow and investment in time deposits are classified under this category (see Notes 6, 8, and 12).

Cash and cash equivalents comprise cash on hand, demand deposits with banks and short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value and which have a maturity of three (3) months or less at acquisition.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2018 and 2017, the Group's loans payable, accounts payable and other liabilities (excluding statutory liabilities, advance rent and payable to buyers) and due to a related party are classified under this category (see Notes 13, 14 and 23).

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for ECL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables and contract assets, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

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

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

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

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Classification of Assets and Liabilities between Current and Noncurrent

The Group presents current and noncurrent asset, and current and noncurrent liabilities in the notes to consolidated financial statements.

Current Assets. The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within 12 months after the reporting period; or
- The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Otherwise, the Group will classify all other assets as noncurrent.

Current Liabilities. The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within 12 months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Group will classify all other liabilities as noncurrent.

Cost to Obtain a Contract with a Customer

The Group recognizes an asset for the incremental cost of obtaining a contract with a customer if the Group expects to recover those costs. Otherwise, those costs are recognized as expense when incurred. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract such as, but not limited to, sales commissions paid to sales agents and nonrefundable direct taxes incurred in obtaining a contract.

Contract Balances

Contract Assets. A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than a passage of time. If the Group transferred goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for that earned consideration that is conditional. Contract assets are reclassified to receivables from sale of real estate upon completion of the performance obligation. Contract assets pertain to unbilled receivables from sale of office units which is computed based on POC.

Receivables from Sale of Real Estate. A receivable from sale of real estate represents the Group's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Contract Liabilities. A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Group performs under the contract.

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Real Estate for Sale

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

Cost includes acquisition cost plus any other directly attributable costs of developing the asset to its saleable condition and costs of improving the properties up to the reporting date. Directly attributable costs include amounts paid to contractors, borrowing costs, planning and designing costs, costs of site preparation and construction overheads.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less estimated costs to complete and the estimated costs to sell. NRV in respect of land under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less an estimate of the time value of money to the date of completion.

Borrowing Costs

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

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. When borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

The Group uses fair value model for the accounting for its investment properties. Under this method, investment properties are initially measured at cost but are subsequently remeasured at fair value at each reporting date, which reflects market conditions at the reporting date. Cost comprises the purchase price and any directly attributable costs in developing and improving the properties. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The fair value of investment properties is determined using market data approach and income approach by an independent real estate appraiser. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. For the purposes of these consolidated financial statements, in order to avoid double counting, the fair value reported in the consolidated financial statements is reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and minimum lease payments.

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

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

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and accumulated impairment losses.

The initial cost of property and equipment consists of the purchase price, including import duties, borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

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

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Leasehold improvements	3 to 5 or lease term, whichever is shorter
Transportation equipment	3 to 5
Office equipment	3 to 5
Furniture and fixtures	3
Building and building improvements	5

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

Fully-depreciated assets are retained in the account until they are no longer in use and no further change for depreciation is made in respect to those assets.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in profit or loss in the year the asset is derecognized.

Other Assets

Other assets include value-added tax (VAT), prepayments, deposits, amounts held in escrow, investment in time deposits and materials and supplies.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT except where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other assets" or "Accounts payable and other liabilities" accounts, respectively, in the consolidated statements of financial position.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Group of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Materials and Supplies. The Group recorded as assets several excess construction materials and supplies from the completed construction of its projects. Materials and supplies are stated at lower of cost and NRV.

Deposits, amounts held in escrow and investment in time deposits qualify as financial assets.

Creditable Withholding Taxes (CWT)

CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's net recoverable amount is estimated.

Any impairment loss is recognized if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its net recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The net recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized.

Advance Rent

Advance rent are initially recognized at the value of cash received, and will generally be applied as lease payments to the immediately succeeding months or in the last three (3) months of the lease term.

Payable to Buyers

Payable to buyers consist of amounts received by the Group from its tenants as reservation fee for lease of ACPT and Arya Residences. These are recorded at face amount in the consolidated statements of financial position. Reservation fees for the lease of ACPT will be applied as security deposits upon execution of the lease contracts.

Capital Stock

Common Stock. Common stock is measured at par value for all shares issued.

Preferred Stock. The Group's preferred stocks are cumulative, nonvoting, nonparticipating and nonconvertible. Preferred stock is classified as equity if this is nonredeemable, or redeemable only at the Group's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred stock is classified as a liability if this is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

Additional Paid-in Capital

Additional paid-in capital is the proceeds and/or fair value of considerations received in excess of par value of the subscribed capital stock. Incremental costs incurred directly attributable to the issuance of new shares are recognized as deduction from equity, net of any tax. Otherwise, these are recognized as expense in profit or loss.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and prior period adjustments.

Other Comprehensive Income

Other component of equity comprises items of income and expense that are not recognized in profit or loss for the year. Other comprehensive income pertains to cumulative remeasurement gains on net retirement liability.

Parent Company's Shares Held by a Subsidiary

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

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to common equity holders of the Parent Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of any potentially dilutive convertible securities.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer in an amount that reflects the consideration to which the Group expected to be entitled in exchange for those goods and services.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

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

Revenue from Real Estate Sales. Revenue from the sale of completed real estate project is accounted for using the full accrual method in which revenue is recognized at a point in time when control is transferred to a customer. The Group transfers control of real estate for sale under pre-completion contracts over time and, therefore, satisfies the performance obligations under the contract and recognizes revenue over time.

The Group considers a contract to sell as a valid revenue contract. The Group also assess the probability that it will collect the consideration under the contract prior to recognizing revenue. This assessment is based on the customer's ability and intention to pay the amount of consideration when it is due. If any of the above criteria is not met, the deposit method is applied until all the conditions for recognizing revenue are met.

The Group recognizes revenue from real estate sales under pre-completion contracts based on POC using the input method in which revenue is recognized on the basis of costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

The Group opted to defer the application guidelines of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the computation of POC for a period of three (3) years.

Accordingly, the consideration is not adjusted for the effects of the time value of money and the total cost incurred and total estimated cost to complete including the cost of land.

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

Leasing Revenue. Leasing revenue consists of rent income and common use service area (CUSA) fees. Rent income arising from operating leases on investment properties is recognized on a straight-line basis over the lease terms, except for contingent rental income, which is recognized in the period that it arises. Tenant lease incentives are recognized as a reduction of rental income on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management is reasonably certain that the tenant will exercise that option. CUSA fees are recognized as income once earned. These are charged monthly and are based on the lessee's proportionate share on the common areas.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in profit or loss when the right to receive those amounts arises.

Project Management Fees. Revenue is recognized in profit or loss when the related services are rendered.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Income from other sources is recognized when earned during the period.

Cost and Expenses Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Cost of Real Estate Sales. Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

Cost of Services. Cost of services, which constitute direct cost incurred in relation to the operation of ACPT and personnel cost in relation to project management and development services, MPI's commercial units, and EPMI's provision of property management services is recognized as expense when services are rendered.

Operating Expenses. Operating expenses constitute cost of administering the business and cost of selling and marketing condominium units for sale. It includes commissions, marketing and selling expenses and other operating expenses, among others. Operating expenses are recognized as incurred.

Finance Costs. Finance costs are recognized in profit or loss using the effective interest method.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Group as a Lessor. Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as revenue in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as income in the period they are earned.

Group as a Lessee. Leases where all the risks and rewards and benefits of ownership of the assets are not substantially transferred to the Group are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

Employee Benefits

Short-term Benefits. The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Group has a funded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements, and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes restructuring-related costs.

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

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the retirement liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The net retirement asset (liability) is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets against which the obligations are to be settled directly, adjusted for any effect of asset ceiling. The present value of the retirement obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. The asset ceiling is the present value of future economic benefits available in the form of refunds from the plan or reductions in future contribution to the plan.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Foreign Currency - Denominated Transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at reporting date. Resulting exchange differences arising on the settlement of or on translating such monetary assets and liabilities are recognized in profit or loss.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market.

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 includes: (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; and (c) individuals owning, directly or indirectly, an interest in the voting power of the investee that gives them significant influence over the investee and close members of the family of any such individual.

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products and serves different markets. Financial information on the Group's business segments is presented in Note 29 to the consolidated financial statements.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Events After 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 are disclosed in the notes to consolidated financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The accounting estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments

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

Determining Functional Currency. Based on management's assessment, the functional currency of the Group has been determined to be Peso. Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the operations of the Group.

Classifying Financial Instruments. The Group exercises judgment in classifying financial instruments in accordance with PFRS 9. The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the Group's business model and its contractual cash flow characteristics and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

Determining Control or Joint Control over an Investee Company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group has determined that by virtue of the Parent Company's majority ownership of voting rights in its subsidiaries as at December 31, 2018 and 2017, it has the ability to exercise control over these investees.

Recognizing Property of Arcosouth Development Inc. (Arcosouth) under Real Estate for Sale. In March 2018, the Parent Company and the Principal Stockholder of Arcosouth (collectively referred to as the Parties) entered into an agreement (the Agreement) to jointly develop the adjacent lots (the Property) of SLDC and Arcosouth aggregating 5,991 square meters located in Arca South, Taguig City. The Parties agreed, among others, (a) to have a 50:50 sharing between the Parties in the equity of SLDC; (b) to merge SLDC and Arcosouth into a single corporation, with SLDC as the surviving entity; (c) the Parent Company shall be responsible for day-to-day management of SLDC; (d) the Parent Company shall be entitled to appoint three out of five BOD members; (e) the Parent Company shall nominate the Chairman of SLDC's BOD and the Stockholder of Arcosouth agreed to vote for the person nominated by the Parent Company; and (f) the Parent Company shall be entitled to appoint the President, Chief Finance Officer and Corporate Secretary of SLDC.

The merger of SLDC and Arcosouth were approved on September 19, 2018 by the BOD and the stockholders of SLDC. The approval of the Merger is pending with the SEC. However, SLDC started to develop Savya Financial Center on the Property (see Note 1).

Management assessed that the Group has control over the property of Arcosouth considering the rights arising from its contractual agreement with the shareholders of Arcosouth and the planned merger. Accordingly, the Group's consolidated financial statements include the property of Arcosouth as at December 31, 2018.

Determining Revenue and Cost Recognition. Selecting an appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development.

The Group recognizes revenue over time if one of the following criteria is met:

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

The Group concluded that real estate for sale of office units of Cebu Exchange is recognized over time. The Group also determined that the input method is the appropriate method in measuring the POC of Cebu Exchange. Under POC, the Group satisfies its performance obligation to deliver a portion of the property to the customer over time. The input method is based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred. Changes in estimates may affect the reported amounts of revenue, cost of real estate sales, contract assets and contract liabilities. On the other hand, revenue from sale of condominium units of Arya Residences is recognized at a point in time when control is transferred.

Revenue from real estate sales of Cebu Exchange amounted to ₱845.0 million in 2018 and nil in 2017 and 2016. Revenue from real estate sales of Arya Residences amounted to ₱147.6 million in 2018, ₱434.0 million in 2017 and ₱439.2 million in 2016 (see Note 16). Cost of real estate sales amounted to ₱599.7 million in 2018, ₱320.5 million in 2017 and ₱389.0 million in 2016 (see Note 9).

Classifying Real Estate for Sale, Investment Properties and Property and Equipment. The Group determines whether a property qualifies as a real estate for sale, an investment property or an item of property and equipment. In making its judgment, the Group considers whether the property is held for sale in the ordinary course of business, held primarily to earn rentals or capital appreciation or both or used for operations and administrative purposes by the Group.

Real estate for sale amounted to ₱3,412.7 million and ₱2,646.7 million as at December 31, 2018 and 2017, respectively (see Note 9). Investment properties amounted to ₱5,901.5 million and ₱6,457.3 million as at December 31, 2018 and 2017, respectively (see Note 10). Property and equipment amounted to ₱237.5 million and ₱39.7 million as at December 31, 2018 and 2017, respectively (see Note 11).

Determining Highest and Best Use of Investment Properties. The Group determines the highest and best use of its investment properties when measuring fair value. In making its judgment, the Group takes into account the use of the investment properties that is physically possible, legally permissible and financially feasible. The Group has determined that the highest and best use of the investment properties is their current use.

Investment properties amounted to ₱5,901.5 million and ₱6,457.3 million as at December 31, 2018 and 2017, respectively (see Note 10).

Determining Lease Commitments - Group as Lessor. The Group entered into various lease contracts for its office units in ACPT, commercial units in Arya Residences and Courtyard Hall in Laguna. The Group has determined that the risks and benefits of ownership related to the leased properties are retained by the Group. Accordingly, the leases are accounted for as operating leases.

