COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

A BROWN COMPANY, INC.

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

XAVIER ESTATES UPTOWN, AIRPORT ROAD, BALULANG, CAGAYAN DE ORO CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAPFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
abci_headoffice@abrown.ph	(02) 638-6832	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,092	Any day of June	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Marie Antonette U. Quinito	maquinito@abrown.ph	(088) 324-0150	(+63)9173101870

CONTACT PERSON's ADDRESS

Vista Verde Subdivision, Pueblo de Oro, Masterson Avenue, Cagayan de Oro City

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

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

A BROWN COMPANY, INC.

June 11, 2020

The Securities and Exchange Commission
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **A Brown Company, Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

WALTER W. BROWN
Chairman

ROBERTINO E. PIZARRO
President and Chief Executive Officer

MARIE ANTONETTE U. QUINITO
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this JUN 2 3 2020 day of ______, affiants exhibiting to me their respective passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Walter W. Brown	EC7723602	May 16, 2016	DFA – NCR East
Robertino E. Pizarro	P4275745A	September 6, 2017	DFA – Cagayan de Oro
Marie Antonette U. Quinito	P0153658A	September 3, 2016	DFA – Cagayan de Oro

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Book No. II
Series of 2020

YSABEL KATHRYN M. SANTOS
Notary Public for
Pasig City, San Juan, Taguig & Pateros
Appointment No. 231 (2019-2020)
Commission Expires on December 31 2020
2704 East Tower PSE Centre, Exchange Road
Ortigas Center, 1605 Pasig City
PTR No 2968657 / 01 08.20 Mandaluyong
IBP LRN No. 016949 / 06.28.2019 / RSM
Roll of Attorneys No 70409
MCLEC No. VI-0017136 / 01 10 19

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A Brown Company, Inc.
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of A Brown Company, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company 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 parent company 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 Parent Company'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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of A Brown Company, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
SEC Accreditation No. 0781-AR-3 (Group A),
April 3, 2018, valid until April 2, 2021
Tax Identification No. 198-819-157
BIR Accreditation No. 08-001998-70-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125280, January 7, 2020, Makati City

June 11, 2020

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SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A Brown Company, Inc.
Xavier Estates Uptown, Airport Road
Balulang, Cagayan de Oro City

We have audited the accompanying parent company financial statements of A Brown Company, Inc. (the Parent Company) for the year ended December 31, 2019, on which we have rendered the attached report dated June 11, 2020.

In compliance with Revised Securities Regulation Code Rule No. 68, we are stating that the above Parent Company has two thousand twenty-three (2,023) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin
Partner
CPA Certificate No. 94303
SEC Accreditation No. 0781-AR-3 (Group A),
April 3, 2018, valid until April 2, 2021
Tax Identification No.198-819-157
BIR Accreditation No. 08-001998-70-2018
February 26, 2018, valid until February 25, 2021
PTR No. 8125280, January 7, 2020, Makati City

June 11, 2020

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 4)	**₱72,876,582**	₱37,690,616
Receivables (Note 5)	**607,538,239**	49,879,149
Contract assets (Note 14)	**128,936,111**	233,125,761
Receivables from related parties (Note 15)	**123,799,462**	123,703,212
Real estate inventories (Note 6)	**1,580,964,264**	1,576,061,043
Equity instruments at fair value through profit or loss (EIFVPL) (Note 7)	**63,484,441**	233,170,738
Other current assets (Note 8)	**365,776,482**	308,105,269
Total Current Assets	**2,943,375,581**	2,561,735,788
Noncurrent Assets		
Receivables - net of current portion (Note 5)	**146,227,160**	79,539,705
Contract assets - net of current portion (Note 14)	**6,294,565**	77,708,587
Deposit for future stock subscription (Note 15)	**1,488,340,351**	1,504,318,710
Equity instruments at fair value through other comprehensive income (EIFVOCI) (Note 7)	**167,561,453**	168,647,685
Investment in associate (Note 9)	**110,000,000**	110,000,000
Investments in subsidiaries (Note 10)	**610,899,495**	610,899,495
Investment properties (Note 11)	**94,977,941**	103,513,635
Property and equipment (Note 12)	**61,502,819**	64,083,199
Other noncurrent assets (Note 8)	**138,786,010**	27,713,123
Total Noncurrent Assets	**2,824,589,794**	2,746,424,139
TOTAL ASSETS	**₱5,767,965,375**	₱5,308,159,927

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Note 13)	**₱486,730,237**	₱413,166,450
Short-term debt (Note 16)	**370,100,000**	679,048,719
Current portion of long-term debt (Note 16)	**167,402,746**	288,725,831
Contract liabilities (Note 14)	**139,504,435**	65,873,402
Total Current Liabilities	**1,163,737,418**	1,446,814,402

(Forward)

	December 31	
	2019	2018
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**₱584,292,221**	₱202,126,906
Deferred tax liabilities - net (Note 20)	**148,849,404**	68,765,305
Retirement benefit obligation (Note 19)	**47,718,967**	29,944,496
Total Noncurrent Liabilities	**780,860,592**	300,836,707
Total Liabilities	**1,944,598,010**	1,747,651,109
Equity		
Capital stock (Note 17)	**2,477,668,925**	2,477,668,925
Additional paid-in capital (Note 17)	**637,968,859**	637,968,859
Retained earnings (Note 17)	**992,643,412**	718,687,757
Fair value reserve of EIFVOCI (Note 7)	**(266,509,340)**	(265,423,108)
Remeasurement loss on retirement benefit obligation - net of tax (Note 19)	**(18,404,491)**	(8,393,615)
Total Equity	**3,823,367,365**	3,560,508,818
TOTAL LIABILITIES AND EQUITY	**₱5,767,965,375**	₱5,308,159,927

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	December 31	
	2019	2018
REVENUES		
Real estate sales (Note 23)	**₱942,735,766**	₱740,061,089
Water service (Note 23)	**21,349,825**	20,441,816
	964,085,591	760,502,905
COST AND EXPENSES		
Cost of real estate sales (Note 6)	**355,232,138**	311,472,270
Cost of water service income	**11,989,512**	9,625,079
	367,221,650	321,097,349
GROSS PROFIT	**596,863,941**	439,405,556
GENERAL, ADMINISTRATIVE AND SELLING EXPENSES (Note 18)	**200,779,322**	267,507,531
OTHER INCOME (EXPENSES)		
Dividend income (Note 9)	**72,206,098**	13,005,421
Gain on sale of investment properties (Note 11)	**5,138,414**	–
Interest income (Notes 4 and 5)	**2,741,278**	1,966,165
Gain on sale of property and equipment (Note 12)	**2,441,797**	2,561,309
Income from forfeited deposits	**1,270,668**	5,906,511
Unrealized gain (loss) on EIFVPL (Note 7)	**(43,513,896)**	16,672,566
Gain (loss) on sale of EIFVPL (Note 7)	**(32,094,814)**	10,099,242
Interest expense (Note 16)	**(17,938,766)**	(77,795,924)
Miscellaneous income	**7,662,294**	23,884,083
	(2,086,927)	(3,700,627)
INCOME BEFORE INCOME TAX	**393,997,692**	168,197,398
PROVISION FOR INCOME TAX (Note 20)		
Current	**35,667,563**	23,897,784
Deferred	**84,374,474**	17,401,221
	120,042,037	41,299,005
NET INCOME	**273,955,655**	126,898,393
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on defined benefit plan - net of tax effect (Note 19)	**(10,010,876)**	4,715,133
Net change in fair value of EIFVOCI (Note 7)	**(1,086,232)**	28,900,000
	(11,097,108)	33,615,133
TOTAL COMPREHENSIVE INCOME	**₱262,858,547**	₱160,513,526

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Fair Value Reserve of EIFVOCI	Remeasurement loss on retirement benefit obligation - net of tax	Total
At January 1, 2019	**₱2,477,668,925**	**₱637,968,859**	**₱718,687,757**	**(₱265,423,108)**	**(₱8,393,615)**	**₱3,560,508,818**
Net income	**–**	**–**	**273,955,655**	**–**	**–**	**273,955,655**
Net change in fair value of EIFVOCI (Note 7)	**–**	**–**	**–**	**(1,086,232)**	**–**	**(1,086,232)**
Remeasurement loss on defined benefit plan - net of tax effect (Note 19)	**–**	**–**	**–**	**–**	**(10,010,876)**	**(10,010,876)**
At December 31, 2019	**₱2,477,668,925**	**₱637,968,859**	**₱992,643,412**	**(₱266,509,340)**	**(₱18,404,491)**	**₱3,823,367,365**
At January 1, 2018, *as previously reported*	₱2,477,668,925	₱637,968,859	₱492,009,400	(₱189,358,490)	(₱13,108,748)	₱3,405,179,946
Effect of adoption of PFRS 15 and 9 (Notes 7 and 23)	–	–	99,779,964	(104,964,618)	–	(5,184,654)
At January 1, 2018, *as restated*	2,477,668,925	637,968,859	591,789,364	(294,323,108)	(13,108,748)	3,399,995,292
Net income	–	–	126,898,393	–	–	126,898,393
Net change in fair value of EIFVOCI (Note 7)	–	–	–	28,900,000	–	28,900,000
Remeasurement gain on defined benefit plan - net of tax effect (Note 19)	–	–	–	–	4,715,133	4,715,133
At December 31, 2018	₱2,477,668,925	₱637,968,859	₱718,687,757	(₱265,423,108)	(₱8,393,615)	₱3,560,508,818