Revenue from leasing operations recognized from these operating leases amounted to ₱132.4 million in 2018, ₱23.0 million in 2017 and ₱8.1 million in 2016 (see Note 21).

Determining Lease Commitment - Group as Lessee. The Group entered into a property lease as a lessee for its office space until October 2018. The Group has determined that the risks and benefits of ownership related to the leased property is retained by the lessor. Accordingly, the lease is accounted for as operating lease.

Rent expense amounted to ₱14.5 million in 2018, ₱13.9 million in 2017 and ₱10.4 million in 2016 (see Note 21).

Estimates and Assumptions

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

Recognizing Revenue and Cost of Real Estate Sales. The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and cost. Revenue and cost of sale of real estate of Cebu Exchange recognized based on POC are measured principally based on the costs incurred up until the end of the reporting period at a proportion of total costs expected to be incurred.

Revenue from real estate sales of Cebu Exchange amounted to ₱845.0 million in 2018 and nil in 2017 and 2016. Cost of real estate sales amounted to ₱553.2 million in 2018.

Estimating Fair Value of Investment Properties. Investment properties are measured at fair values. The Group works closely with external qualified valuers who performed the valuation using appropriate valuation techniques. The Group estimates expected future cash flows yields, occupancy rates and discount rates. The valuation techniques and inputs used in the fair value measurement of investment properties are disclosed in Note 10 to the consolidated financial statements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the investment properties and the level of the fair value hierarchy.

Investment properties amounted to ₱5,901.5 million and ₱6,457.3 million as at December 31, 2018 and 2017, respectively (see Note 10).

Determining NRV of Real Estate for Sale. Real estate for sale is stated at lower of cost or NRV. NRV for completed real estate for sale is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate assets under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

No provision for inventory obsolescence was recognized in 2018, 2017 and 2016. The carrying amount of real estate for sale amounted to ₱3,412.7 million and ₱2,646.7 million as at December 31, 2018 and 2017, respectively (see Note 9).

Assessing ECL on Trade Receivables and Contract Assets. The Group initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The Group then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates if forecasted economic conditions such as gross domestic product are expected to deteriorate which can lead to increased number of defaults in the real estate industry. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the correlation between historical default rates and forecasted economic conditions is a significant estimate. Accordingly, the provision for ECL of receivable from real estate sales is sensitive to changes in assumptions about forecasted economic conditions.

The Group's exposure to risk of default is mitigated by the requirement that title to real estate for sale is transferred to the buyer only upon full payment of the contract price.

No provision for ECL was recognized in 2018, 2017 and 2016. The Group's trade receivables and contract assets aggregated ₱897.2 million and ₱6.8 million as at December 31, 2018 and 2017, respectively (see Note 8).

Assessing ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade
- existing or forecasted adverse changes in business, financial or economic conditions
- actual or expected significant adverse changes in the operating results of the borrower
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

No provision for ECL was recognized in 2018, 2017 and 2016. The Group's cash and cash equivalents, due from related parties, receivable from non-affiliated entity, advances to employees, interest receivable, other receivables, deposits, amounts held in escrow and investment in time deposits aggregated ₱536.3 million and ₱886.9 million as at December 31, 2018 and 2017, respectively (see Notes 6, 8 and 12).

Estimating Useful Lives of Property and Equipment. The Group reviews annually the estimated useful lives of property and equipment based on expected asset's utilization, market demands and future technological development. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment.

There were no changes in the estimated useful lives of property and equipment during 2018, 2017 and 2016. The carrying amount of property and equipment amounted to ₱237.5 million and ₱39.7 million as at December 31, 2018 and 2017, respectively (see Note 11).

Assessing Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing whether there is any indication that an asset may be impaired, the Group considers the external and internal sources of information. External sources of information include but are not limited to unexpected significant decline in market value and any other significant changes with an adverse effect on the Group, whether it had taken place during period or will take place in the near future in the market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated. Internal sources of information include evidence of obsolescence or physical damage on an asset, significant changes with an adverse effect on the Group whether it had taken place during the period, or are expected to take place in the near future, to the extent to which, or in a manner in which, an asset is used or is expected to be used, and any other evidence that indicates that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Value in use is determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

No provision for impairment loss on nonfinancial assets was recognized in 2018, 2017 and 2016.

The carrying amounts of nonfinancial assets are as follows:

Asset Type	Note	2018	2017
Advances for project development*	8	₱506,468,951	₱100,270,487
Accrued rent receivable*	8	51,961,813	20,974,212
CWT		259,819,891	253,188,078
Property and equipment	11	237,452,955	39,743,166
Other assets**	12	362,343,290	386,159,174

*presented under "receivables" account.

**excluding deposits, amounts held for escrow and investment in time deposits aggregating ₱136.8 million and ₱106.5 million as at December 31, 2018 and 2017, respectively.

Estimating Retirement Expense. The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 20 to the consolidated financial statements and include among others, discount rate and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect net retirement liability.

Net retirement liability amounted to ₱66.1 million and ₱50.7 million as at December 31, 2018 and 2017 (see Note 20).

Assessing Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the following periods. Based on the projection, not all future deductible temporary differences will be realized, therefore, only a portion of deferred tax assets was recognized.

The carrying amount of recognized deferred tax assets amounted to ₱94.5 million and ₱85.7 million as at December 31, 2018 and 2017, respectively. Unrecognized deferred tax assets amounted to ₱3.7 million and ₱3.6 million as at December 31, 2018 and 2017, respectively, as management assessed that these may not be realized in the future (see Note 22).

Assessing Provisions and Contingencies. The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings.

4. Material Non-controlling Interests

The Group's non-controlling interests amounting to ₱17.3 million in 2018 and (₱37.9 million) in 2017 mainly pertain to the 40% non-controlling interests in CLLC. The net income (loss) of CLLC allocated to non-controlling interests amounting to ₱55.1 million in 2018, (₱53.5 million) in 2017 and (₱17.8 million) in 2016 is distributed based on the Parent Company's profit sharing agreement of 50:50 with Rock & Salt B.V.

The summarized financial information of CLLC, before intercompany eliminations, as at and for the year ended December 31, 2018, 2017 and 2016 follows:

	2018	2017	2016
Current assets	₱2,865,334,534	₱1,398,361,844	₱1,100,970,490
Noncurrent assets	40,704,383	76,414,030	15,289,199
Current liabilities	(1,568,748,542)	(885,380,958)	(308,354,807)
Noncurrent liability	(1,287,620,000)	(650,000,000)	(810,290,234)
Net asset (liability)	₱49,670,375	(₱60,605,084)	(₱2,385,352)

	2018	2017	2016
Revenue	₱844,954,725	₱—	₱—
Expenses	(693,371,617)	(166,614,114)	(39,459,857)
Income (loss) before income tax	151,583,108	(166,614,114)	(39,459,857)
Other income – net	5,007,751	1,669,588	672,059
(Provision for) benefit from income tax	(46,315,400)	49,563,596	11,648,638
Net income (loss)	110,275,459	(115,380,930)	(27,139,160)
Other comprehensive income	—	—	—
Total comprehensive income (loss)	₱110,275,459	(₱115,380,930)	(₱27,139,160)

	2018	2017	2016
Cash flows from (used in):			
Operating activities	(P946,673,203)	(P394,817,385)	(P317,959,540)
Investing activities	(15,266,432)	(15,381,620)	(6,389)
Financing activities	862,479,332	440,502,235	438,855,097
Net increase (decrease) in cash	(99,460,303)	30,303,230	120,889,168
Cash at beginning of year	151,430,527	121,127,297	238,129
Cash at end of year	P51,970,224	P151,430,527	P121,127,297

5. Contract Assets and Contract Liabilities

The Group's contract assets and contract liabilities are as follows:

	2018	2017
Contract assets	P785,197,944	P-
Contract liabilities	20,385,280	121,712,461
Net contract assets (liabilities)	P764,812,664	(P121,712,461)

Contract assets pertain to receivables from the sale of office units of Cebu Exchange representing the excess of cumulative revenues from real estate sales over total collections received from buyers as at December 31, 2018. These amounts will be billed and collected in accordance with the agreed payment terms with the buyers which is normally over five (5) years.

Contract liabilities pertain to downpayments received from buyers of Cebu Exchange at the inception of the contracts in which the related revenue is not yet recognized as at December 31, 2018. The decrease in contract liabilities of P101.3 million pertains to downpayments received as at January 1, 2018 that were subsequently recognized as revenues from real estate sales in 2018.

6. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	P80,000	P35,000
Cash in banks	46,526,688	70,690,170
Cash equivalents	280,072,902	651,070,066
	P326,679,590	P721,795,236

Cash in banks earn interest at prevailing bank deposit rates and are immediately available for use in the current operations. Cash equivalents are made for varying periods up to three (3) months or less and earn interest at the prevailing short-term investment rates.

Interest income is earned from the following (see Note 19):

	Note	2018	2017	2016
Short-term placements		₱4,898,195	₱11,459,532	₱9,350,701
Cash in banks		1,070,232	2,503,854	453,878
Investment in time deposits	12	120,479	281,865	887,625
		₱6,088,906	₱14,245,251	₱10,692,204

7. Financial Assets at FVPL

Movements in this account are as follows:

	Note	2018	2017
Balance at beginning of year		₱387,879,631	₱2,050,075,279
Additions		1,266,791,719	909,600,000
Disposals		(1,493,457,760)	(2,573,670,000)
Unrealized holding gains (loss)	19	(6,385,529)	1,874,352
Balance at end of year		₱154,828,061	₱387,879,631

Realized gain on disposal of financial assets at FVPL amounted to ₱14.2 million in 2018, ₱37.6 million in 2017 and ₱17.3 million in 2016 (see Note 19).

The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices (see Note 27).

8. Receivables

This account consists of:

	Note	2018	2017
Trade receivables from:			
Sale of real estate		₱81,631,132	₱6,835,201
Leasing	21	30,385,699	—
Advances for project development		506,468,951	100,270,487
Accrued rent receivable	21	51,961,813	20,974,212
Due from related parties	23	36,052,873	36,052,873
Receivable from non-affiliated entity		9,587,986	—
Advances to employees		5,067,899	7,925,948
Interest receivable		2,117,945	2,035,851
Other receivables		20,026,724	12,547,950
		743,301,022	186,642,522
Allowance for impairment loss		(368,292)	(368,292)
		₱742,932,730	₱186,274,230

Trade receivables from leasing operations are noninterest-bearing, unsecured and collectible within seven (7) days. Trade receivables from sale of real estate pertain to receivables from sale of condominium units and office units of Cebu Exchange that were already billed. These receivables are noninterest-bearing and generally collectible in monthly installments over a maximum period of three (3) years. Titles to the units sold under this arrangement are transferred to the buyers only upon full payment of the contract price.

Advances for project development pertain to downpayments made to contractors for the construction of the Group's real estate projects. These advances are applied against contractors' progress billings.

Accrued rent receivable pertains to the difference between rental income recognized using straight-line method of accounting and rental payments based on the terms of the lease contracts.

Receivable from non-affiliated entity pertains to cash advances to non-affiliated entity, which is unsecured, noninterest-bearing and collectible on demand.

Advances to employees represent salary and other loans granted to employees which are noninterest-bearing in nature and collectible through salary deductions.

Interest receivable includes accrual of interest from the Group's short-term placements.

Other receivables mainly include accrued project management fees which will be billed and collected within 30 days.

9. Real Estate for Sale

This account consists of:

	2018	2017
Raw land	₱1,656,023,008	₱1,190,949,014
Assets under construction	1,350,399,000	1,275,413,889
Condominium units for development	336,548,323	77,470,002
Pre-construction costs (Savya)	69,743,094	—
Condominium units for sale	—	102,898,713
	₱3,412,713,425	₱2,646,731,618

Movements of this account follow:

	Note	2018	2017	2016
Balance at beginning of year		₱2,646,731,618	₱1,722,192,699	₱1,558,711,101
Construction costs incurred		764,212,815	196,891,625	246,924,124
Cost of real estate sold		(599,734,444)	(320,515,983)	(389,043,136)
Effect of consolidation of Arcosouth		490,983,477	—	—
Purchase of condominium units for development		259,078,321	69,797,363	7,672,639
Transfers to investment properties	10	(216,890,959)	(1,092,000)	(45,019,935)
Capitalized borrowing costs	13	68,332,597	36,653,151	28,615,156
Purchase of raw land		—	942,804,763	314,332,750
Balance at end of year		₱3,412,713,425	₱2,646,731,618	₱1,722,192,699

Real estate inventories recognized as cost of real estate sold amounted to ₱599.7 million in 2018, ₱320.5 million in 2017 and ₱389.0 million in 2016.

Raw Land

Raw land pertains to parcels of land acquired by the Group for future development projects that are intended for sale. Raw land also includes the property of Arcosouth located in Arca South, Taguig City, on which SLDC launched the development of Savya Financial Center (see Notes 1 and 3). This property has a carrying amount of ₱491.0 million as at December 31, 2018.

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations (see Note 1). Accordingly, raw land and Courtyard Hall were recognized as investment properties at their fair values amounting to ₱211.7 million and ₱152.8 million, respectively (see Note 10).

In 2018, SLDC entered into a Medium-Term Loan (MTL) with a credit line of ₱1,440.0 million with a local bank to partially finance the acquisition and development of its land in Arca South, Taguig City. The MTL with outstanding balance amounting to ₱684.9 million as at December 31, 2018 is secured by the same property amounting to ₱942.8 million as at December 31, 2018 (see Note 13).

Assets under Construction

Assets under construction consist of land and development costs of ongoing real estate projects of the Group. As at December 31, 2018, this account includes the land and development costs of Cebu Exchange and Cazneau's project in Laguna (see Note 1).

In 2017, CLLC entered into an Omnibus Loan and Security Agreement (OLSA) with a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. The outstanding balance of the loan amounting to ₱1,287.6 million and ₱650.0 million as at December 31, 2018 and 2017, respectively, is secured by parcels of land, together with any improvements thereon, located in Cebu City, aggregating ₱931.8 million as at December 31, 2018 and 2017 (see Note 13).

Condominium Units for Development

Condominium units for development pertain to condominium units acquired in San Lorenzo Village, Makati City. These units are intended for future development and sale.

Condominium Units for Sale

Condominium units for sale pertain to unsold and completed units of Arya Residences in 2017. Condominium units with carrying amount of ₱102.9 million as at December 31, 2017 are under an unregistered real estate mortgage and were used as collateral for a loan with an outstanding balance of nil and ₱100.0 million as at December 31, 2018 and 2017, respectively (see Note 13). These condominium units were already sold in 2018.

Borrowing Cost

General and specific borrowings were used to partially finance the Group's ongoing real estate projects. The related borrowing costs amounting to ₱68.3 million and ₱36.7 million in 2018 and 2017, respectively, were capitalized as part of real estate for sale. The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 3.5% in 2018 and 2017 (see Note 13).

As at December 31, 2018 and 2017, real estate for sale is stated at cost which is lower than its NRV. There is no allowance for inventory obsolescence as at December 31, 2018 and 2017.

10. Investment Properties

Investment properties consist of:

	2018	2017
ACPT	₱3,438,420,267	₱4,579,238,370
Arya Residences:		
Commercial units	1,194,379,000	1,110,864,000
Parking slots	184,984,000	206,653,883
Raw land:		
UPHI's Laguna and Tagaytay properties	577,277,508	464,476,979
Cazneau's Laguna properties	211,713,162	–
Parent Company's Batangas and Tagaytay properties	141,898,400	96,082,021
Courtyard Hall	152,842,238	–
	₱5,901,514,575	₱6,457,315,253

Movements of this account follow:

	Note	2018	2017	2016
Balance at the beginning of year		₱3,984,127,753	₱2,502,376,038	₱1,391,323,861
Settlement of loans payable	13	(1,330,035,528)	—	—
Construction costs incurred		474,788,616	1,412,490,012	1,046,695,733
Transfers from real estate for sale	9	216,890,959	1,092,000	45,019,935
Transfer to property and equipment	11	(131,937,452)	—	—
Capitalized borrowing costs	13	104,494,260	68,169,703	25,966,509
Disposals		(17,822,000)	—	(6,630,000)
		3,300,506,608	3,984,127,753	2,502,376,038
Cumulative gain on change in fair value		2,577,075,310	2,460,158,366	2,031,767,366
		5,877,581,918	6,444,286,119	4,534,143,404
Unamortized initial direct leasing costs		23,932,657	13,029,134	—
Balance at end of year		₱5,901,514,575	₱6,457,315,253	₱4,534,143,404

Movements of the cumulative gain on change in fair value are as follows:

	2018	2017	2016
Balance at beginning of year	₱2,460,158,366	₱2,031,767,667	₱613,902,460
Net gain on change in fair value during the year	172,819,094	428,390,699	1,417,865,206
Transfer to property and equipment	(44,928,117)	—	—
Disposals	(10,974,033)	—	—
Balance at end of year	₱2,577,075,310	₱2,460,158,366	₱2,031,767,666

Movements of the unamortized initial direct leasing costs are as follow:

	2018	2017
Balance at beginning of year	₱13,029,134	₱—
Additions	12,030,346	13,279,086
Amortization	(1,126,823)	(249,952)
Balance at end of year	₱23,932,657	₱13,029,134

ACPT

ACPT is an office building that is intended for leasing operations (see Note 1).

In 2018, the Parent Company transferred its office to ACPT (see Note 1). Accordingly, investment properties with a carrying amount of ₱176.9 million, ₱131.9 million original cost, was reclassified to “Property and equipment” (see Note 11).

Loans payable to Centrobless and SOPI with carrying amounts aggregating ₱1,847.5 million were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million in 2018 (see Note 13). The cumulative fair value gain on these ACPT office units and parking slots amounted to ₱402.7 million in 2018. This resulted in a gain on settlement of these loans amounting to ₱319.6 million in 2018 (see Note 19).

ACPT is used as collateral for loans payable under OLSA with outstanding balance amounting to ₱1,779.8 million and ₱1,497.8 million as at December 31, 2018 and 2017, respectively (see Note 13).

Arya Residences' Commercial Units and Parking Slots

These are retail establishments of MPI and parking slots of ALCO and MPI in Arya Residences which are used for leasing operations. These were used as collateral for loans payable with outstanding balance amounting ₱230.0 million and ₱280.0 million as at December 31, 2018 and 2017, respectively (see Note 13).

In 2018, the Parent Company and MPI sold parking slots with carrying amount of ₱28.8 million (₱17.8 million cost) for a total consideration of ₱20.5 million. This resulted to loss sale of investment properties amounting to ₱8.3 million (see Note 19).

Raw Land and Courtyard Hall

UPHI's raw land, with fair value amounting to ₱577.3 million and ₱464.5 million as at December 31, 2018 and 2017, respectively, has a total area of 33 hectares and are located at Barangay Gonzalo Bontog, Calamba City and Barangay Calabuso, Tagaytay City. Portion of the UPHI's raw land is currently under expropriation proceedings filed by the National Power Corporation (NAPOCOR) with the Regional Trial Court of Calamba City, Laguna. Moreover, a complaint for quieting of title was filed by UPHI on October 18, 2010 because of the erroneous issuance of tax declarations by the City of Tagaytay covering UPHI's property located in Calamba City, Laguna. As at December 31, 2018 and 2017, management assessed that the potential effect of these cases on the Group's consolidated financial statements is not significant.

In 2018, the Group transferred Cazneau's raw land and Courtyard Hall from "Real estate for sale" account to "Investment properties" account aggregating ₱216.9 million because the Group has yet to determine the strategic use of the raw land while the Courtyard Hall is already used for leasing operations. Accordingly, raw land and Courtyard Hall were recognized as investment properties at fair value amounting to ₱211.7 million and ₱152.8 million, respectively, as at December 31, 2018 (see Note 9).

Raw land of the Parent Company has a total area of 10.3 hectares located in Batangas and Tagaytay with fair value aggregating ₱141.9 million and ₱96.1 million as at December 31, 2018 and 2017, respectively.

Leasing Operations

The Group recognized revenue from leasing operations amounting to ₱132.4 million in 2018, ₱23.0 million in 2017 and ₱8.1 million in 2016 (see Note 21) and incurred direct cost of leasing amounting to ₱15.3 million in 2018, ₱8.0 million in 2017 and ₱4.6 million in 2016.

Fair Value Measurement

Details of the valuation techniques used in measuring fair values of investment properties classified under Levels 2 and 3 of the fair value hierarchy are as follows:

			Range	
Class of Property	Valuation Technique	Significant Inputs	2018	2017
ACPT	Land development approach	Discount rate	8.74%	8.70%
		Rental rate for an office unit per square meter (per sq.m.)	₱1,350	₱1,250
		Rental rates for parking per sq. m.	₱6,000	₱5,500
		Calculated no. of net leasable area (total sq. m.)	20,923	27,809
		Vacancy rate	5% - 10%	5% - 75%
Arya Residences:				
Commercial units	Discounted cash flow (DCF) approach	Rental rate per sq.m.	₱3,000	₱2,360
		Rent escalation rate per annum (p.a.)	7%	5%
		Discount rate	8.74%	6.17%
		Vacancy rate	2%	2%
Parking slots	DCF approach	Rental rate per slot	₱6,500	₱5,500
		Rent escalation rate p.a.	7%	5%
		Discount rate	8.74%	6.17%
		Vacancy rate	2%	2%
Raw land:				
UPHI's Laguna and Tagaytay properties	Market data approach	Price per sq. m.	₱1,740	₱1,400
		Value adjustments	0% - 30%	5% - 65%
Cazneau's Laguna properties	Market data approach	Price per sq. m.	₱10,200	—
		Value adjustments	0% - 5%	—
ALCO's Batangas and Tagaytay properties	Market data approach	Price per sq. m.	₱1,300	₱800
		Value adjustments	5% - 15%	25% - 40%

The description of the valuation techniques and inputs used in the fair value measurement are as follows:

Land Development Approach

Under this approach, the investment property is treated as office and commercial units development and the gross rental income that may be expected from the proposed leasable units are then estimated in accordance with the prevailing prices of comparable office and commercial units development within the immediate vicinity. Overhead and operating expenses, and developer's profit are deducted from the gross rental income. The resulting residual income is then attributed to the "raw" land value.

The valuation process consists of the following:

- Preparation of an office and commercial building study in accordance with the highest and best use concept of the land.
- Establishment of total rental income from lease of office and commercial units based on the current rental rates in similar office building within the immediate vicinity.
- Determination of development costs consisting of clearing and grading, survey, tilting services, construction of access roads, roadways, curbs and gutters, sewerage and drainage system, water supply and electrical distribution, rip-rapping and supervision and other contingency items considering current prices for construction materials, labor, contractor's profit and overhead expenses.

Estimation of overhead and operating expenses such as promotion and advertisement, administrative and collection, taxes and miscellaneous expenses.

Discounted Cash Flow Approach

Under the DCF approach, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's estimated useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF approach involves the projection of a series of cash flows on a real property interest. An appropriate, market-derived discount rate is applied to projected cash flow series to establish the present value of the income stream associated with the investment property.

Periodic cash flows of investment properties are typically estimated as gross income less vacancy and operating expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The frequency of inflows and outflows are contract and market-derived. The DCF approach assumes that cash outflows occur in the same period that expenses are recorded.

Sensitivity Analysis. Generally, significant increases (decreases) in rental rate (per sq.m.) and rent escalation rate p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate and vacancy rate in isolation would result in a significantly lower (higher) fair value measurement.

Market Data Approach

Market data approach involves the comparison of the UPHI's Laguna and Tagaytay properties, Cazneau's Laguna properties and ALCO's Batangas and Tagaytay properties to those that are more or less located within the vicinity of the appraised properties and are subject of recent sales and offerings. Adjustments were made to arrive at the market value by considering the location, size, shape, utility, desirability and time element.

The inputs to fair valuation are as follows:

- *Price per sq.m.* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.

- *Value adjustments* - adjustments are made to bring the comparative values in approximation to the investment property taking into account the location, size and architectural features among others.

The reconciliation of the balances of investments properties classified according to level in the fair value hierarchy is as follows:

2018				
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	Note			
Balance at beginning of year		₱560,559,000	₱5,896,756,253	₱6,457,315,253
Settlement of loans payable	13	—	(1,330,035,528)	(1,330,035,528)
Construction costs incurred		—	474,788,616	474,788,616
Net gain on change in fair value		306,281,350	(133,462,256)	172,819,094
Capitalized borrowing costs	13	—	104,494,260	104,494,260
Transfers	9	(176,865,569)	216,890,959	40,025,390
Disposals		—	(28,796,033)	(28,796,033)
Initial direct leasing costs		—	10,903,523	10,903,523
Balance at end of year		₱689,974,781	₱5,211,539,794	₱5,901,514,575

2017				
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	Note			
Balance at beginning of year		₱482,099,300	₱4,052,044,405	₱4,534,143,705
Construction costs incurred		—	1,412,490,012	1,412,490,012
Gain on change in fair value		78,459,700	349,930,999	428,390,699
Capitalized borrowing costs	13	—	68,169,703	68,169,703
Initial direct leasing costs		—	13,029,134	13,029,134
Transfers	9	—	1,092,000	1,092,000
Balance at end of year		₱560,559,000	₱5,896,756,253	₱6,457,315,253

There are no transfers between the levels of fair value hierarchy in 2018 and 2017.