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱393,997,692**	₱168,197,398
Adjustments for:		
Unrealized loss (gain) on EIFVPL (Note 7)	**43,513,896**	(16,672,566)
Loss (gain) on sale of:		
EIFVPL (Note 7)	**32,094,814**	(10,099,242)
Investment property (Note 11)	**(5,138,414)**	–
Property and equipment (Note 12)	**(2,441,797)**	(2,561,309)
Interest expense (Note 16)	**17,938,766**	77,795,924
Depreciation (Note 12)	**9,288,806**	12,359,226
Net change in retirement benefit obligation (Note 19)	**3,473,220**	11,763,718
Unrealized foreign exchange loss (gain)	**10,938**	(598,392)
Interest income from cash deposits (Note 4)	**(137,640)**	(67,020)
Operating income before working capital changes	**492,600,281**	240,117,737
Decrease (increase) in:		
Receivables	**(624,346,545)**	232,855,443
Contract assets	**175,603,672**	(310,834,348)
Real estate inventories	**4,696,779**	(123,289,656)
Receivables from related parties	**(96,250)**	(6,806,695)
Other current assets	**(57,372,387)**	1,369,026
Increase (decrease) in:		
Accounts and other payables	**79,062,480**	110,923,391
Contract liabilities	**73,631,033**	12,459,479
Net cash from operations	**143,779,063**	156,794,377
Interest received from cash deposits (Note 4)	**137,640**	67,020
Net cash from operating activities	**143,916,703**	156,861,397
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
EIFVPL (Note 7)	**94,077,587**	122,755,440
Investment properties (Note 11)	**13,674,108**	–
Property and equipment (Note 12)	**3,921,452**	2,891,319
Decrease (increase) in deposit for future stock subscription	**6,378,359**	(90,597,369)
Additions to property and equipment (Note 12)	**(8,188,081)**	(18,750,662)
Increase in other noncurrent assets	**(111,072,887)**	(15,250,248)
Net cash from (used in) investing activities	**(1,209,462)**	1,048,480

(Forward)

	December 31	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES (Note 24)		
Proceeds from:		
Short-term debt	**₱245,805,000**	₱548,653,519
Long-term debt	**265,676,700**	108,815,298
Payments of:		
Short-term debt	**(185,780,200)**	(426,950,075)
Long term debt	**(373,807,989)**	(366,666,596)
Interest paid (including capitalized borrowing cost)	**(59,403,848)**	(74,904,712)
Net cash used in financing activities	**(107,510,337)**	(211,052,566)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(10,938)**	598,392
NET INCREASE (DECREASE) IN CASH	**35,185,966**	(52,544,297)
CASH AT BEGINNING OF YEAR (Note 4)	**37,690,616**	90,234,913
CASH AT END OF YEAR (Note 4)	**₱72,876,582**	₱37,690,616

See accompanying Notes to Parent Company Financial Statements.

A BROWN COMPANY, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

A Brown Company, Inc. (the Parent Company or ABCI), a publicly-listed company, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 21, 1966 as Bendana Brown Pizarro and Associates, Inc. to primarily engage in the business of property development and to invest in shares of stocks of listed companies.

The Parent Company is engaged in the business of real estate development located in Cagayan de Oro City and Initao in Misamis Oriental; Cainta, Rizal; Valencia City, Bukidnon and Butuan City, Agusan del Norte. The Parent Company, through its subsidiaries, also ventured into palm oil milling and power generation.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

In a Board of Directors meeting held on May 2, 2012 and the annual stockholders meeting on June 1, 2012, the Board of Directors and the stockholders representing 2/3 of the outstanding capital stock approved among others that "That the term for which the Parent Company is to exist is extended for another fifty (50) years from and after the date of the expiration of the original corporate term on December 20, 2016".

The principal place of business and registered office address of the Parent Company is Xavier Estates Uptown, Airport Road, Balulang, Cagayan de Oro City.

The accompanying financial statements as at and for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BOD) on June 11, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation
The parent company financial statements have been prepared using the historical cost basis except for EIFVOCI and EIFVPL that are carried at fair value. The parent company financial statements are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. All values are rounded to the nearest ₱, unless otherwise indicated.

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

Statement of Compliance
The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the reliefs granted by the SEC under Memorandum Circular Nos. 14-2018, 3-2019 and 4-2020 for the following implementation issues of PFRS 15 affecting the real estate industry:

a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. Adoption of PIC Q&A No. 2018-14: PFRS 15 – *Accounting for Cancellation of Real Estate Sales*
d. Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards and interpretations of the Philippine Interpretations Committee, Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council.

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in compliance with PFRSs.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2019. Unless otherwise indicated, adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance.

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

- PFRS 16, *Leases*

  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statements of financial position.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Parent Company is the lessor.

  The Parent Company has lease contracts for various items of property and equipment. Before the adoption of PFRS 16, the Parent Company classified each of its leases (as lessee) at the inception date as an operating lease. The adoption of PFRS 16 will not have an impact on equity in 2019, since the Parent Company has applied the available practical expedients in its leases (as lessee) wherein it applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application. The Parent Company recognizes the lease payments under this lease agreement as expense on a straight-line basis over the lease term.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12 nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

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

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Parent Company's assessment, it has no material uncertain tax treatments, accordingly, the adoption of this Interpretation has no significant impact on the financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

These amendments are not expected to have any impact on the Parent Company.

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

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

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

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

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

The amendments had no impact on the Parent Company's financial statements as it did not have any plan amendments, curtailments, or settlements during the period.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations*
  - Amendments to PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

These amendments are not expected to have any impact on the Parent Company.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

  Since the Parent Company's current practice is in line with these amendments, they had no impact on the financial statements of the Parent Company.

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

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

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

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

  These amendments are currently not applicable to the Parent Company but may apply to future transactions.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  This standard is not expected to have any impact on the Parent Company.

Deferred effectivity

- Deferment of Application of the Provisions of the PIC Q&A No. 2018-12 for the Real Estate Industry

  On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. Subsequently on October 25, 2018, the Philippine SEC issued SEC Memorandum Circular No. 14 Series of 2018 (the Memorandum) which provides relief to the real estate industry by deferring the application of the following provisions of the PIC Q&A No. 2018-12 (Q&A) for a period of three years until December 31, 2020:
  a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
  b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
  c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H
  d. Accounting for Cancellation of Real Estate Sales in PIC Q&A No. 2018-14

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

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

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

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

  The Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H does not affect the parent company financial statements since the Parent Company does not enter into any leasing transactions in the context of this interpretation.

The Parent Company availed of the deferral of adoption of the above specific provisions of PIC Q&As. Had these provisions been adopted, it would have the following impact on the financial statements:

- The exclusion of land and uninstalled materials in the determination of POC would reduce the percentage of completion of real estate projects resulting in a decrease in retained earnings as at January 1, 2019 as well as a decrease in the revenue from real estate sales in 2019. This would result to the land portion of sold inventories together with connection fees, to be treated as contract fulfillment asset.
- The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell (CTS) would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using the effective interest rate (EIR) method and this would have impacted retained earnings as at January 1, 2019 and the revenue from real estate sales in 2019. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
- Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2019 and gain from repossession in 2019. Currently, the Parent Company records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

- Deferment of Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of PFRS 15, *Revenue from Contracts with Customers*. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

  The IFRIC agenda decision would change the Parent Company's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020 providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.

The Parent Company opted to avail of the relief as provided by the SEC. Had the Parent Company adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred.

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

  These amendments do not have any impact on the Parent Company's financial statements.

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

Current versus Noncurrent Classification
The Parent Company presents assets and liabilities in the statements of financial position based on current/noncurrent classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Fair Value Measurement
The Parent Company measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible to the Parent Company.

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 nonfinancial 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.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Parent Company determines whether or not transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash
Cash includes cash on hand and in banks.

Financial Instruments – Initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

Financial assets

(i) Initial recognition and measurement

Financial assets are recognized when the Parent Company becomes a party to the contractual provisions of the financial instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

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

Contractual cash flows characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Parent Company assesses whether the cash flows from the financial asset represent 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Business model. The Parent Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Parent Company's business model does not depend on management's intentions for an individual instrument.

The Parent Company's business model refers to how it manages its financial assets in order to generate cash flows. The Parent Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Parent Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Parent Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

(ii) Subsequent measurement
The Parent Company subsequently classifies its financial assets into the following measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments). The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 SPPI on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Losses arising from impairment are recognized in the statements of comprehensive income.

The Parent Company's financial assets at amortized cost include cash, receivables (excluding advances to officers and employees), receivables from related parties and refundable deposits included under "Other current assets" and "Other noncurrent assets" in the statements of financial position (see Notes 4, 5, and 8).

Financial assets at FVOCI (debt instruments). The Parent Company measures debt instruments at FVOCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

For debt instruments at FVOCI, interest income and impairment losses or reversals are recognized in the statements of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As at December 31, 2019 and 2018, the Parent Company does not have debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments). At initial recognition, an entity may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument within the scope of PFRS 9 that is neither held for trading (HFT) nor contingent consideration recognized by an acquirer in a business combination to which PFRS 3, *Business Combination* applies. The classification is determined on an instrument-by-instrument basis.

In applying that classification, a financial asset or financial liability is considered to be HFT if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or,
(b) 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,
(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses on equity instruments designated at FVOCI are never recycled to profit or loss. Dividends are recognized as part of "Dividend income" in the statements of comprehensive income when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Company includes equity instruments not HFT in this category. The Parent Company made irrevocable election to present in OCI subsequent changes in the fair value of all the Parent Company's investments in golf shares and unlisted shares of stock.