11. Property and Equipment

The balances and movements of this account consist of:

		2018						
	Note	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Building and Building Improvements	Construction in Progress	Total
Cost								
Balance at beginning of year		₱48,390,120	₱42,352,941	₱43,503,108	₱8,075,858	₱1,321,706	₱13,222,876	₱156,866,609
Transfer from investment properties	10	–	–	–	–	–	176,865,569	176,865,569
Additions		78,500	16,817,917	6,715,418	736,231	471,775	12,097,867	36,917,708
Disposals		–	(4,337,840)	(285,714)	(21,325)	–	–	(4,644,879)
Reclassification		–	–	–	–	25,123,868	(25,123,868)	–
Write-off		(48,390,120)	–	–	–	–	–	(48,390,120)
Balance at end of year		78,500	54,833,018	49,932,812	8,790,764	26,917,349	177,062,444	317,614,887
Accumulated Depreciation and Amortization								
Balance at beginning of year		48,352,701	23,196,764	37,926,370	7,647,608	–	–	117,123,443
Depreciation and amortization	17	39,600	8,717,084	2,180,274	255,831	4,256,821	–	15,449,610
Disposals		–	(3,713,962)	(285,714)	(21,325)	–	–	(4,021,001)
Write-off		(48,390,120)	–	–	–	–	–	(48,390,120)
Balance at end of year		2,181	28,199,886	39,820,930	7,882,114	4,256,821	–	80,161,932
Carrying Amount		₱76,319	₱26,633,132	₱10,111,882	₱908,650	₱22,660,528	₱177,062,444	₱237,452,955

		2017						
	Note	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Building and Building Improvements	Construction in Progress	Total
Cost								
Balance at beginning of year		₱48,363,334	₱40,558,056	₱38,547,542	₱7,578,512	₱–	₱–	₱135,047,444
Additions		26,786	10,521,326	5,061,501	497,346	1,321,706	13,222,876	30,651,541
Disposals		–	(8,726,441)	(105,935)	–	–	–	(8,832,376)
Balance at end of year		48,390,120	42,352,941	43,503,108	8,075,858	1,321,706	13,222,876	156,866,609
Accumulated Depreciation and Amortization								
Balance at beginning of year		48,205,758	22,409,695	36,829,770	7,530,553	–	–	114,975,776
Depreciation and amortization	17	146,943	7,868,904	1,198,053	117,055	–	–	9,330,955
Disposals		–	(7,081,835)	(101,453)	–	–	–	(7,183,288)
Balance at end of year		48,352,701	23,196,764	37,926,370	7,647,608	–	–	117,123,443
Carrying Amount		₱37,419	₱19,156,177	₱5,576,738	₱428,250	₱1,321,706	₱13,222,876	₱39,743,166

In 2018, leasehold improvements with cost and accumulated amortization amounting to ₱48.4 million was written-off as a result of the termination of the Parent Company's non-cancellable operating lease (see Note 21).

As at December 31, 2018 and 2017, fully depreciated property and equipment that are still being used by the Group amounted to ₱12.5 million and ₱10.5 million, respectively.

The Parent Company sold property and equipment with carrying amount of ₱0.6 million, ₱1.6 million and ₱1.9 million in 2018, 2017 and 2016, respectively, resulting in gain (loss) on disposal of nil in 2018, (₱0.5 million) in 2017 and ₱0.2 million in 2016 (see Note 19).

12. Other Assets

This account consists of:

	2018	2017
Input VAT	₱242,016,373	₱305,361,184
Prepaid:		
Commissions	46,414,871	21,030,625
Taxes	34,694,439	34,459,735
Debt issuance cost	5,625,000	—
Insurance	3,046,177	1,871,805
Rent	2,356,510	3,932,957
Others	3,006,652	1,118,622
Deposits	59,239,173	66,444,390
Amounts held in escrow	56,514,398	20,096,757
Deferred input VAT	23,663,461	16,864,439
Investment in time deposits	21,032,000	19,972,000
Materials and supplies	1,519,807	1,519,807
	₱499,128,861	₱492,672,321

Prepaid commissions pertain to the commission costs incurred to obtain a contract with customer. Amortization of prepaid commissions amounted to ₱16.4 million in 2018 (see Note 17).

Deposits pertain to rental and utility deposits, deposits for professional services, and guarantee deposits for the construction of the Group's real estate projects. Deposits are settled upon completion of the documentary requirements.

Amounts held in escrow represents the debt service account required under an existing loan with a certain bank and the amount of which is equivalent to a quarterly principal and interest amortization.

Breakdown of amounts held in escrow is as follow (see Note 13):

	2018	2017
MTL	₱30,136,500	₱—
OLSA	26,377,898	20,096,757
	₱56,514,398	₱20,096,757

The outstanding loan balance under OLSA amounted to ₱1,779.8 million and ₱1,497.8 million as at December 31, 2018 and 2017, respectively. The outstanding loan balance of MTL amounted to ₱684.9 million as at December 31, 2018 (see Note 13).

Investment in time deposits pertains to US Dollar-denominated time deposits with terms of two (2) years and fixed interest rates ranging from 1.75% to 2.50% per annum (p.a.). These time deposits are subject to a holding period of six (6) months from the date of issuance. In case of early retirement, the investment will earn interest based on regular deposit rates. Interest income earned from investment in time deposits amounted to ₱0.1 million in 2018, ₱0.3 million in 2017 and ₱0.9 million in 2016 (see Note 6).

Materials and supplies are the excess construction materials and supplies from the construction of Arya Residences.

13. Loans Payable

This account consists of:

	2018	2017
Local bank loans	₱4,082,252,132	₱2,527,767,436
Private funders	87,723,970	1,741,124,980
	₱4,169,976,102	₱4,268,892,416

Movements of this account follow:

	2018	2017
Balance at beginning of year	₱4,355,741,750	₱3,256,599,287
Dacion en pago	(1,857,695,691)	–
Availments	1,851,211,912	2,050,662,463
Payments	(152,000,000)	(951,520,000)
Balance at end of year	4,197,257,971	4,355,741,750
Unamortized debt issue cost	(27,281,869)	(25,606,565)
Unamortized “Day 1” gain	–	(61,242,769)
	4,169,976,102	4,268,892,416
Less current portion of loans payable	417,723,970	1,841,124,980
Long term portion of loans payable	₱3,752,252,132	₱2,427,767,436

Movements in “Day 1” gain are as follow:

	Note	2018	2017
Balance at beginning of year		₱61,242,769	₱116,503,414
Amortization		(51,086,712)	(58,168,428)
Dacion en pago		(10,156,057)	–
Additions	19	–	2,907,783
Balance at end of year		₱–	₱61,242,769

Movements in debt issue cost are as follows:

	2018	2017
Balance at beginning of year	₱25,606,565	₱29,057,170
Additions	5,175,000	–
Amortization	(3,499,696)	(3,450,605)
Balance at end of year	₱27,281,869	₱25,606,565

Future repayment of the principal is as follows:

	2018	2017
Within one year	₱417,723,970	₱1,841,124,980
After one year but not more than three years	60,375,000	280,000,000
More than three years	3,719,159,001	2,234,616,770
	₱4,197,257,971	₱4,355,741,750

Local Bank Loans

These are loans from local banks which are interest-bearing secured loans obtained to finance the Group's working capital requirements, project development and acquisition of properties. These loans have interest rates ranging from 3.5% to 7.15% p.a. in 2018 and 3.0% to 5.81% p.a. in 2017.

Details and outstanding balances of loans from local banks as at December 31 follow:

Purpose	Security	Effective interest rate (p.a.)	2018	2017
Construction of ACPT	Payable on a quarterly basis starting 4 th quarter of 2019; secured by ACPT with carrying amount of ₱3,438.4 million and ₱4,579.2 million as at December 31, 2018 and 2017, respectively (see Note 10), and an escrow account amounting to ₱26.4 million and ₱20.1 million as at December 31, 2018 and 2017, respectively (see Note 12).	5.81%	₱1,779,758,041	₱1,497,767,436
Construction of Cebu Exchange	Payable on a quarterly basis after two (2) years from the date of initial drawdown until July 2021; secured by a land, together with improvements, amounting to ₱931.8 million as at December 31, 2018 and 2017 (see Note 9).	5.77%	1,287,620,000	650,000,000
Acquisition of land	Payable on a quarterly basis within three (3) years from the date of initial drawdown until August 29, 2023; secured by raw land of SLDC with carrying amount of ₱942.8 million as at December 31, 2018 (see Note 9) and an escrow account amounting to ₱30.1 million as at December 31, 2018 (see Note 12).	7.15%	684,874,091	—
Acquisition of land	Payable on a quarterly basis until July 5, 2019; secured by commercial units of MPI and parking slots of ALCO and MPI in Arya Residences with carrying amount of ₱1,379.4 and ₱1,317.5 million as at December 31, 2018 and 2017, respectively (see Note 10).	5.12%	230,000,000	280,000,000
Working fund	Payable in full on August 16, 2019; secured by commercial units of MPI and parking slots of ALCO and MPI in Arya Residences with carrying amount of ₱1,379.4 million as at December 31, 2018.	6.00%	100,000,000	—
Working fund	Payable monthly until June 11, 2018; secured by Arya Residences condominium units with carrying amount of ₱102.9 million as at December 31, 2017 (see Note 9).	3.50%	—	100,000,000
			₱4,082,252,132	₱2,527,767,436

In 2015, the Parent Company entered into an OLSA for a credit line of ₱2,000.0 million, to partially finance the cost of construction and development of the ACPT. The loan is supported by 21 promissory notes. The Parent Company incurred debt issue cost amounting to ₱34.5 million in 2015. In addition, this OLSA provides the following:

- Loan outstanding balance is secured by first ranking and continuing real estate mortgage over present and future real estate assets in relation to the lot and building for the ACPT.
- A security trust agreement covering the maintenance of revenue and operating accounts, project receivables and project agreements (see Note 12).
- The Parent Company is required to maintain the following debt to equity ratio:

Period	Debt to Equity Ratio
2015	2.00 : 1.00
2016 to 2018	1.75 : 1.00
2019 to 2025	1.50 : 1.00

The outstanding loan balance under OLSA amounted to ₱1,779.8 million and ₱1,497.8 million as at December 31, 2018 and 2017, respectively.

Debt to equity ratio is calculated as total outstanding interest-bearing loans over total equity.

The Parent Company's debt to equity ratio as at December 31 is as follows:

	2018	2017
Total liabilities	₱2,197,482,011	₱1,967,491,406
Total equity	4,404,224,615	4,535,384,733
	0.50:1.00	0.43:1.00

The Parent Company is compliant with the required debt to equity ratio as at December 31, 2018 and 2017.

In 2017, CLLC entered into an OLSA for a credit line of ₱2,350.0 million with a local bank, to partially finance the development and construction of Cebu Exchange. Loan proceeds will be received in several drawdowns within a period of three (3) years after initial drawdown. In addition, this OLSA provides the following:

- Loan outstanding balance is secured by a land, together with improvements amounting to ₱931.8 million as at December 31, 2018 and 2017, together with any improvements thereon, located in Cebu City (see Note 9).
- A pledge of shares of the Parent and Rock and Salt B.V., non-controlling interest, in CLLC in which shall be evidenced by that Contract of Pledge to be executed by the pledgers in favor of the lender in form and substance, acceptable to the latter, to secure the payment of the drawdowns on the loan, including the interest, penalties, fees and other charges thereon, as well as all sums due and payable by CLLC to the bank.

The outstanding balance of this loan amounted to ₱1,287.6 million and ₱650.0 million as at December 31, 2018 and 2017, respectively.

In 2018, SLDC entered into MTL for a credit line of ₱1,440.0 million with a local bank, to partially finance the acquisition and development of its land in Taguig City to repay advances from shareholders.

Loan proceeds will be received in several drawdowns within a period of three (3) years after initial drawdown. In 2018, SLDC received the drawdowns amounting to ₱684.9 million.

The MTL is secured by (i) unregistered real estate mortgage over the three (3) parcels of land located in Taguig City; (ii) corporate continuing suretyship of the Parent Company until completion of Tower 1 construction and 100% sale of units therein; and (iii) a ₱30.1 million time deposit in the name of SLDC (see Note 12).

Private Funders

Details of outstanding balances of loans from private funders as at December 31 follow:

Purpose	Terms	Effective interest rate (p.a.)	2018	2017
Working fund	Payable in full on June 5, 2019, unsecured	3.50%	₱40,000,000	₱40,000,000
Working fund	Payable in full on January 21, 2019, unsecured	3.50%	16,302,970	16,302,970
Working fund	Payable in full on April 1, 2019, unsecured	3.50%	16,276,000	16,276,000
Working fund	Payable in full on January 21, 2019, unsecured	3.50%	15,145,000	17,145,000
Construction of ACPT	Payable in cash or in kind at the option of the lender on December 31, 2018, unsecured	3.75%	—	1,591,325,936
Construction of ACPT	Payable in cash or in kind at the option of the lender on December 31, 2018, unsecured	3.16%	—	60,075,074
			₱87,723,970	₱1,741,124,980

Construction of ACPT. The Parent Company entered into non-interest bearing loan agreements for ₱1,650.6 million with Centrobless Corporation (Centrobless) in 2015 and for ₱207.1 million with Signature Office Property, Inc. (SOPI) in 2017. Both are related parties under common management with the Parent Company (see Note 23).

The loans are payable in cash or in kind at the option of Centrobless and SOPI. In the event Centrobless and SOPI elect to be paid in kind on maturity date, the Parent Company shall pay the loan by dacion en pago:

- Centrobless - seven (7) floors and 150 parking slots of ACPT
- SOPI - one (1) floor and 10 parking slots of ACPT

“Day 1” gain of ₱2.9 million in 2017 and ₱80.9 million in 2016 was recognized on this loan and is presented under “Other income - net” account in the consolidated statements of comprehensive income (see Note 19).

In 2018, loans payable to Centrobless and SOPI with carrying amounts aggregating ₱1,847.5 million were settled in exchange for ACPT office units and parking slots with cost aggregating ₱1,330.0 million. The cumulative gain on change in fair value on these ACPT office units and parking slots amounting to ₱402.7 million was reversed (see Note 10). This resulted in a gain on settlement of loans payable aggregating ₱319.6 million in 2018 (see Note 19).

Capitalized Borrowing Costs

Borrowing costs capitalized are as follows:

	Note	2018	2017	2016
Investment properties	10	₱104,494,260	₱68,169,703	₱25,966,509
Real estate for sale	9	68,332,597	36,653,151	28,615,156
		₱172,826,857	₱104,822,854	₱54,581,665

The capitalization rates used to determine general borrowing costs eligible for capitalization ranges from 3.0% to 3.5% in 2018 and 2017 (see Note 9).

Interest Expense

Total interest expense charged under “Finance costs” consists of the following (see Note 18):

	2018	2017	2016
Interest expense on interest-bearing loans and due to a related party	₱21,785,948	₱19,750,114	₱30,660,856
Amortization of “day 1” gain on loan discounting	51,086,712	58,168,428	48,879,359
	₱72,872,660	₱77,918,542	₱79,540,215

14. Accounts Payable and Other Liabilities

This account consists of:

	Note	2018	2017
Accounts payable:			
Third parties		₱178,485,778	₱163,047,794
Related party	23	2,856,448	8,424,024
Due to Arcosouth’s stockholders		495,919,597	–
Deferred output VAT		361,197,971	15,466,182
Retention payable		333,284,476	329,929,213
Accrued:			
Interest		56,636,579	39,878,050
Personnel costs		11,785,055	10,505,375
Construction cost		–	27,131,801
Others		25,454,109	36,124,543
Security deposits	21	70,254,092	17,032,517
Advance rent	21	53,279,878	10,787,533
Construction bonds		25,379,501	5,005,393
Withholding taxes payable		13,645,930	11,309,420
Payable to buyers		13,459,550	18,998,136
Dividend payable		5,056,961	4,597,364
Income tax payable		1,696,980	–
Others		7,455,108	4,507,114
		₱1,655,848,013	₱702,744,459

Accounts payable, which are noninterest-bearing and are normally settled within 30 days to one year, consist mainly of liabilities to Group’s contractors and suppliers.

Due to Arcosouth's stockholders represents the liability related to the property of Arcosouth in Arca South, Taguig City recognized under "Real estate for sale" account. Due to Arcosouth's stockholders is non-interest bearing and payable on demand.

Deferred output VAT pertains to VAT from sales of property on installments. If the payments in the year of sale do not exceed twenty-five percent (25%) of the gross selling price, the sale will be considered under installment, in which case VAT will be paid based on collections.

Retention payable, which will be released after completion and satisfaction of the terms and conditions of the construction contract, pertains to amount retained by the Group from the contractors' progress billings for the real estate projects of the Group.

Accrued expenses are expected to be settled within the next 12 months. Other accrued expenses pertain to management and professional fees, utilities, commissions, advertising and other expenses.

Security deposits pertain to the deposits made by the lessees of the ACPT, Arya commercial units, and dormitory units which are refundable upon termination of the lease less any unsettled balances.

Advance rent pertains to the payments made in advance by the tenants to be applied to their rent payable in the immediately succeeding months or in the last three (3) months of the lease term.

Construction bonds represent noninterest-bearing deposits made by the lessees before the start of its construction in the ACPT and refundable upon fulfillment of contract provisions.

Payable to buyers include reservation fees and collections received from prospective lessees, which are and to be applied as security deposits upon execution of lease contracts.

Other payables pertain to liabilities to SSS, PhilHealth and HDMF and dividend payables.

15. Equity

The details of the Parent Company's number of common and preferred shares follow:

	2018		2017		2016	
	Preferred	Common	Preferred	Common	Preferred	Common
Authorized	50,000,000	16,368,095,199	50,000,000	16,368,095,199	50,000,000	16,368,095,199
Par value per share	₱1.00	₱0.18	₱1.00	₱0.18	₱1.00	₱0.18
Issued and outstanding	32,500,000	5,318,095,199	32,500,000	5,318,095,199	32,500,000	5,318,095,199

Preferred Shares

As at December 31, 2018 and 2017, the Parent Company has issued and outstanding preferred shares of ₱32.5 million.

On August 30, 2016, the Parent Company's BOD and stockholders approved the increase in authorized capital stock of ₱50.0 million consisting of 50 million preferred shares at ₱1.00 par value a share. The increase in authorized capital stock was approved by the SEC on September 22, 2016.

Of the ₱50.0 million increase in authorized capital stock, ALCO issued 12.5 million cumulative, nonvoting, nonparticipating and nonconvertible Peso-denominated preferred shares (the “Series A” preferred shares) to MPI and 20.0 million preferred shares (the “Series B” preferred shares) which are likewise cumulative, nonvoting, nonparticipating, and nonconvertible Peso-denominated, among other conditions, to the public at the issuance price of ₱100 a share at ₱1.00 par value a share (see Note 1). MPI acquired the 12.5 million Series A preferred shares at a ₱1.00 par value a share.

The Parent Company recognized additional paid-in capital related to the issuance of Series B preferred shares amounting to ₱1,980.0 million arising from the excess of the proceeds over par value of the shares sold. Total cost incurred in the offering and issuance of Series B preferred shares to the public amounted to ₱26.4 million consisting of ₱2.8 million which was charged to profit or loss and ₱23.6 million which was recognized as reduction to additional paid-in capital.

Common Shares

As at December 31, 2018 and 2017, the Parent Company has issued and outstanding common shares of 5,318,095,199 amounting to ₱957.3 million.

The details and movement of the shares listed with PSE follows:

Date of SEC Approval	Type of Issuance	No. of Shares Issued	Issue/Offer Price
1996	Initial public offering	351,000,000	₱1.00
1998	Payment of subscription	256,203,748	1.00
1999	Stock dividends	410,891,451	1.00
2009	Payment of subscription	628,770,000	0.20
2010	Payment of subscription	100,000,000	0.20
2011	Payment of subscription	2,200,000,000	0.20
	Public offering of Series “B”		
2016	preferred shares	20,000,000	100

The Parent Company has 1,955 and 1,979 shareholders as at December 31, 2018 and 2017, respectively.

Dividend Declaration

The Parent Company’s BOD and stockholders approved the following cash dividends to preferred and common stockholders:

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 25, 2018	November 12, 2018	December 6, 2018	₱35,229,000	Series B preferred shares	₱1.76
August 1, 2018	August 16, 2018	September 6, 2018	35,229,000	Series B preferred shares	1.76
May 9, 2018	May 23, 2018	June 6, 2018	35,229,000	Series B preferred shares	1.76
March 21, 2018	April 6, 2018	May 2, 2018	63,817,142	Common shares	0.012
January 10, 2018	February 9, 2018	March 6, 2018	35,229,000	Series B preferred shares	1.76
			₱204,733,142		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
October 26, 2017	November 24, 2017	December 6, 2017	₱35,229,000	Series B preferred shares	₱1.76
August 9, 2017	August 23, 2017	September 6, 2017	35,229,000	Series B preferred shares	1.76
May 10, 2017	May 25, 2017	June 6, 2017	35,229,000	Series B preferred shares	1.76
February 28, 2017	March 14, 2017	April 7, 2017	63,817,142	Common shares	0.012
February 8, 2017	February 24, 2017	March 6, 2017	35,229,000	Series B preferred shares	1.76
			₱204,733,142		

Declaration Date	Stockholders of Record Date	Payment Date	Amount	Share	Dividend per Share
March 9, 2015	March 23, 2015	April 8, 2015	₱63,817,141	Common	0.012

16. Revenues

The Group's revenues are as follows:

	Note	2018	2017	2016
Real estate sales of:				
Cebu Exchange		₱844,954,726	₱—	₱—
Arya Residences		147,639,118	433,964,838	439,160,673
Leasing revenue	21	132,436,268	22,997,690	8,103,925
Project management fees		7,439,974	6,576,066	3,810,463
		₱1,132,470,086	₱463,538,594	₱451,075,061

Leasing revenue pertains to rent income and CUSA earned from various lease contracts of the Parent Company in ACPT and from retail units of MPI in Arya Residences, in which rent income is recognized on a straight-line basis under PAS 17, *Leases*.

Project management fees pertain to services rendered by EPMI to the Arya Residences Condominium Corporation. The service contract has a term of seven (7) years commencing on December 1, 2014 for the management and maintenance of all common areas of Arya Residences.

17. Operating Expenses

Operating expenses are classified as follows:

	2018	2017	2016
Administrative	₱325,187,083	₱273,749,586	₱295,722,649
Selling and marketing	72,423,411	48,493,636	66,767,530
	₱397,610,494	₱322,243,222	₱362,490,179

Details of operating expenses by nature are as follows:

	Note	2018	2017	2016
Personnel costs		₱176,647,311	₱129,061,896	₱132,082,771
Advertising		45,266,318	36,792,147	43,239,749
Management and professional fees		31,867,665	33,152,440	33,341,170
Commissions		27,157,093	11,701,489	23,527,781
Communication and office expenses		20,057,547	21,378,435	18,242,802
Transportation and travel		18,787,861	7,856,509	5,593,670
Taxes and licenses		17,671,357	33,321,044	58,472,179
Depreciation and amortization	11	15,449,610	9,330,955	8,214,176
Rent	21	14,498,091	13,908,352	10,357,319
Insurance		12,886,192	9,908,865	12,074,379
Utilities		8,315,942	1,416,796	8,062,059
Repairs and maintenance		2,792,489	2,360,720	2,181,796
Representation		672,727	1,435,959	3,018,354
Others		5,540,291	10,617,615	4,081,974
		₱397,610,494	₱322,243,222	₱362,490,179

Personnel costs consist of:

	Note	2018	2017	2016
Salaries and other employee benefits		₱140,910,996	₱119,314,335	₱122,737,761
Retirement expense	20	35,736,315	9,747,561	9,345,010
		₱176,647,311	₱129,061,896	₱132,082,771

18. Finance Costs

This account consists of:

	Note	2018	2017	2016
Interest expense	13	₱72,872,660	₱77,918,542	₱79,540,215
Bank charges		774,628	2,744,698	808,130
		₱73,647,288	₱80,663,240	₱80,348,345

19. Other Income - Net

This account consists of:

	Note	2018	2017	2016
Gain on settlement of loans payable	13	₱319,553,431	₱—	₱—
Realized gain on disposals of financial assets at FVPL	7	14,190,431	37,576,414	17,310,183
Loss on sale of investment properties	10	(8,334,033)	—	—
Unrealized holding gains (loss) on financial assets at FVPL	7	(6,385,529)	1,874,352	5,856,676
Interest income	6	6,088,906	14,245,251	10,692,204
Foreign exchange gains		906,754	83,998	600,156
Forfeited collections		—	10,657,784	31,696,556
"Day 1" gain on loan discounting	13	—	2,907,783	80,883,656
Gain (loss) on disposal of property and equipment	11	—	(475,131)	185,888
Others		13,100,733	572,867	417,879
		₱339,120,693	₱67,443,318	₱147,643,198

20. Net Retirement Liability

The Parent Company has a funded and non-contributory defined benefit retirement plan covering all of its qualified employees. The retirement benefits are based on years of service and compensation on the last year of employment as determined by an independent actuary.