Financial assets at FVPL. Financial assets at FVPL are measured as at initial recognition unless these are measured at amortized cost or at FVOCI. Included in this classification are equity instruments HFT and debt instruments with contractual terms that do not represent SPPI on the principal amount outstanding. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the statements of comprehensive income and distribution of net surplus as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statements of comprehensive income and distribution of net surplus.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Parent Company may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Parent Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

The Parent Company's financial assets at FVPL include listed equity securities (see Note 7).

(iii) Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from The Parent Company's statements of financial position) when:

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

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

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

(iv) Impairment of financial assets

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

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

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

The Parent Company applies a simplified approach in calculating ECLs for receivables. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, the Parent Company has established a provision matrix that is based on its historical credit loss experience.

For installment contracts receivable (ICR), the Parent Company uses the vintage analysis for ECL by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Parent Company as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For all debt financial assets other than receivables, ECLs are recognized using the general approach wherein the Parent Company tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

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

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Parent Company's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Parent Company from the time of origination.

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

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

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

Write-off policy. The Parent Company writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Reclassifications of financial instruments. The Parent Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by The Parent Company and any previously recognized gains, losses or interest shall not be restated. The Parent Company does not reclassify its financial liabilities.

Financial liabilities

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

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

(ii) Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at FVPL
- Financial liabilities at amortized cost

Financial liabilities at FVPL. Financial liabilities at FVPL include financial liabilities that are HFT and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as HFT if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities that are HFT are recognized in the statements of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Parent Company has not designated any financial liability as at FVPL.

Financial liabilities measured at amortized cost. This is the category most relevant to the Parent Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost under the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest in the statements of comprehensive income and distribution of net surplus.

The Parent Company's financial liabilities measured at amortized cost as of December 31, 2019 includes the following (see Notes 13 and 16):
- Short-term debt
- Long-term debt
- Accounts and other payables (excluding statutory payables)

Short-term debt and long-term debt are raised for support of short and long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges are recognized as "Interest expense" in the statements of comprehensive income on an accrual basis using the EIR method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Accounts and other payables are initially recognized at fair value and subsequently measured at amortized cost, using EIR method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period, or when the Parent Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

(iii) Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of comprehensive income and distribution of net surplus.

<u>Offsetting Financial Instruments</u>
Financial assets and liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is

legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Real Estate Inventories
Real estate inventories consist of subdivision land and residential houses and lots for sale and development initially recorded at cost. Subsequent to initial recognition, these are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted moving average method. Cost includes the acquisition cost of the land plus all costs incurred directly attributable to the construction and development of the properties. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the estimated selling price in the ordinary course of business, based on market prices at the reporting date, less estimated cost of completion and estimated costs necessary to make the sale. Valuation allowance is provided for real estate held for sale when the NRV of the properties are less than their carrying amounts. Undeveloped land is carried at lower of cost and NRV.

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

Borrowing Costs
Borrowing costs that are 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 while the asset, which includes real estate inventories, is being constructed are capitalized as part of the cost of that asset.

Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and, (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred.

Deposits for Purchased Land
This represents deposits made to landowners for the purchase of certain parcels of land which are intended to be held for sale or development in the future. The Parent Company normally makes deposits before a contract to sell (CTS) is executed between the Parent Company and the landowner. These are recognized at cost. The sales contracts are expected to be executed within 12 months after the reporting date.

Prepayments
Prepayments represent expenses not yet incurred but already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the statements of comprehensive income as they are consumed in operations or expire with the passage of time. Prepayments are classified in the statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the entity's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Deposits for Future Stock Subscription
Deposits for future stock subscription pertain to amounts paid by the Parent Company to its subsidiaries for additional subscriptions in excess of the authorized share capital pending the investees' application or approval of the amendments to increase authorized share capital.

Investment in Associates
An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Parent Company's investments in associates are accounted for using the cost method. Under the cost method, investments are carried in the parent company statements of financial position at cost less any impairment in value. The Parent Company recognizes income from these investments only to the extent that it receives (or becomes entitled to) distributions from accumulated profits of the investees arising from the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investments and recognized as reduction in cost of investments.

Investments in Subsidiaries
The Parent Company's investments in A Brown Energy and Resources Development, Inc. (ABERDI), Palm Thermal Consolidated Holdings, Corp. (PTCHC), Blaze Capital Limited (BCL), Hydro Link Projects Corp. (HLPC), AB Bulk Water Company, Inc. (ABBWCI), Masinloc Consolidated Power, Inc. (MCPI) and Simple Homes Development, Inc. (SHDI) are accounted for under the cost method. A subsidiary is an entity that is 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.

Under the cost method, investment is recognized at cost less impairment losses, if any. Income from investment is recognized only to the extent that the Parent Company receives distributions from accumulated profits of the investees arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Investment Properties
Investment property consists of land and building which currently held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the supply of services or for administrative purpose. These properties are initially recognized at fair value plus directly attributable cost incurred such as legal fees, transfer taxes and other transaction costs. Subsequent to initial recognition, the building is carried at cost less accumulated depreciation and amortization and any impairment in value while the land is carried at cost less any impairment in value.

Depreciation for depreciable investment properties is computed on a straight-line method over estimated useful lives ranging from 10 to 20 years. The useful lives and depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from the use of the properties for lease.

The carrying value of the asset, if reviewed for impairment when changes in circumstances indicate the carrying value, may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount while impairment losses are recognized in the statements of comprehensive.

The investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of the asset is recognized in the statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property and equipment comprises its purchase price including legal and brokerage fees, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put into operation, such as maintenance, repairs and costs of day-to-day servicing, are recognized in profit or loss in the period 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying values may not be recoverable.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are amortized over their estimated lives or term of the lease, whichever is shorter:

	Years
Building and improvements	10 - 20
Furniture and fixtures	3 - 5
Machineries and equipment	2 - 5
Transportation equipment	2 - 5
Tools and other equipment	2 - 5
Other equipment	2 - 10

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

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which the Parent Company expects to consume an asset's future economic benefits, the Parent Company shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The Parent Company shall account for the change prospectively as a change in an accounting estimate.

Fully depreciated assets are retained in the accounts until these are no longer in 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 from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income in the year the asset is derecognized. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts while any resulting gain or loss is included in the statements of comprehensive income.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Parent Company's other assets (excluding refundable deposits), investment in associate, investments in subsidiaries, investment properties, and property and equipment (see Notes 8, 9, 10, 11, and 12).

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's estimated recoverable amount is the higher of the asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their estimated recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are directly charged or credited to operations in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its estimated recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is directly charged or credited to operations.

Equity

Capital stock and additional paid-in capital

Capital stock consists of common shares which are measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

Retained earnings
Retained earnings include all current and prior period results of operations, net of dividends declared and the effects of retrospective application of changes in accounting policies or restatements, if any. Dividends on common stock are recognized as a liability and deducted from equity when declared and approved by the BOD or shareholders of the Parent Company. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

Revenue from Contracts with Customers
The Parent Company is primarily engaged in real estate development and water services. Revenue from contracts with customers is recognized when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services. The Parent Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Parent Company has generally concluded that it is the principal in its revenue arrangements since it is the primary obligor in these revenue arrangements.

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

Real estate sales. The Parent Company derives its real estate revenue from sale of lots and developed residential house and lots. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Parent Company's performance does not create an asset with an alternative use and the Parent Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Parent Company uses the output method. The Parent Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using physical proportion of work done. This is based on the monthly project accomplishment report prepared by the project engineers which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, is recognized under "Contract assets" in the assets section of the statements of financial position.

Any excess of collections over the total of recognized ICR and contract assets are recognized under "Contract liabilities" account in the liabilities section of the statements of financial position.

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

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

In addition, the Parent Company recognizes cost as an asset that gives rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Water service. Revenue is recognized when services are rendered and normally when billed.

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

Dividend income. Dividend income is recognized when the Parent Company's right to receive payment is established which is generally when shareholders approve the dividend.

Rental income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the respective lease terms.

Interest income. Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Other income. Other customer related fees such as penalties and surcharges are recognized as they accrue, taking into account the provisions of the related contract.

Contract Balances

ICR. An ICR represents the Parent Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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

For the Parent Company's real estate sales, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to ICR. It is recognized under "Receivables and contract assets" in the statements of financial position.

A receivable (e.g., ICR), represent the Parent Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of consideration is due).

The Parent Company uses the vintage analysis for ECL of contract assets by calculating the cumulative loss rates of a given instalment contracts pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Parent Company as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized under "Other current assets" in the statements of financial position if the Parent Company expects to recover them. The Parent Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized over time using the POC method. Commission expense is included in the "General, administrative expenses and selling expenses" account in the statements of comprehensive income.

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

Amortization, derecognition and impairment of capitalized costs to obtain a contract. The Parent Company amortizes capitalized costs to obtain a contract as marketing expense under "General, administrative expenses and selling expenses" account in the statements of comprehensive income over the expected construction period using the POC following the pattern of real estate revenue recognition.

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

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

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

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

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

Cost and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used or the expense arises while interest expenses are accrued in the appropriate period.

This consist of general administrative expenses which constitute costs of administering the business and selling expenses which constitute commission on real estate sales and advertising expenses. General administrative and selling expenses (excluding amortization of capitalized costs to obtain contracts) are recognized as incurred.

Post-employment Benefits

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

The following comprise the defined benefit costs:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs, which include current service costs, past service costs, and gains or losses on non-routine settlements are recognized as expense in statements of comprehensive income and distribution of net surplus. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) 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 Parent Company, nor can they be paid directly to the Parent Company. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Leases

The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 fulfillment is dependent on a specified asset; or,
(d) There is substantial change to the asset.