The plan is exposed to interest rate risks and changes in the life expectancy of qualified employees. The plan is not exposed to significant concentrations of risk on the plan assets.

There are no unusual or significant risks to which the retirement liability exposes the Parent Company. However, in the event a benefit claim arises under the retirement liability, the benefit shall immediately be due and payable from the Parent Company.

The following tables summarize the components of retirement benefit costs recognized in the consolidated statements of comprehensive income (based on the report of an independent actuary dated February 22, 2019):

Breakdown of retirement expense is as follow (see Note 17):

	2018	2017	2016
Current service cost	₱7,879,934	₱7,205,814	₱7,272,293
Interest cost	2,033,107	2,541,747	2,072,717
Past service cost	25,823,274	—	—
	₱35,736,315	₱9,747,561	₱9,345,010

The new retirement plan provides a retirement benefit ranging from 100% to 150% of salary for every year of credit service. Accordingly, this plan amendment changed the benefits payable under the plan, which resulted in the recognition of past service cost for the year.

The movements of net retirement liability recognized in the consolidated statements of financial position are as follows:

	2018	2017	2016
Balance at beginning of year	₱50,668,546	₱47,244,365	₱40,801,518
Current service cost	7,879,934	7,205,814	7,272,293
Interest cost	2,033,107	2,541,747	2,072,717
Past service cost	25,823,274	—	—
Contribution to retirement plan assets	(5,000,000)	—	—
Remeasurement gains on:			
Change in financial assumptions	(9,240,813)	(1,360,050)	(2,902,163)
Experience adjustments	(6,066,417)	(4,963,330)	—
Return on retirement plan asset	(8,633)	—	—
Balance at end of year	₱66,088,998	₱50,668,546	₱47,244,365

The funded status and amounts recognized in the consolidated statements of financial position for the net retirement liability as at December 31, 2018 and 2017 are as follows:

	2018	2017
Present value of retirement liability	₱71,097,631	₱50,668,546
Fair value of plan assets	(5,008,633)	—
	₱66,088,998	₱50,668,546

Changes in the present value of the retirement liability are as follows:

	2018	2017	2016
Balance at beginning of year	₱50,668,546	₱47,244,365	₱40,801,518
Current service cost	7,879,934	7,205,814	7,272,293
Interest cost	2,033,107	2,541,747	2,072,717
Past service cost	25,823,274	—	—
Remeasurement gains on:			
Change in financial assumptions	(9,240,813)	(1,360,050)	(2,902,163)
Experience adjustments	(6,066,417)	(4,963,330)	—
Balance at end of year	₱71,097,631	₱50,668,546	₱47,244,365

Changes in the fair value of plan assets are as follows:

	2018
Balance at beginning of year	₱—
Contribution to retirement plan assets	5,000,000
Remeasurement gain on return on plan assets	8,633
Balance at end of year	₱5,008,633

Plan assets are composed of trust accounts.

The cumulative remeasurement gains on net retirement liability recognized in OCI as at December 31 are as follows:

2018			
	Cumulative Remeasurement Gains	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱10,640,559	₱3,192,168	₱7,448,391
Remeasurement gains	15,315,863	4,594,759	10,721,104
Balance at end of year	₱25,956,422	₱7,786,927	₱18,169,495

2017			
	Cumulative Remeasurement Gains	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱4,317,179	₱1,295,154	₱3,022,025
Remeasurement gains	6,323,380	1,897,014	4,426,366
Balance at end of year	₱10,640,559	₱3,192,168	₱7,448,391

2016			
	Cumulative Remeasurement Gains	Deferred Tax (see Note 22)	Net
Balance at beginning of year	₱1,415,016	₱424,505	₱990,511
Remeasurement gains	2,902,163	870,649	2,031,514
Balance at end of year	₱4,317,179	₱1,295,154	₱3,022,025

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2018	2017
Discount rate	7.53%	5.70%
Salary projection rate	5.00%	5.00%
Average remaining service years	23.6	24.3

The sensitivity analysis based on reasonable possible changes of assumptions as at December 31, 2018 and 2017 are presented below.

		Effect on Present Value of Retirement Liability	
	Change in Assumption	Discount Rate	Salary Projection Rate
December 31, 2018	+1%	(₱3,905,406)	₱4,737,145
	-1%	4,663,430	(4,026,486)
 December 31, 2017	 +1%	 (₱3,758,936)	 ₱4,149,890
	-1%	4,543,249	(3,508,485)

The expected future benefit payments are as follows:

Financial Year	Amount
2019	₱29,879,658
2020	1,709,998
2021-2026	25,258,191

21. Commitments

Operating Lease Commitments - Group as Lessor

The Parent Company entered into various lease agreements in ACPT for periods ranging from five (5) years to 10 years. All lease agreements include an escalation clause of 5% every year. The lease contracts do not provide for any contingent rent.

In addition, MPI has various lease agreements for its retail units in Arya Residences. The term of the lease ranges from two (2) to five (5) years. The lease agreements also provide for various escalation rates for the duration of the agreements.

Leasing revenue recognized from these operating leases amounted to ₱132.4 million in 2018, ₱23.0 million in 2017 and ₱8.1 million in 2016 (see Note 16). Lease receivables amounted to ₱30.4 million as at December 31, 2018. Accrued rent receivable amounted to ₱52.0 million and ₱21.0 million as at December 31, 2018 and 2017, respectively (see Note 8). Advance rent from tenants amounted to ₱53.3 million and ₱10.8 million as at December 31, 2018 and 2017, respectively. Security deposits, which may be applied to unsettled balances or refunded at the end of the lease term, amounted to ₱70.3 million and ₱17.0 million in 2018 and 2017, respectively (see Note 14).

The future minimum lease payments to be received under non-cancellable operating leases as at December 31 are as follows:

	2018	2017
Within one year	₱164,000,835	₱51,106,339
After one year but not more than five years	803,023,438	297,618,072
More than five years	127,208,392	95,598,057
	₱1,094,232,665	₱444,322,468

Operating Lease Commitments - Group as Lessee

The Parent Company is a lessee under non-cancellable operating lease where its office space is situated. In 2018, the Parent Company transferred its office to ACPT. This resulted to the termination of its non-cancellable operating lease.

Rent expense recognized from this operating lease amounted to ₱14.5 million in 2018, ₱13.9 million in 2017 and ₱10.4 million in 2016 (see Note 17).

22. Income Taxes

The components of income tax expense are as follows:

	Note	2018	2017	2016
Reported in Profit or Loss				
Current income tax expense:				
RCIT		₱91,047,356	₱13,636,823	₱72,606,507
Final taxes		5,436,777	11,680,051	6,129,472
Gross income tax (GIT)		1,970,310	—	—
MCIT		186,560	17,560	141,658
		98,641,003	25,334,434	78,877,637
Deferred income tax expense		67,094,603	59,906,329	276,138,112
		₱165,735,606	₱85,240,763	₱355,015,749
Reported in OCI				
Deferred tax expense (benefit) related to remeasurement gains on net retirement liability	20	(₱4,594,759)	₱1,897,014	₱870,649

Deferred Tax Assets and Deferred Tax Liabilities

The components of the Group's recognized deferred tax assets and deferred tax liabilities are as follows:

	2018	2017
Deferred tax assets:		
NOLCO	₱66,349,661	₱67,022,883
Retirement liability	19,826,699	15,200,564
Advance rent	7,850,736	3,231,460
Excess MCIT over RCIT	282,245	141,658
Allowance for impairment losses	110,488	110,488
Unrealized foreign exchange loss	49,001	—
	₱94,468,830	₱85,707,053
Deferred tax liabilities:		
Cumulative gain on change in fair value of investment properties	₱773,122,593	₱738,047,510
Excess of financial over taxable gross profit	44,761,616	—
Transfer of fair value to property and equipment	13,478,435	—
Capitalized debt issue costs	10,351,816	10,351,816
Accrued rent receivable	9,733,521	6,292,264
Depreciation of investment properties	5,724,684	3,913,568
Foreign exchange gains	321,027	25,199
"Day 1" gain on loan discounting	—	18,372,831
	857,493,692	777,003,188
Net deferred tax liabilities	₱763,024,862	₱691,296,135

Deferred tax assets and deferred tax liabilities are presented in the consolidated statements of financial position as follows:

	2018	2017
Net deferred tax asset	₱16,197,731	₱61,212,233
Net deferred tax liabilities	779,222,593	752,508,368
	₱763,024,862	₱691,296,135

As at December 31, 2018 and 2017, the Group did not recognize deferred tax assets relating to the following:

	2018	2017
NOLCO	₱3,610,919	₱3,587,596
Excess MCIT over RCIT	45,973	39,365
Accrued rent	4,800	4,800
	₱3,661,692	₱3,631,761

Management has assessed that these may not be realized in the future.

NOLCO and Excess MCIT over RCIT

The details of the Group's NOLCO and Excess MCIT over RCIT are as follows:

NOLCO

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2018	₱—	₱6,397,876	₱—	₱—	₱6,397,876	2021
2017	175,937,705	—	—	—	175,937,705	2020
2016	58,602,053	—	7,735,700	—	50,866,353	2019
2015	828,504	—	—	828,504	—	2018
	₱235,368,262	₱6,397,876	₱7,735,700	₱828,504	₱233,201,934	

Excess MCIT over RCIT

Year Incurred	Balance at Beginning of Year	Incurred	Applied	Expired	Balance at End of Year	Valid Until
2018	₱—	₱186,560	₱—	₱—	₱186,560	2021
2017	17,560	—	—	—	17,560	2020
2016	141,658	—	17,560	—	124,098	2019
2015	21,805	—	21,805	—	—	2018
	₱181,023	₱186,560	₱39,365	₱—	₱328,218	

The reconciliation between the income tax expense based on statutory income tax rate and effective income tax rate reported in the consolidated statements of comprehensive income is as follow:

	2018	2017	2016
Income tax computed at statutory tax rate	₱166,305,856	₱67,092,224	₱353,229,637
Add (deduct) tax effect of:			
Income subject to GIT	(7,573,344)	–	–
Nondeductible expenses and nontaxable income	7,426,287	20,122,883	12,377,366
Unrealized holding loss (gains) on financial assets at FVPL	1,915,659	(562,306)	(1,757,003)
Realized gain on disposals of financial assets at FVPL subjected to final tax	(1,866,346)	(2,584,244)	(1,081,306)
Interest income subjected to final tax	(750,988)	(1,282,203)	(1,189,939)
Expired NOLCO	248,551	265,354	–
Change in unrecognized deferred tax assets	29,931	2,189,055	504,532
Stock issuance costs	–	–	(7,067,538)
	₱165,735,606	₱85,240,763	₱355,015,749

PEZA Registration

ACPT is registered with the Philippine Economic Zone Authority (PEZA) as an Ecozone Facilities Enterprise. The scope of its registered activity is limited to development, operation and maintenance of an economic zone.

Under the PEZA Registration Agreement, ACPT is entitled to:

- 5% GIT, in lieu of all national and local taxes; and
- Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities or activities.

Any income from activities of ACPT outside the PEZA-registered activities is subject to RCIT.

23. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The following tables summarize the transactions with the related parties and outstanding balance arising from these transactions.