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

As Lessor. Leases where the Parent Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

As Lessee. The Parent Company applies the short-term lease recognition exemption to its short-term lease of office space and transportation equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies to the lease of low-value assets recognition exemption on the same lease as this is considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Taxes

Current income tax. Current income tax liabilities for the current and prior periods 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 as of reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or,

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The Parent Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Creditable withholding taxes (CWT). CWT pertains to taxes withheld on income payments and may be applied against income tax due. The balance of taxes withheld is recovered in future period. The balance as of end of each reporting period represents the unutilized amount after deducting any income tax payable. Creditable withholding tax is stated at its realizable value.

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

For its VAT-registered activities (i.e., services related to the conditional cash transfer), when VAT from provision of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as output VAT under "Accounts and other payables" in the statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from provision of services (output VAT), the excess is recognized as input taxes under "Other current assets" in the statements of financial position up to the extent of the recoverable amount.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Deferred input VAT. Deferred input VAT represents portion of input VAT incurred and paid in connection from the purchase of a capital good whose acquisition cost exceeds of ₱1.0 million per month. . Section 110(A) (1) of the NIRC so provides that the input tax on capital goods purchased or imported in a calendar month for use in trade or business shall be spread evenly over the month of acquisition and the 59 succeeding months, unless the expected useful life of the capital good is less than five years, in which case the input tax is amortized over such a shorter period. Pursuant to the implementation of TRAIN law, this provision is applicable only until December 31, 2021. Deferred Input VAT is stated at its realizable value.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Parent Company expects some or all of a provision to be reimbursed, for example, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statements of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events up to the date of auditor's report that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements in compliance with PFRS requires the Parent Company to make judgments and estimates that affect the amounts reported in the parent company financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements.

Revenue from contracts with customers. The Parent Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations*. The Parent Company is primarily engaged in real estate sales and development and water services. The Parent Company accounts for all of the goods and services in each contract with customer as a single performance obligation capable of being distinct.

- *Determining the timing of satisfaction of sale of goods and services*. The Parent Company concluded that the revenue for sale of water services is to be recognized as services are performed and it has a present right to payment for the services rendered.

Real estate revenue recognition effective January 1, 2018 (upon adoption of PFRS 15)

- *Existence of a contract.* The Parent Company's primary document for a contract with a customer is a signed CTS supported by other signed documentations such as reservation agreement, official receipts, buyers' amortization schedule and invoices and it met all the criteria to qualify as contract with a customer under PFRS 15.

  In addition, part of the assessment process of the Parent Company before revenue recognition is to assess the probability that the Parent Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.

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

The Parent Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Parent Company's performance in transferring control of real estate development to the customers. In measuring the progress of its performance obligation over time, the Parent Company uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Parent Company's specialists (project engineers).

In addition, the Parent Company requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Parent Company.

In 2019, the Parent Company considered that the initial and continuing investments by the buyer of about 10% from 25% in the prior years would demonstrate the buyer's commitment to pay. The reassessment of buyer's equity to 10% was based on the management's evaluation of the historical cancellations and back-outs and consideration of various factors such as collection history with the buyers, age of receivables and pricing of the property. The change in the buyer's equity resulted to the recognition of additional real estate sales amounting to ₱225.2 million in 2019. The Parent Company accounted this change prospectively as a change in an accounting estimate.

Contractual cash flows assessment. For each financial asset, the Parent Company assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Parent Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Evaluation of business model in managing financial instruments. The Parent Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Parent Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and,

- The expected frequency, value and timing of sales are also important aspects of the Parent Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Parent Company's original expectations, the Parent Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

- *Quantitative criteria*
  The customer is more than 90 days past due on its contractual payments, i.e. principal and/or interest, which is consistent with the regulatory definition of default.

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

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

An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months as it has exhibited a satisfactory track record. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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

To do this, the Parent Company has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Parent Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Parent Company considers a representative range of possible forecast scenarios. This process involves gathering two or more economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions. The Parent Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Parent Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Distinction of land between real estate inventories and investment properties. The Parent Company determines whether a property will be classified as real estate inventories or investment properties. In making this judgment, the Parent Company considers whether the property will be sold in the normal operating cycle (real estate inventories). All other properties that are not yet determined to be sold in the normal operating cycle are classified as investment properties.

Significant influence on Peakpower Energy, Inc. (PEI). In determining whether the Parent Company has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Parent Company a significant influence. The Parent Company considers that it has significant influence over its investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies.

Evaluation and reassessment of control in MCPI. The Parent Company refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Parent Company controls an investee. Particularly, the Parent Company controls an investee when it 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. The Parent Company considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Parent Company controls an investee if and only if it has all the following:
a. power over the investee;
b. exposure, or rights, to variable returns from its involvement with the investee; and,
c. the ability to use its power over the investee to affect the amount of the investor’s returns.

Ownership interest in MCPI represent 49%. The Parent Company has the ability to direct the relevant activities and power to affect its returns considering that critical decision making position in running the operations of the investee are occupied by the representatives of the Parent Company.

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

Revenue recognition on real estate projects. The Parent Company’s revenue recognition policy require management to make use of estimates and assumptions that may affect the reported amounts of revenues. The assessment process for the POC and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment.

The Parent Company's revenue from real estate is recognized based on the POC are measured principally on the basis of the estimated completion of a physical proportion of the contract work based on the inputs of the management's specialists (project engineers). The Parent Company also includes land in the calculation of POC since the Parent Company availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of 2018 for the implementation issues of PFRS 15 affecting the real estate industry.

For the years ended December 31, 2019 and 2018, the real estate sales recognized over time amounted to ₱942.7 million and ₱740.1 million, respectively, (see Note 23) while the related cost of real estate sales amounted to ₱355.2 million and ₱311.5 million, respectively (see Note 6).

Collectability of the sales price. In determining whether the sales price is collectible, the Parent Company considers that the initial and continuing investments by the buyer of 10% and 25% in 2019 and 2018, respectively, would demonstrate the buyer's commitment to pay.

In 2019, the Parent Company considered that the initial and continuing investments by the buyer of about 10% from 25% in the prior years would demonstrate the buyer's commitment to pay. The reassessment of buyer's equity to 10% was based on the management's evaluation of the historical cancellations and back-outs and consideration of various factors such as collection history with the buyers, age of receivables and pricing of the property. The change in the buyer's equity resulted to the recognition of additional real estate sales amounting to ₱225.2 million in 2019.

The gross amount of ICR and contract assets arising from these sales contracts amounted to ₱733.9 million and ₱393.6 million as of December 31, 2019 and 2018, respectively (see Notes 5 and 14).

Provision for expected credit losses of receivables and contract assets. The Parent Company uses a provision matrix to calculate ECLs for trade receivables other than ICRs. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Parent Company's historical observed default rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Parent Company considers an ICR and contract asset in default when the Parent Company forfeits and repossesses the property from the customer through cancellation. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Parent Company would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating the recovery rates, the Parent Company considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, association dues, refurbishment, payment required under Republic Act 6552, *Realty Installment Buyer Act*, and cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The resulting recovery rate coming from the above process, resulted to zero loss given default, thus resulting to no recognized impairment loss.

In 2019 and 2018, no additional ECL was recognized in the statements of comprehensive income. As at December 31, 2019 and 2018, the allowance for ECL recognized in the statements of financial position amounted to ₱0.4 million (see Note 5).

Estimating NRV of real estate inventories. The Parent Company reviews the NRV of real estate inventories and compares it with the cost. Real estate inventories are written down below cost when the estimated NRV is found to be lower than the cost.

NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Parent Company having taken suitable external advice and in light of recent market transactions. NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction less an estimate of the time value of money to the date of completion. The estimates used took into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The carrying values of real estate inventories amounted to ₱1,581.0 million and ₱1,576.1 million as of December 31, 2019 and 2018, respectively (see Note 6).

Estimating useful lives of property and equipment and investment properties. The Parent Company estimates the useful lives of property and equipment and investment properties, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of December 31, 2019 and 2018, the aggregate carrying value of depreciable property and equipment and investment properties amounted to ₱51.9 million and ₱54.5 million, respectively (see Notes 11 and 12).

Estimating fair values of financial assets and liabilities. When the fair values of financial assets and liabilities recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

As at December 31, 2019 and 2018, the aggregate carrying values of the financial assets amounted to ₱1,159.0 million and ₱660.2 million, respectively, and of the financial liabilities amounted to ₱1,604.4 million and ₱1,577.9 million, respectively (see Note 22).

Impairment of nonfinancial assets. The Parent Company assesses impairment on its nonfinancial assets (e.g. investment in associate, investments in subsidiaries, investment properties, property and equipment and other assets excluding refundable deposits) and considers the following important indicators:

- Significant changes in asset usage;
- Significant decline in assets' market value;
- Obsolescence or physical damage of an asset;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of usage of the acquired assets or the strategy for the Parent Company's overall business; and
- Significant negative industry or economic trends.

If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell or value in use whichever is higher. 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 be generated from the continued use of the asset. The Parent Company is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

Based on the assessment of the Parent Company, there is no indication of impairment of investment in associate, investments in subsidiaries, investment properties, property and equipment and other assets (excluding refundable deposits). The carrying values of the nonfinancial assets follow:

	2019	2018
Investment in associate (see Note 9)	**₱110,000,000**	₱110,000,000
Investments in subsidiaries (Note 10)	**610,899,495**	610,899,495
Investment properties (see Note 11)	**94,977,941**	103,513,635
Property and equipment (see Note 12)	**61,502,819**	64,083,199
Other assets* (see Note 8)	**467,440,015**	307,553,802

**Excluding refundable deposits amounting to ₱36.6 million and ₱28.3 million as of 2019 and 2018*

No impairment was recognized for the Parent Company's nonfinancial assets as of December 31, 2019 and 2018.

Estimating realizability of deferred tax assets. 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 profit will be available to allow all or part of the deferred tax assets to be utilized. The Parent Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company. This forecast is based on the Parent Company's past results and future expectations on revenue and expenses.

The Parent Company assessed its projected performance in determining the sufficiency of the future taxable income. As at December 31, 2019 and 2018, the carrying values of these deferred tax assets amounted to ₱6.8 million and ₱6.1 million, respectively (see Note 20).

Post-employment defined benefit plan. The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As at December 31, 2019 and 2018, the Parent Company's retirement benefit obligation amounted to ₱47.7 million and ₱29.9 million, respectively (see Note 19).

4. Cash

	2019	2018
Cash on hand	**₱889,008**	₱629,738
Cash in banks	**71,987,574**	37,060,878
	₱72,876,582	₱37,690,616

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates. Interest income earned on cash in banks amounted to ₱0.1 million in 2019 and 2018.

5. Receivables

	2019	2018
ICR	**₱598,655,904**	₱82,723,817
Trade receivables	**3,802,835**	3,298,107
Dividend receivable	**72,200,000**	–
Advances to officers and employees	**1,306,933**	2,880,114
Other receivables	**78,221,190**	40,938,279
	754,186,862	129,840,317
Less allowance for impairment	**421,463**	421,463
	753,765,399	129,418,854
Less noncurrent portion	**146,227,160**	79,539,705
	₱607,538,239	₱49,879,149

ICR consists of accounts collectible in equal monthly installments with over a period of 2 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Parent Company until full payment has been made by the customers. Interest earned from ICR and contract assets amounted to ₱2.6 million and ₱1.9 million in 2019 and 2018, respectively.

Trade receivables pertain to receivables from water service which is noninterest-bearing and normally collected within seven (7) days.

Dividend receivable pertains to the cash dividends declared on December 19, 2019 from PEI amounting to ₱72.2 million for stockholders on record on December 31, 2019.

Advances to officers and employees pertain to salary and other loans granted to the Parent Company's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one (1) year.

Other receivables pertain to receivables for the sale of equity. These receivables are noninterest-bearing and are normally on 30-day terms.

6. Real Estate Inventories

	2019	2018
Land for sale and development	**₱291,091,721**	₱465,807,642
Construction and development costs	**1,289,872,543**	1,110,253,401
	₱1,580,964,264	₱1,576,061,043

The roll forward of this account follows:

	2019	2018
Balance at beginning of the year	**₱1,576,061,043**	₱1,381,106,519
Construction costs incurred	**304,874,595**	198,214,941
Borrowing costs capitalized (Note 16)	**35,651,325**	–
Transfer from deposit for future stock subscription (Note 15)	**9,600,000**	–
Depreciation expense capitalized (Note 12)	**5,454,279**	6,403,558
Purchase of raw land	**4,555,160**	227,119,154
Transfers from investment properties (Note 11)	–	66,164,324
Transfer from deposits for purchased land	–	8,524,817
Cost of real estate sales	**(355,232,138)**	(311,472,270)
	₱1,580,964,264	₱1,576,061,043

The real estate inventories are carried at cost. No inventories are recorded at amounts lower than cost in 2019 and 2018.

Land for sale and development represents real estate subdivision projects in which the Parent Company has been granted License to Sell (LTS) by the Housing and Land Use Regulatory Board of the Philippines. It also includes raw land inventories that are under development and those that are about to undergo development.

Construction and development costs incurred pertain to amounts paid to contractors and development costs in relation to the development of land and construction of housing units, capitalized borrowing costs and other costs directly attributable to bringing the real estate inventories to its intended condition.

Borrowing cost capitalized to real estate inventories in 2019 amounted to ₱35.7 million (Note 16). The capitalization rate used to determine the borrowing costs eligible for capitalization is 3.92%. In 2018, the Parent Company had no borrowings attributable to its on-going constructions.

In 2019, the Parent Company received a parcel of land returned by SHDI which pertains to the Parent Company's consideration for its deposit for future stock subscription to SHDI (see Note 15). In 2018, the Parent Company transferred deposits for purchased land to real estate inventories since the related CTS or sales contracts have already been executed.

Collateralized properties
Pursuant to the loan agreement, certain real estate inventories were collateralized in favor of the bank to secure the Parent Company's short-term and long-term debts (see Note 16). As at December 31, 2019 and 2018, the carrying values of the collateralized real estate inventories amounted to ₱322.8 million and ₱380.7 million.

7. Investments in Equity Instruments

Quoted and unquoted equity securities
The Parent Company's EIFVPL consists of quoted equity securities that are listed and traded in the Philippine Stock Exchange. The fair value of these securities has been determined directly by reference to published prices in an active market using Level 1 fair value hierarchy. The changes in the fair value of the quoted equity securities are recognized under "Unrealized loss on EIFVPL" in statements of comprehensive income.

The Parent Company's EIFVOCI include unquoted golf club shares and unlisted shares of stock. The fair values of the golf club shares are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input). Moreover, the Parent Company's unlisted shares of stock are measured at cost since it represents the best estimate of fair value within the range of possible fair value measurements which are under Level 3 of the fair value hierarchy. The changes in the fair value of these unquoted equity instruments are recognized under "Net change in fair value of EIFVOCI" in other comprehensive income.

The rollforward analysis of investments in EIFVOCI and EIFVPL follows:

	2019	
	FVPL	**FVOCI**
Cost:		
At January 1	**₱139,742,698**	**₱434,070,793**
Disposal	**(75,617,000)**	**–**
At December 31	**64,125,698**	**434,070,793**
Cumulative unrealized gain (loss):		
At January 1	**93,428,040**	**(265,423,108)**
Disposal	**(50,555,401)**	**–**
Fair value adjustment	**(43,513,896)**	**(1,086,232)**
At December 31	**(641,257)**	**(266,509,340)**
Carrying values	**₱63,484,441**	**₱167,561,453**

	2018	
	FVPL	FVOCI
Cost:		
At January 1	₱212,458,698	₱434,070,793
Disposal	(72,716,000)	–
At December 31	139,742,698	434,070,793
Cumulative unrealized gain (loss):		
At January 1	116,695,671	(294,323,108)
Disposal	(39,940,197)	–
Fair value adjustment	16,672,566	28,900,000
At December 31	93,428,040	(265,423,108)
Carrying values	₱233,170,738	₱168,647,685

In 2019 and 2018, the Parent Company sold its 75,617,000 shares and 72,716,000 shares of Apex Mining Corporation (AMC) for ₱94.1 million and ₱122.8 million resulting in a loss of ₱32.1 million and a gain of ₱10.1 million, respectively.

In 2018, upon the adoption of PFRS 9, the Parent Company transferred the cumulative unrealized gain of the quoted equity securities which resulted to an increase in retained earnings by ₱116.9 million, decrease in AFS investments by ₱457.0 million and decrease in OCI by ₱105.0 million as of January 1, 2018.

These quoted equity securities were reclassified from AFS investments to EIFVPL. The Parent Company's investments in golf club shares and unlisted shares of stock were irrevocably designated at FVOCI as the Parent Company considers these instruments to be held for the foreseeable future. Prior to adoption of PFRS 9, these were categorized as AFS investments. Cumulative unrealized loss for these investments amounted to ₱294.3 million as of January 1, 2018.

8. **Other Assets**

	2019	2018
Current		
Deposits for purchased land	**₱160,780,887**	₱98,233,487
Creditable withholding taxes	**98,467,233**	96,550,911
Construction materials	**60,279,616**	68,192,552
Prepaid expenses	**29,005,442**	32,022,677
Costs to obtain contracts (Note 23)	**16,355,255**	12,217,593
Refundable deposits	**551,467**	551,467
Miscellaneous	**336,582**	336,582
	₱365,776,482	₱308,105,269
Noncurrent		
Advances to third party	**₱102,719,000**	₱–
Refundable deposits - net of current portion	**36,067,010**	27,713,123
	₱138,786,010	₱27,713,123

Deposits for purchased land pertain to installment payments made by the Parent Company to the sellers of land where sales contracts have yet to be executed. The land is intended to be held for sale in the future. Deposits for purchased land amounting to ₱8.5 million were transferred in 2018 to real estate inventories for sale when the related CTSs or sales contracts were executed or when the Parent Company obtained control over the property (see Note 6).

Creditable withholding taxes pertain to carry over of unapplied income tax credits and are recoverable and can be applied against the income tax payable in future periods.

Construction materials pertain to supplies used in the construction and development of the real estate projects.

Prepaid expenses include prepaid insurance, employee benefits, supplies, rent and taxes and licenses which are applicable in the future period.

Costs to obtain a contract with a customer pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units. These capitalized costs are charged to marketing expenses under “General, administrative and selling expenses” in the statements of comprehensive income as the related revenue is recognized (see Note 18).

Advances to third party pertain to advances made by the Parent Company in connection with its engagement of a third party for potential joint venture partners for acceptable business projects. The advances are to be applied to the cost of the business project.

9. Investment in Associate

This pertains to investment to Peakpower Energy, Inc. (PEI). PEI was incorporated and registered with the SEC on February 19, 2013 primarily to purchase, acquire, own and hold shares of stock, equity, and property of energy companies. Through its subsidiaries, PEI’s focus is to develop, construct, and operate diesel power plants in Mindanao to address the ongoing power shortages in the region. Parent Company holds 20% of equity ownership as of December 31, 2019 and 2018. The primary place of business and office address of the associate is 3rd Floor Joy-Nostalg Center, ADB Avenue, Ortigas Center, Pasig City.