	Nature of Relationship	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
				2018	2017	2018	2017
Due from a Related Party							
CPG	Principal stockholder	8	Share purchase agreement	P—	P—	P36,052,873	P36,052,873
Loans Payable							
		13					
Centrobless	Entity under common management		Non-interest bearing loans	P—	P—	P—	P1,591,325,936
SOPi	Entity under common management		Non-interest bearing loans	145,051,912	62,000,000	—	60,075,074
						P—	P1,651,401,010
Accounts Payable							
CPG	Principal stockholder	14	Management fee	P10,387,085	P8,424,024	P2,856,448	P8,424,024
Due to a Related Party							
			Advances for project development	P100,000,000	P36,876,855	P386,666,691	P286,666,691
Rock & Salt B.V.	Non-controlling interest		Interest expense	11,831,496	9,104,077	28,749,980	16,918,034

Share Purchase Agreement

The Parent Company has an outstanding receivable from CPG amounting to P36.1 million as at December 31, 2018 and 2017 arising from the share purchase agreement between the Parent Company, CPG and AOCH1. Under the claw-back provision of the share purchase agreement, the Parent Company warrants the final resolution acceptable to CPG and its counsel with respect to the pending complaint involving the property owned by UPHI, which includes, among others, removing all doubt on the ownership of UPHI over the property. In the event the satisfactory evidence is submitted by the Parent Company to CPG, the latter shall pay to the Parent Company the entire claw-back amount or a portion thereof plus interest earned in which the claw-back amount was held in escrow.

Loans Payable

Outstanding loans payable are unsecured, non-interest bearing and payable in cash or in kind at the option of the lenders. These loans were settled in 2018 (see Note 13).

Management Fee

Management fees are recognized for management consultancy, development and administrative services provided by CPG. Outstanding balances are unsecured, noninterest-bearing, payable on demand and to be settled in cash.

Advances for Project Development

In addition to the advances from the Parent Company, CLLC obtained from Rock & Salt B.V. 3.5% interest-bearing loans for its real estate projects with outstanding balance of ₱386.7 million and ₱286.7 million and recognized interest expense of ₱11.8 million and ₱9.1 million as at December 31, 2018 and 2017, respectively.

Compensation of Key Management Personnel

The compensation of key management personnel are as follows:

	2018	2017	2016
Salaries and other employee benefits	₱77,960,692	₱72,981,021	₱63,395,457
Retirement expense	24,095,262	4,782,219	4,830,248
	₱102,055,954	₱77,763,240	₱68,225,705

24. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

	2017	Financing Cash Flows			Non-cash Changes		2018
		Availments/ Declaration	Payments	Dacion en pago	Amortization of Day 1 gain	Movement in Debt Issue Cost	
Loans payable	₱4,268,892,416	₱1,851,211,912	(₱152,000,000)	(₱1,847,539,634)	₱51,086,712	(₱1,675,304)	₱4,169,976,102
Due to a related party	286,666,691	100,000,000	—	—	—	—	386,666,691
Dividends payable	4,597,364	204,733,142	(204,273,545)	—	—	—	5,056,961
	₱4,560,156,471	₱2,155,945,054	(₱356,273,545)	(₱1,847,539,634)	₱51,086,712	(₱1,675,304)	₱4,561,699,754

	2016	Financing Cash Flows			Non-cash Changes		2017
		Availments/ Declaration	Payments	Day 1 Gain	Amortization of Day 1 gain	Amortization of Debt Issue Cost	
Loans payable	₱3,111,038,703	₱2,050,662,463	(₱951,520,000)	(₱2,907,783)	₱58,168,428	₱3,450,605	₱4,268,892,416
Due to a related party	249,789,836	36,876,855	—	—	—	—	286,666,691
Dividends payable	4,748,691	204,733,142	(204,884,469)	—	—	—	4,597,364
	₱3,365,577,230	₱2,292,272,460	(₱1,156,404,469)	(₱2,907,783)	₱58,168,428	₱3,450,605	₱4,560,156,471

25. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2018	2017	2016
Net income attributable to equity holders of the Parent Company	₱333,479,516	₱191,850,580	₱840,225,824
Less share of Series B Preferred Shares	(140,916,000)	(140,916,000)	(35,229,000)
	192,563,516	50,934,580	804,996,824
Divided by weighted average number of outstanding common shares	5,318,095,199	5,318,095,199	5,318,095,199
Earnings per share	₱0.0362	₱0.0096	₱0.1514

Diluted earnings per share equals the basic earnings per share as the Parent Company does not have any dilutive potential common shares at the end of each of the three (3) years presented.

26. Financial Risk Management Objectives and Policies

The Group's financial instruments comprise cash and cash equivalents, financial assets at FVPL, receivables (excluding advances for project development and accrued rent receivable under straight-line basis of accounting), deposits, amounts held in escrow, investment in time deposits, loans payable, accounts payable and other liabilities (except statutory liabilities, advance rent and payable to buyers) and due to a related party.

It is the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest risk. The BOD reviews and approves policies for managing these risks as summarized below.

The Group's exposure to foreign currency risk is minimal, as it does not enter into significant transactions in currencies other than its functional currency.

Credit Risk

The Group's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables and other financial assets at amortized cost. The carrying amounts of financial assets at amortized costs and contract assets represent its maximum credit exposure.

Trade Receivables and Contract Assets

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms, and conditions are offered. The Group's credit policy includes available external ratings, financial statements, credit agency information, industry information and, in some cases, bank references. Credit limits are established for each customer and reviewed on a regular basis. Any sales on credit exceeding those limits require specific approval from upper level of management. The Group limits its exposure to credit risk by transacting mainly with recognized and creditworthy customers that have undergone its credit evaluation and approval process. Historically, trade receivables are substantially collected within one (1) year and it has no experience of writing-off or impairing its trade receivables due to the effectiveness of its collection. As customary in the real estate business, title to the property is transferred only upon full payment of the purchase price. There are also provisions in the sales contract which allow forfeiture of installments or deposits made by the customer in favor of the Group. Also, customers are required to deposit postdated checks to the Group covering all installment payments. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments. Trade receivables from lease are closely monitored on aging of the account. As at December 31, 2018 and 2017, there were no significant credit concentrations. The maximum exposure at the end of the reporting period is the carrying amount of trade receivables and contract assets.

Other Financial Assets at Amortized Cost

The Group's other financial assets at amortized cost are mostly composed of cash in banks such as cash and cash equivalents, amounts held in escrow and investment in time deposits. The Group limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits, credit risk is low since the Group only transacts with reputable companies and individuals with respect to this financial asset.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

Financial Assets at FVPL

The Group is also exposed to credit risk in relation to its investment in money market fund that is measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL.

Assets that are credit-impaired are separately presented.

	2018				
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱326,599,590	₱—	₱—	₱—	₱326,599,590
Financial assets at FVPL	—	—	—	154,828,061	154,828,061
Receivables**	154,116,267	30,385,699	368,292	—	184,870,258
Contract assets	—	785,197,944	—	—	785,197,944
Deposits	59,239,173	—	—	—	59,239,173
Amounts held in escrow	56,514,398	—	—	—	56,514,398
Investment in time deposits	21,032,000	—	—	—	21,032,000
	₱617,501,428	₱815,583,643	₱368,292	₱154,828,061	₱1,588,281,424

*Excludes cash on hand amounting to ₱80,000.

**Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating to ₱558.4 million.

	2017				
	Financial assets at amortized cost			Financial Assets at FVPL	Total
	12-Month ECL	Lifetime ECL - Not Credit Impaired	Lifetime ECL - Credit Impaired		
Cash and cash equivalents*	₱721,760,236	₱—	₱—	₱—	₱721,760,236
Financial assets at FVPL	—	—	—	387,879,631	387,879,631
Receivables**	65,029,531	—	368,292	—	65,397,823
Deposits	66,444,390	—	—	—	66,444,390
Amounts held in escrow	20,096,757	—	—	—	20,096,757
Investment in time deposits	19,972,000	—	—	—	19,972,000
	₱893,302,914	₱—	₱368,292	₱387,879,631	₱1,281,550,837

*Excludes cash on hand amounting to ₱35,000.

**Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating to ₱121.2 million.

Liquidity Risk

Liquidity risk is the risk that the Group may not be able to settle its obligations as they fall due.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at December 31, 2018 and 2017:

	2018					
	Due and Payable on Demand	Less than 1 Year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱719,673,302	₱339,455,490	₱200,456,964	₱2,937,672,214	₱4,197,257,970
Accounts payable and other liabilities*	333,284,476	879,283,228	—	—	—	1,212,567,704
Due to a related party	386,666,691	—	—	—	—	386,666,691
	₱719,951,167	₱1,598,956,530	₱339,455,490	₱200,456,964	₱2,937,672,214	₱5,796,492,365

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱443.3 million as at December 31, 2018.

	2017					
	Due and Payable on Demand	Less than 1 year	1-2 Years	2-3 Years	Over 3 Years	Total
Loans payable	₱—	₱2,061,304,423	₱375,676,029	₱88,508,029	₱2,015,885,135	₱4,541,373,616
Accounts payable and other liabilities*	329,929,213	316,253,975	—	—	—	646,183,188
Due to a related party	286,666,691	—	—	—	—	286,666,691
	₱616,595,904	₱2,377,558,398	₱375,676,029	₱88,508,029	₱2,015,885,135	₱5,474,223,495

*Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱56.6 million as at December 31, 2017.

The Group monitors its risk to a shortage of funds through analyzing the maturity of its financial investments and financial assets and cash flows from operations. The Group monitors its cash position by a system of cash forecasting. All expected collections, check disbursements and other payments are determined on a daily basis to arrive at the projected cash position to cover its obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group addresses liquidity concerns primarily through cash flows from operations.

Interest Rate Risk

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

The Group's loans payable to local banks are subject to fixed interest rates and are exposed to fair value interest rate risk. The re-pricing of these instruments is done on annual intervals.

The Group regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take. No sensitivity analysis is needed as future interest rate changes are not expected to significantly affect the Group's consolidated net income.

Capital Management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	2018	2017
Total liabilities	₱7,078,187,677	₱6,183,192,941
Total equity	5,258,278,086	5,063,618,825
Debt-to-equity ratio	1.35:1.00	1.22:1.00

The Group manages the capital structure and makes adjustments when there are changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

27. Fair Value Measurement

The following table presents the carrying amounts and fair values of the Group's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2018			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱154,828,061	₱154,828,061	₱—	₱—
Investment properties	10	5,901,514,575	—	689,974,781	5,211,539,794
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	59,239,173	—	—	45,737,104
		₱6,115,581,809	₱154,828,061	₱689,974,781	₱5,257,276,898
Liability for which fair value is disclosed -					
Loans payable	13	₱4,169,976,102	₱—	₱—	₱4,082,252,132
		2017			
		Fair Value			
	Note	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Financial assets at FVPL	7	₱387,879,631	₱387,879,631	₱—	₱—
Investment properties	10	6,457,315,253	—	560,559,000	5,896,756,253
Asset for which fair value is disclosed -					
Financial assets at amortized cost -					
Deposits	12	66,444,390	—	—	58,564,457
		₱6,911,639,274	₱387,879,631	₱560,559,000	₱5,955,320,710
Liability for which fair value is disclosed -					
Loans payable	13	₱4,268,892,416	₱—	₱—	₱4,318,118,823

The following methods and assumptions were used in estimating the fair value of the Group's financial assets and liabilities:

Financial Assets and FVPL. The fair value of financial assets at FVPL is classified under Level 1 of the fair value hierarchy using quoted market prices.

Investment Properties. The fair value of ACPT, Arya Residences and raw land were determined using land development approach, discounted cash flow approach and market data approach, respectively.

Deposits and Loans Payable. The fair value of the Group's deposits and loans payable was determined by discounting the sum of all future cash flows using the prevailing market rates of interest for instruments with similar maturities. Interest-bearing loans payable includes accrued interest in the estimation of its fair value.

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values as at December 31, 2018 and 2017:

	2018	2017
Financial assets:		
Cash and cash equivalents	₱326,679,590	₱721,795,236
Receivables*	184,501,966	65,029,531
Amounts held in escrow	56,514,398	20,096,757
Investment on time deposits	21,032,000	19,972,000
	₱588,727,954	₱826,893,524
Financial liabilities:		
Accounts payable and other liabilities**	₱1,212,567,704	₱646,183,188
Due to a related party	386,666,691	286,666,691
	₱1,599,234,395	₱932,849,879

*Excludes advances for project development and accrued rent receivable under straight-line basis of accounting aggregating to ₱558.4 million and ₱121.2 million as at December 31, 2018 and 2017, respectively.

**Excludes payable to buyers, advance rent and statutory liabilities aggregating to ₱443.3 million and ₱56.6 million as at December 31, 2018 and 2017, respectively.

Cash and Cash Equivalents, Receivables, Amounts Held in Escrow, Accounts Payable and Other Liabilities and Due to a Related Party. The carrying amounts of these financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments.