As at December 31, 2019 and 2018, the carrying value of the investment is equal to its cost amounting to ₱110.0 million.

The Parent Company’s dividend income from PEI amounted to ₱72.2 million and ₱13.0 million in 2019 and 2018, respectively. As of December 31, 2019, the Parent Company has yet to collect the said dividend.

10. Investments in Subsidiaries

	Principal Activities	% of Ownership	Cost of investments
ABERDI	Manufacturing	100	₱449,999,995
NC***	Agriculture	100	–
BAC***	Agriculture	100	–
PTCHC	Holding	100	109,000,000
BCL*	Infrastructure	100	25,000,000
HLPC*	Power operations	100	16,000,000
ABBWCI*	Water service	100	5,000,000
MCPI**	Power plant operations	49	4,900,000
SHDI*	Real estate	100	999,500
			₱610,899,495

* *Pre-operating entity.*
** *Non-operating entity.*
*** *Indirectly-owned through ABERDI.*

ABERDI

ABERDI was incorporated and registered with the SEC on February 1, 2001 to primarily engage in the business of manufacturing and trading of palm oil and other palm products including, but not limited to refined bleached deodorized oil, palm olein, crude palm oil, palm stearin, palm acid oil, palm fatty acid distillate, and palm kernels. ABERDI's subsidiaries are NC and BAC.

NC

NC was registered with the SEC on February 2, 1997. The Company's primary purpose is to engage in the business of agriculture in all aspects, including but not limited to, the operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chicken and any and all other activities related to or incidental to the foregoing markets. The Company is also engaged in selling palm seedlings and bunch.

BAC

BAC was registered with the SEC on February 2, 1997. The Company was organized to engage in business of agriculture in all aspect, including but not limited to operation of fishponds and fish pens, the raising of cattle, both large and small, the raising of hogs and chickens and all other activities related to or incidental to the foregoing, and to market, sell, or otherwise dispose of any produce and products in both local and foreign markets.

PTCHC

PTCHC was registered with the SEC on November 22, 2010. Its primary purpose is to purchase, acquire, own, hold, lease, sell and convey properties of every kind and description, including land, buildings, factories and warehouses and machinery, equipment, the goodwill, shares of stock, equity, rights, and property of any person, firm, association, or corporation and other personal properties as may be necessary or incidental to the conduct of the corporate business and to pay cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

BCL

BCL is registered with BVI Financial Services Commission as a British Virgin Island (BVI) Business Company in August 8, 2011 under the BVI Business Companies Act 2004. Subject to the Act and any other BVI legislation, the Company has irrespective of corporate benefit (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transactions; and (b) for the purposes of (a), full rights, powers and privileges.

HLPC

HLPC was registered with the SEC on May 6, 2010. The Company's primary purpose is to engage in, conduct and carry on the business of developing, constructing, operating, repairing, and maintaining hydro-electrical plants and system and other power generating or converting stations, manufacture, operation and repair of related mechanical and electrical equipment.

ABBWCI

ABBWCI was registered with the SEC on March 31, 2015. The Company was organized primarily to engage in the business of holding and providing rights to water to public utilities and cooperatives or in water distribution in the Municipality of Opol and related activities.

MCPI

MCPI was registered with the SEC on July 4, 2007. The Company was organized primarily to engage in, conduct and carry on the business of construction, planning, purchase, supply and sale of electricity. The Company is registered under the Foreign Investments Act of 1991 on July 6, 2007.

SHDI
SHDI was registered with the SEC on February 26, 1997. The Company was organized primarily to invest in, purchase or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, and related activities.

11. Investment Properties

The Parent Company's investment properties are classified as follows:

	2019	2018
Land held for capital appreciation	**₱93,367,877**	₱101,903,571
Land and building held for lease	**1,610,064**	1,610,064
	₱94,977,941	₱103,513,635

The fair values of land as of December 31, 2019 and 2018 as determined by an independent appraiser based on International Valuation Standards in 2018, amounted to ₱398.4 million in both years. The Parent Company classifies the fair values of land under Level 3 fair value hierarchy.

The value of the land was arrived at using the Market Data Approach. In this approach, the value of the land is based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. This valuation approach is categorized as Level 3 in the fair value hierarchy as at December 31, 2019 and 2018. The significant unobservable input to the valuation is the price per square meter.

Significant increases or decreases in estimated price per square meter in isolation would result in a significantly higher or lower fair value on a linear basis.

The details of land held for capital appreciation are as follows:

	2019	2018
Cost:		
Balances at beginning of year	**₱101,903,571**	₱168,067,895
Disposals	**(8,535,694)**	–
Transfers to real estate inventories (Note 6)	–	(66,164,324)
Net carrying value	**₱93,367,877**	₱101,903,571

Land and building held for lease are as follows:

	Land	**Building**	**Total**
Cost:			
Balances at beginning and end of year	**₱1,610,064**	**₱7,142,747**	**₱8,752,811**
Accumulated depreciation:			
Balances at beginning and end of year	**–**	**7,142,747**	**7,142,747**
	₱1,610,064	**₱–**	**₱1,610,064**

In 2019, the Parent Company has sold a land with a net book value of ₱8.5 million and recognized a gain of ₱5.1 million presented as “Gain on sale of investment properties” in the statements of comprehensive income. Proceeds from the sale amounted to ₱13.7 million.

Rental income generated from land held under lease included in “Miscellaneous” in the statements of comprehensive income amounted to ₱0.9 million in 2018. Direct operating expense related to land held for lease included under “General, administrative and selling expenses” in the statements of comprehensive income amounted to ₱0.1 million in both 2019 and 2018.

Collateralized Properties

In 2018, pursuant to the loan agreement, certain investment properties with a carrying amount of ₱35.7 million, were collateralized in favor of the bank to secure the Parent Company’s long-term debt (see Note 16).

12. Property and Equipment

The composition and movements of this account are as follows:

	2019							
	Land	**Building and Improvements**	**Machinery and Equipment**	**Furniture and Fixtures**	**Transportation Equipment**	**Tools and Other Equipment**	**Other Equipment**	**Total**
Cost								
At January 1	**₱9,606,847**	**₱40,710,078**	**₱172,567,550**	**₱21,765,998**	**₱23,417,414**	**₱7,578,044**	**₱23,399,190**	**₱299,045,121**
Additions	**–**	**110,000**	**–**	**778,396**	**6,025,481**	**76,875**	**1,197,329**	**8,188,081**
Disposals	**–**	**–**	**–**	**(45,446)**	**(2,212,857)**	**–**	**–**	**(2,258,303)**
At December 31	**9,606,847**	**40,820,078**	**172,567,550**	**22,498,948**	**27,230,038**	**7,654,919**	**24,596,519**	**304,974,899**
Accumulated depreciation								
At January 1	**–**	**40,622,019**	**129,635,730**	**19,174,055**	**23,199,897**	**3,209,088**	**19,121,133**	**234,961,922**
Depreciation	**–**	**110,329**	**2,816,039**	**878,270**	**2,287,017**	**1,462,711**	**1,734,440**	**9,288,806**
Disposals	**–**	**–**	**–**	**(13,886)**	**(764,762)**	**–**	**–**	**(778,648)**
At December 31	**–**	**40,732,348**	**132,451,769**	**20,038,439**	**24,722,152**	**4,671,799**	**20,855,573**	**243,472,080**
Net Book Value	**₱9,606,847**	**₱87,730**	**₱40,115,781**	**₱2,460,509**	**₱2,507,886**	**₱2,983,120**	**₱3,740,946**	**₱61,502,819**

	2018							
	Land	Building and Improvements	Machinery and Equipment	Furniture and Fixtures	Transportation Equipment	Tools and Other Equipment	Other Equipment	Total
Cost								
At January 1	₱9,606,847	₱40,710,078	₱160,558,495	₱20,234,818	₱37,603,498	₱2,837,457	₱20,374,131	₱291,925,324
Additions	–	–	2,410,715	1,531,180	7,043,121	4,740,587	3,025,059	18,750,662
Disposals	–	–	–	–	(11,630,865)	–	–	(11,630,865)
Reclassifications	–	–	9,598,340	–	(9,598,340)	–	–	–
At December 31	9,606,847	40,710,078	172,567,550	21,765,998	23,417,414	7,578,044	23,399,190	299,045,121
Accumulated depreciation								
At January 1	–	39,707,283	124,218,379	18,547,839	32,004,101	2,639,910	16,786,039	233,903,551
Depreciation	–	914,736	5,417,351	626,216	2,496,651	569,178	2,335,094	12,359,226
Disposals	–	–	–	–	(11,300,855)	–	–	(11,300,855)
At December 31	–	40,622,019	129,635,730	19,174,055	23,199,897	3,209,088	19,121,133	234,961,922
Net Book Value	₱9,606,847	₱88,059	₱42,931,820	₱2,591,943	₱217,517	₱4,368,956	₱4,278,057	₱64,083,199

The depreciation from property and equipment in 2019 and 2018 are recognized as:

	2019	2018
Real estate inventories (Note 6)	**₱5,454,279**	₱6,403,558
General, administrative and selling expenses (Note 18)	**3,834,527**	5,955,668
	₱9,288,806	₱12,359,226

The Parent Company sold property and equipment which resulted to a gain of ₱2.4 million and ₱2.6 million in 2019 and 2018, respectively, presented as "Gain on sale of property and equipment" in the statements of comprehensive income. Proceeds from the sale amounted to ₱3.9 million and ₱2.9 million in 2019 and 2018, respectively.