Investment on Time Deposits. The estimated fair value of investment on time deposits represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted using current market rates to discount cash flows. The carrying amount of investment on time deposits approximates its fair value.

28. Classification of Consolidated Statements of Financial Position Accounts

The Group's current portions of its assets and liabilities as at December 31, 2018 and 2017 are as follows:

	Note	2018	2017
Current Assets			
Cash and cash equivalents	6	₱326,679,590	₱721,795,236
Financial asset at FVPL	7	154,828,061	387,879,631
Receivables	8	742,932,730	186,274,230
Contract assets	5	785,197,944	—
Real estate for sale	9	3,412,713,425	2,646,731,618
CWT		259,819,891	253,188,078
Other assets*	12	395,194,227	389,391,492
		₱6,077,365,868	₱4,585,260,285

*Excludes investment in time deposits, non-current portion of deposits and deferred input VAT amounting to ₱103.9 million and ₱103.3 million as at December 31, 2018 and 2017, respectively.

	Note	2018	2017
Current Liabilities			
Current portion of loans payable***	13	₱417,723,970	₱1,841,124,980
Accounts payable and other liabilities	14	1,655,848,013	702,744,459
Contract liabilities	5	20,385,280	121,712,461
Due to a related party	23	386,666,691	286,666,691
		₱2,480,623,954	₱2,952,248,591

***Excludes long term portion of loans payable aggregating to ₱3,752.3 million and ₱2,427.8 million as at December 31, 2018 and 2017, respectively.

29. Operating Segment Information

The Group is organized into one reportable segment which is the development and sale of real estate. The Group also has one geographical segment and derives all its revenues from domestic operations. All of the Group's activities are interrelated and each activity is dependent on the other. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

30. Events After Reporting Period

The Parent Company's BOD approved and declared the following cash dividends:

Class of shares	Declaration Date	Stockholders of Record Date	Payment Date	Amount	Dividend per Share
Series B preferred shares	February 21, 2019	March 1, 2019	March 6, 2019	₱35,229,000	₱1.76

The dividends shall be taken out of the unrestricted earnings of the Parent Company as at December 31, 2018.

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
Arthaland Corporation and Subsidiaries
7/F Arthaland Century Pacific Tower
5th Avenue corner 30th Street
Bonifacio Global City, Taguig City

We have audited the accompanying consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, on which we have rendered our report dated March 20, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 1,942 stockholders owning one hundred (100) or more shares each as at December 31, 2018.

REYES TACANDONG & Co.



MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 1499-AR-1 Group A

Valid until July 17, 2021

BIR Accreditation No. 08-005144-012-2017

Valid until March 8, 2020

PTR No. 7334342

Issued January 3, 2019, Makati City

March 20, 2019
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
 Arthaland Corporation and Subsidiaries
 7/F Arthaland Century Pacific Tower
 5th Avenue corner 30th Street
 Bonifacio Global City, Taguig City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Arthaland Corporation (the Company) and Subsidiaries as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 included in this Form 17-A and have issued our report thereon dated March 20, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Financial Soundness Indicators
- Adoption of Effective Accounting Standards and Interpretations
- Supplementary Schedules as Required by Part II of Securities Regulation Code Rule 68, as Amended
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Use of Proceeds
- Conglomerate Map

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and are not part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & Co.


 MICHELLE R. MENDOZA-CRUZ
 Partner
 CPA Certificate No. 97380
 Tax Identification No. 201-892-183-000
 BOA Accreditation No. 4782; Valid until August 15, 2021
 SEC Accreditation No. 1499-AR-1 Group A
 Valid until July 17, 2021
 BIR Accreditation No. 08-005144-012-2017
 Valid until March 8, 2020
 PTR No. 7334342
 Issued January 3, 2019, Makati City

March 20, 2019
 Makati City, Metro Manila

ARTHALAND CORPORATION AND SUBSIDIARIES

FINANCIAL RATIOS

DECEMBER 31, 2018

Below is a schedule showing financial soundness indicators in the years 2018, 2017 and 2016.

	2018	2017	2016
Current/Liquidity Ratio	2.45	1.55	3.08
Current assets	₱6,077,365,868	₱4,585,260,285	₱5,437,043,804
Current liabilities	2,480,623,954	2,952,248,591	1,765,172,093
Solvency Ratio	0.06	0.02	0.17
Net income before depreciation	404,066,856	147,730,940	830,630,551
Total liabilities	7,078,187,677	6,183,192,941	4,952,055,797
Debt-to-Equity Ratio	1.35	1.22	0.97
Total liabilities	7,078,187,677	6,183,192,941	4,952,055,797
Total equity	5,258,278,086	5,063,618,825	5,109,587,034
Debt-to-Equity Ratio	0.79	0.52	0.31
Interest-bearing liabilities	4,169,976,102	2,617,491,406	1,576,898,339
Total equity	5,258,278,086	5,063,618,825	5,109,587,034
Asset-to-Equity Ratio	2.35	2.22	1.97
Total assets	12,336,465,763	11,246,811,766	10,061,642,831
Total equity	5,258,278,086	5,063,618,825	5,109,587,034
Interest Rate Coverage Ratio	8.61	3.87	15.80
Pretax income before interest	627,225,512	301,559,290	1,256,972,339
Interest expense	72,872,660	77,918,542	79,540,215
Profitability Ratio	0.07	0.03	0.16
Net income	388,617,246	138,399,985	822,416,375
Total equity	5,258,278,086	5,063,618,825	5,109,587,034

ARTHALAND CORPORATION AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2018**

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgments			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
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	Title	Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to 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			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts	✓		
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	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			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
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			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
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			✓

ARTHALAND CORPORATION AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

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ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2018

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Value based on market quotation at end of reporting period	Income received and accrued
Cash on hand	₱80,000	₱80,000	₱—	₱—
Cash in Banks:				
Banco De Oro	12,691,811	12,691,811	—	
Philippine National Bank	8,590,002	8,590,002	—	
Bank of the Philippines	23,797,925	23,797,925	—	
Allied Bank	648,344	648,344	—	
Others	798,606	798,606	—	
	46,526,688	46,526,688	—	1,070,232
Short-term Placements:				
Bank of the Philippines	111,660,600	111,660,600	111,660,600	
Banco De Oro	165,082,765	165,082,765	165,082,765	
Bank of Makati	2,122,288	2,122,288	2,122,288	
Security Bank	1,207,249	1,207,249	1,207,249	
	280,072,902	280,072,902	280,072,902	4,898,195
Deposits	59,239,173	59,239,173	—	—
Unit Investment Trust Fund	154,828,061	154,828,061	154,828,061	—
Investment in Time Deposit	21,032,000	21,032,000	—	120,479
Amounts Held in Escrow	56,514,398	56,514,398	—	—
	₱618,293,222	₱618,293,222	₱434,900,963	₱6,088,906

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2018

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Deductions		Ending Balance		Balance at end of year
				Amounts written off		Current	Not current	
Due from a Related Party - CPG Holdings, Inc.	₱36,052,873	₱—	₱—	₱—		₱36,052,873	₱—	₱36,052,873

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2018

				Deductions		Ending Balance	
Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of year
Advances to subsidiaries:							
Urban Property Holdings, Inc. (net of allowance for impairment amounting to ₱3,261,249)	₱59,257,734	₱3,255,425	(₱208,839)	₱—	₱62,304,320	₱—	₱62,304,320
Cebu Lavana Land Corp.	270,000,000	177,669,561	(164,772)	—	447,504,789	—	447,504,789
Savya Land Development Corporation	1,042,812,933	27,826,508	(573,258,049)	—	497,381,392		497,381,392
Emera Property Management, Inc.	1,328,813	1,983,338	(3,312,151)	—	—	—	—
Cazneau, Inc.	354,362,919	129,585,519	(130,968)	—	483,817,470	—	483,817,470
Zileya Land Development, Inc.	106,434,006	524,530,799	(277,941,361)	—	353,023,444	—	353,023,444
Manchesterland Properties, Inc.	314	424,689	(424,689)	—	314	—	314
	₱1,834,196,719	₱865,275,839	(₱855,440,829)	₱—	₱1,844,031,729	₱—	₱1,844,031,729
Nontrade Receivables from a subsidiary -							
Cebu Lavana Land Corp.	₱133,547,340	₱—	₱—	₱—	₱133,547,340	₱—	₱133,547,340
Advances from subsidiaries:							
Manchesterland Properties, Inc.	₱279,935,235	₱1,223,040	₱—	₱—	₱281,158,275	₱—	₱281,158,275
Cebu Lavana Land Corp.	267,122	—	—	—	267,122	—	267,122
	₱280,202,357	₱1,223,040	₱—	₱—	₱281,425,397	₱—	₱281,425,397

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2018

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" related balance sheet	Amount shown under caption "Long-Term Debt" in related statement of financial position			
			Carrying amount	Interest Rate(s)	Payment Terms	Maturity Dates
Bank Loans:						
Bank 1	₱2,000,000,000	₱—	₱1,779,758,041	5.81%	At end of term	July 31, 2025
Bank 2	100,000,000	100,000,000	—	5.41%	At end of term	August 16, 2019
Bank 3	300,000,000	230,000,000	—	5.12%	Quarterly	July 5, 2019
Bank 4	2,350,000,000	—	1,287,620,000	5.77%	Quarterly	July 31, 2021
Bank 5	1,440,000,000	—	684,874,091	4.00%	Quarterly	August 29, 2023
Various Loan from private funders	87,723,970	87,723,970	—	3.5%	Renewable on maturity	January 21, 2019, April 1, 2019, June 5, 2019
	₱6,277,723,970	₱417,723,970	₱3,752,252,132			

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2018

Name of related party	Balance at beginning of year	Balance at end of year
Centrobless Corporation	₱1,591,325,936	₱—
Signature Office Property, Inc.	60,075,074	—
	₱1,651,401,010	₱—

ARTHALAND CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2018

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares - ₱0.18 par value per share	16,368,095,199	5,318,095,199	—	3,401,239,820	9	1,916,855,370
Preferred shares - ₱1.00 par value per share	50,000,000	32,500,000	—	12,500,000	—	20,000,000

ARTHALAND CORPORATION AND SUBSIDIARIES

**SCHEDULE OF USE OF PROCEEDS
DECEMBER 31, 2018**

The estimated gross proceeds from the offer amounted to ₱1,971.8 million. The actual net proceeds from the offer of the shares, after deducting the related expenses to the offer, amounted to ₱1,972.9 million and will accrue to the Group.

The following table shows the breakdown of the use of the proceeds:

Purpose	Per Offer Supplement	Actual Net Proceeds	Actual Disbursement as at 12/31/2018	Balance for Disbursement as at December 31, 2018
South of Metro Manila Project	₱822.4	₱822.4	₱822.4	₱—
Makati CBD Residential Project	371.6	371.6	358.7	12.9
Binan Laguna Project	331.9	331.9	164.3	167.6
Partial repayment of loans	330.0	330.0	330.0	—
General corporate purposes	62.3	63.4	63.4	—
Cebu Exchange project	53.6	53.6	53.6	—
Total	₱1,971.8	₱1,972.9	₱1,792.4	₱180.5

ARTHALAND CORPORATION
SCHEDULE OF RECONCILIATION OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

Unappropriated Retained Earnings, beginning		₱1,506,737,665
Adjustments:		
Cumulative gain on change in fair value of investment properties	(874,791,338)	
Unamortized "day 1" gain on loans payable	(42,869,938)	
Unrealized holding gains on financial assets at FVPL	(1,752,251)	
Accumulated depreciation and amortization of investment properties	(454,603)	(919,868,130)
Unappropriated Retained Earnings, as adjusted, beginning		586,869,535
Add: Net income actually earned/realized during the period		
Net income during the year closed to retained earnings	63,136,465	
Realized holding gains on financial assets at FVPL	1,752,251	64,888,716
Less: Non-actual/unrealized income and realized loss, net of tax		
Gain on change in fair value of investment properties	(157,812,227)	
Reversal of gain on change in fair value of investment properties	281,900,530	
Reversal of gain on change in fair value due to disposal of parking slots	824,438	
Unrealized holding losses on financial assets at FVPL	6,759,981	
Depreciation and amortization of investment properties	(222,068)	131,450,654
Add: Non-actual losses		
Disposal of day 1 gain due to dacion en pago	7,109,240	
Amortization of "day 1" gain on loan discounting	35,760,698	42,869,938
Cash dividends		(204,733,142)
Unappropriated Retained Earnings, as adjusted, ending		₱621,345,701

CONGLOMERATE MAP