As at December 31, 2019 and 2018, the cost of fully depreciated assets still in use by the Parent Company amounted to ₱697.2 million and ₱593.6 million, respectively.

13. Accounts and Other Payables

	2019	2018
Trade payables	**₱309,762,279**	₱299,499,904
Accrued expenses	**107,084,867**	69,824,942
Retention payable	**32,139,990**	23,437,605
Payable to related party (Note 15)	**29,461,464**	5,308,758
Accrued interest payable	**4,150,592**	9,964,349
Statutory payables	**4,131,045**	5,130,892
	₱486,730,237	₱413,166,450

Trade payables are noninterest-bearing and are generally on a 30 to 60-day credit terms.

Accrued expenses pertain to accrued contractual services, professional fees, rent expenses and taxes and licenses incurred by the Parent Company.

Retention payable are noninterest-bearing and pertains to the amount withheld by the Parent Company on contractor's billings to be settled upon completion of the relevant contracts within the year. The retention serves as a holdout amount withheld from the contractor to cover for back charges that may arise from quality issues in affected projects.

Statutory payables pertain to dues from remittance to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and withholding taxes. These are noninterest-bearing and are normally settled within one year.

14. Contract Assets and Liabilities

Contract assets represent the right to consideration that was already delivered by the Parent Company in excess of the amount recognized as installment contracts receivable. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Contract assets are collectible in equal monthly installments over a period of 5 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Parent Company until full payment has been made by the customers.

The Parent Company requires buyers of real estate units to pay a minimum percentage of the total contract price as reservation fee before the parties enter into a sale transaction. Payments from buyers which have not yet reached the buyer's equity to qualify for revenue recognition and excess of collections over the recognized receivables and contract assets based on POC are presented as "Contract liabilities" in the statements of financial position.

When the buyer's equity is reached by the buyer, revenue is recognized and these deposits and down payments are applied against the related ICR. The excess of collections over the recognized revenue is applied against the receivables in the succeeding years. The movement in contract liabilities is mainly due to the reservation sales and advance payments of buyers less real estate sales recognized upon reaching the buyer's equity and from increase in POC.

The Parent Company's contract assets and contract liabilities as at December 31, 2019 and 2018 are as follows:

	2019	2018
Current portion of contract assets	**₱128,936,111**	₱233,125,761
Noncurrent portion of contract assets	**6,294,565**	77,708,587
Contract assets	**₱135,230,676**	₱310,834,348
Contract liabilities	**₱139,504,435**	₱65,873,402

15. **Related Party Transactions**

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

The Parent Company, in the normal course of business has significant transactions with related parties, which principally consist of the following:

- Loan received by the Parent Company from shareholder (see Note 16).

  As of December 31, 2018, the Parent Company has outstanding loan from shareholder, which is classified under "Short-term debt" in the current liabilities amounting to ₱369.0 million, being on demand and noninterest-bearing.

  On January 13, 2019, the Parent Company signed into an agreement with the shareholder for the remaining balance of its short-term loan amounting to ₱369.0 million to be paid in equal monthly amortization payments to commence on January 13, 2019 until December 13, 2030. The loan bears a fixed annual interest rate of 6.00%.

- Noninterest-bearing deposits for future stock subscription to the Parent Company's subsidiaries (PTCHC, ABERDI, HLPC, SHDI and BCL). These deposits will either be converted to equity or returned to the Parent Company in consideration for a possibility of an incoming new investor.

- Noninterest-bearing cash advances to and from BCL, ABBWCI, SHDI and ABERDI.

- Noninterest-bearing cash advances to PEI, an associate.

- Noninterest-bearing cash advances to NC and BAC, affiliates of the Parent Company.

		2019		
Category	**Amount**	**Receivable (Payable)**	**Terms**	**Conditions**
Subsidiaries and shareholders				
Deposits for future stock subscription*:				
PTCHC	**(₱79,856,640)**	**₱746,896,698**	**Convertible to investment; non-interest bearing**	**Unsecured; no impairment**
ABERDI	**73,228,557**	**715,209,675**		
HLPC	–	**25,984,254**		
BCL	**249,724**	**249,724**		
Advances to**:				
BCL	**₱–**	**₱25,341,704**	**On demand; non-interest bearing**	**Unsecured; no impairment**
ABBWCI	**13,750**	**15,162,690**		
SHDI	**27,500**	**1,025,971**		
Advances from (see Note 13):				
ABERDI	**(₱24,152,706)**	**(₱29,461,464)**	**On demand; non-interest bearing**	**Unsecured; no collateral**
Short-term debt (see Note 16):				
From shareholder				
Reclassification to long-term debt	**₱368,973,519**	**₱–**	**On demand; non-interest bearing**	**Unsecured; no collateral**
Long-term debt (see Note 16):				
From shareholder				
Reclassification	**(₱368,973,519)**	**₱–**	**12-year, 6.00% interest bearing**	**Unsecured; no collateral**
Principal payments	**51,328,505**	–		
Current	–	**(6,018,818)**		
Noncurrent	–	**(311,626,195)**		
Associate				
Advances to**:				
PEI	**₱–**	**₱80,543,761**	**On demand; non-interest bearing**	**Unsecured; no impairment**
Affiliates				
Advances to**:				
EWRTC	**₱–**	**₱970,261**	**On demand; non-interest bearing**	**Unsecured; no impairment**
NC	**27,500**	**727,575**		
BAC	**27,500**	**27,500**		

* *Presented as "Deposit for future stock subscription" in the statements of financial position.*
** *Presented as "Receivables from related parties" in the statements of financial position..*

		2018		
Category	Amount	Receivable (Payable)	Terms	Conditions
Subsidiaries and shareholders				
Deposits for future stock subscription*:				
PTCHC	₱146,501	₱826,753,338	Convertible to investment; non-interest bearing	Unsecured; no impairment
ABERDI	93,165,687	641,981,118		
HLPC	2,285,181	25,984,254		
SHDI (see Note 6)	–	9,600,000		
Advances to**:				
BCL	₱–	₱25,341,704	On demand; non-interest bearing	Unsecured; no impairment
ABBWCI	992,363	15,148,940		
SHDI	–	998,471		
Advances from (see Note 13):				
ABERDI	₱423,700	(₱5,308,758)	On demand; non-interest bearing	Unsecured; no collateral
Short-term debt (see Note 16):				
From shareholder	(₱341,628,244)	(₱368,973,519)	On demand; non-interest bearing	Unsecured; no collateral
Associate				
Advances to**:				
PEI	₱–	₱80,543,761	On demand; non-interest bearing	Unsecured; no impairment
Affiliates				
Advances to**:				
EWRTC	₱–	₱970,261	On demand; non-interest bearing	Unsecured; no impairment
NC	–	700,075		

* *Presented as "Deposit for future stock subscription" in the statements of financial position.*
** *Presented as "Receivables from related parties" in the statements of financial position.*

Terms and Conditions of Transactions with Related Parties

The outstanding accounts with related parties, except for the advances to key management personnel, shall be settled in cash. There have been no guarantees provided or received for any related party receivables or payables. These accounts are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. The Parent Company has approval process and established limits when entering into material related party transactions.

The compensation of the key management personnel, included as part of salaries, wages and employee benefits under "General and administrative expenses" in the statements of comprehensive income follows:

	2019	2018
Short-term employee benefits	**₱45,104,369**	₱34,790,047
Other employee benefits	**4,563,937**	398,767
	₱49,668,306	₱35,188,814

Key management personnel of the Parent Company include all directors and senior management.

16. **Loans Payable**

Loans payable represents various secured and unsecured loans obtained from local banks and shareholder to finance the Parent Company's real estate development projects, working capital requirements and for general corporate purposes.

The Parent Company entered into loan agreements with the following banks, Union Bank of the Philippines (UBP), Philippine Bank of Communication (PBCOM), May Bank Philippines (MBI), BPI Family Savings Bank (BPIF), Development Bank of the Philippines (DBP), China Bank Corporation (CBC), United Coconut Planters Bank (UCPB), Asia United Bank (AUB), Bank of Philippines Island (BPIC), and from its shareholders.

Short-term debt
Short-term debt represents peso loans obtained from local banks and shareholder for working capital and financing requirements. These loans, except loan from shareholder, bear annual interest at rates ranging from 4.5% to 9.00% in 2019 and 4.50% to 8.50% in 2018, subject to semi-annual and quarterly repricing and are due at various dates within the following year from the reporting date. Loan from shareholder is on demand and noninterest-bearing.

	2019	**2018**
UBP	**₱100,000,000**	₱100,000,000
CBC	**100,000,000**	100,000,000
UCPB	**95,104,000**	50,395,200
DBP	**74,996,000**	59,680,000
Shareholder (Note 15)	–	368,973,519
	₱370,100,000	₱679,048,719

Interest expense arising from these loans amounts to ₱21.1 million and ₱36.7 million in 2019 and 2018, respectively.

Long-term debt
The long-term debt represents various loans obtained from local banks and shareholder to finance the Parent Company's real estate projects and for general corporate purposes.

	2019	2018
UBP	**₱211,388,889**	₱164,387,181
PBCOM	**67,494,993**	62,672,218
MBI	**66,666,667**	–
BPIF	**54,048,121**	79,534,554
DBP	**12,573,984**	24,210,860
CBC	**11,294,192**	8,604,624
UCPB	**10,583,108**	73,223,808
AUB	–	66,219,492
BPIC	–	12,000,000
Shareholder (Note 15)	**317,645,013**	–
	751,694,967	490,852,737
Less current portion	**167,402,746**	288,725,831
	₱584,292,221	₱202,126,906

Loans from UBP
Loans from UBP are comprised of loans subject to fixed and variable interest rates which are payable in monthly installments and secured by real estate mortgage. Fixed-rate loans have annual interest rates ranging from 5.78% to 9.10% payable for 2 to 5 years. Variable-rate loans are subject to variable interest rates based on Philippine Dealing System Treasury Reference Rate 2 (PDST-R2) plus 1.5% subject to a floor rate of 5.5% payable for 7 years.

Loans from PBCOM
These loans are payable in monthly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rate of 11.50% payable for 5 years. Variable-rate loan is subject to variable interest rates ranging from 8.00% to 10.75% payable for 4 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from MBI
This loan is payable in quarterly installments for 3 years secured by real estate mortgage which is subject to a fixed annual interest rate of 8.00%.

Loans from BPIF
These loans are payable in quarterly installments and secured by real estate mortgage. Fixed-rate loan has annual interest rates of 5.5% payable for 7 years. Variable-rate loans are subject to variable interest rates ranging from 5.23% to 7.75% payable for 7 to 10 years based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from DBP
This loan is payable in quarterly installments for 4 years secured by real estate mortgage which is subject to a fixed annual interest rate of 5.25%.

Loans from CBC
These loans are payable in monthly installments for 2 to 5 years pertaining to unsecured car loans subject to fixed annual interest rates ranging from 8.76% to 9.89%.

Loans from UCPB
These loans are payable in quarterly installments for 8 years secured by real estate mortgage which are subject to variable interest rates ranging from 8.00% to 8.20% and 5.25% to 8.20% in 2019 and 2018, respectively, based on 3-month Philippine Dealing System Treasury Fixing (PDST-F) rate obtaining at the time of availment, plus a spread of 2% inclusive of gross receipts tax (GRT) or floor rate of 5.25% inclusive of GRT per annum whichever is higher, subject to quarterly payment and resetting.

Loans from AUB
These loans are payable in monthly installments for 5 years secured by real estate mortgage which are subject to variable interest rates ranging from 5.95% to 7.55% and 5.50% to 6.55% in 2019 and 2018, respectively, based on prevailing market interest rate for the same or similar type of loans as determined by the bank.

Loan from BPIC
This loan is payable in monthly installments for 3 years secured by real estate mortgage which is subject to variable interest rates based on prevailing market interest rate for the same or similar type of loans as determined by the bank. In 2019, interest rates used were 5.23% to 7.75% and 5.23% was used with no changes during 2018.

Loan from shareholder
This loan is payable in monthly installments for 12 years, unsecured, and subject to a fixed annual interest rate of 6% (see Note 15).

Interest expense arising from these loans recognized in statements of comprehensive income amounts to ₱32.5 million and ₱41.1 million in 2019 and 2018, respectively. In 2019, borrowing costs amounting to ₱35.7 million are capitalized as part of real estate inventories (see Note 6). The capitalization rate used to determine the borrowing costs eligible for capitalization is 3.92%. In 2018, the Parent Company had no borrowings attributable to its on-going constructions.

The repayment schedule of the long-term debt follows:

Year	**2019**
2020	**₱167,402,746**
2021	**172,139,217**
2022 - 2030	**412,153,004**
	₱751,694,967

Security and Debt Covenants
Real estate inventories with carrying amounts of ₱322.8 million and ₱380.7 million as of December 31, 2019 and 2018, respectively, are collateralized for its loans payable (see Note 6). In 2018, investment properties with a carrying amount of ₱35.7 million were collateralized in favor of the bank to secure the Parent Company's long-term debt (see Note 11).

The Parent Company is not subject to any financial or negative covenants from its short-term and long-term debts.

17. **Equity**

Common stock
As of December 31, 2019 and 2018, the Parent Company has 3,300 million shares of authorized common stock with par value of ₱1.00 each. As of December 31, 2019 and 2018, 2,477.7 million of these shares with a total par value of ₱2,477.7 million were issued and outstanding.

Additional paid-in capital
Additional paid-in-capital amounted to ₱638.0 million as of December 31, 2019 and 2018, respectively.

Capital management
The primary objective of the Parent Company's capital management is to ensure that it maintains a strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Parent Company undertakes to establish the appropriate capital structure for each business line, to allow it sufficient financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Parent Company considers debt as a stable source of funding. The Parent Company attempts to continually lengthen the maturity profile of its debt portfolio and makes it a goal to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Parent Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis.

The Parent Company is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and 2018.

The share price closed at ₱0.71 on December 27, 2019 and ₱0.78 on December 29, 2018.

The table below pertains to the account balances the Parent Company considers as its core economic capital:

	2019	2018
Short-term debt	**₱370,100,000**	₱679,048,719
Long-term debt	**751,694,967**	490,852,737
Capital stock	**2,477,668,925**	2,477,668,925
Additional paid in capital	**637,968,859**	637,968,859
Retained earnings	**992,643,412**	718,687,757
	₱5,230,076,163	₱5,004,226,997

18. General, Administrative and Selling Expenses

	2019	2018
Personnel cost	**₱69,651,302**	₱75,457,258
Marketing	**51,195,496**	55,819,094
Taxes and licenses	**19,882,178**	25,758,874
Outside services	**10,984,375**	20,960,665
Rent	**8,932,661**	10,097,678
Professional fees	**5,845,436**	21,502,063
Transportation and travel	**5,691,051**	8,796,572
Utilities and supplies	**5,429,895**	6,392,140
Retirement benefit expense (Note 19)	**4,505,610**	11,911,558
Depreciation (Notes 11 and 12)	**3,834,527**	5,955,668
Repairs and maintenance	**2,006,809**	1,990,948
Directors fee	**940,647**	1,467,147
Board meetings	**851,021**	1,354,227
Miscellaneous	**11,028,314**	20,043,639
	₱200,779,322	₱267,507,531

Marketing expenses significantly include amortization of the costs to obtain contracts on real estate sales and advertising expenses incurred by the Parent Company.

"Miscellaneous" consists mainly of fines and penalties, representation expenses, subscription and dues, listing fee, insurance expense and others.

19. **Retirement Benefit Obligation**

The Parent Company has a funded non-contributory retirement plan covering all regular and full-time employees effective July 1, 2002 (anniversary date was amended to take effect every January 1, retroactive 2003). Benefits are dependent on the years of service and the respective employee's compensation.

The defined benefit obligation is determined using the Projected Unit Credit method. There was no plan of termination, curtailment or settlement for the years ended December 31, 2019 and 2018.

Responsibilities of Trustee

The Parent Company's plan assets are maintained by a trustee bank. The Retirement Plan Trustee, as appointed by the Parent Company in the Trust Agreement executed between the Parent Company and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund.

The Retirement Plan Trustee may seek the advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund, and an actuary to value the Retirement Fund.

The following tables summarize the components of retirement benefit costs recognized in the statements of comprehensive and the amounts recognized in the statement of financial position.

The components of retirement benefit expense recognized as retirement benefits under "General, administrative and selling expenses" in the statements of comprehensive income are as follows (see Note 18):

	2019	2018
Current service cost	**₱2,199,884**	₱9,812,912
Interest expense on defined benefit obligation	**2,861,166**	2,764,160
Interest income on plan assets	**(555,440)**	(665,514)
Total retirement benefit expense - net	**₱4,505,610**	₱11,911,558

The components of remeasurement loss on defined benefit plan recognized in OCI are as follows:

	2019	2018
Actuarial loss (gain) on defined benefit obligation	**₱9,933,835**	(₱3,401,706)
Remeasurement loss (gain) on plan assets	**4,367,416**	(1,948,918)
Income tax effect	**(4,290,375)**	635,491
Remeasurement loss (gain) at end of year	**₱10,010,876**	(₱4,715,133)

The breakdown of the retirement benefit obligation recognized in the statements of financial position follow:

	2019	2018
Present value of defined benefit obligation	**₱51,120,493**	₱37,157,998
Fair value of plan assets	**(3,401,526)**	(7,213,502)
Retirement benefit obligation	**₱47,718,967**	₱29,944,496

Remeasurement loss on defined benefit obligation recognized in the statements of financial position are as follows:

	2019	2018
At January 1	**₱8,393,615**	₱13,108,748
Actuarial loss (gain) on defined benefit obligation	**9,933,835**	(3,401,706)
Actuarial loss (gain) on fair value of plan assets	**4,367,416**	(1,948,918)
Income tax effect	**(4,290,375)**	635,491
At December 31	**₱18,404,491**	₱8,393,615

Changes in the present value of the defined benefit obligation follow:

	2019	2018
Balance at beginning of year	**₱37,157,998**	₱28,130,472
Current service cost	**2,199,884**	9,812,912
Interest cost	**2,861,166**	2,764,160
Benefits paid	**(1,032,390)**	(147,840)
Actuarial loss (gain)	**9,933,835**	(3,401,706)
Balance at end of year	**₱51,120,493**	₱37,157,998

Changes in the fair value of plan assets follow:

	2019	2018
Balance at beginning of year	**₱7,213,502**	₱4,746,910
Interest income	**555,440**	665,514
Actuarial gain (loss)	**(4,367,416)**	1,948,918
Benefits paid	**–**	(147,840)
Balance at end of year	**₱3,401,526**	₱7,213,502

The fair value of plan assets by each class as of December 31 are as follows:

	2019	2018
Equity instruments	**₱3,074,980**	₱6,521,006
Cash and cash equivalents	**476,894**	1,011,333
Debt instruments	**47,621**	100,989
Others	**(197,969)**	(419,826)
Balance at end of year	**₱3,401,526**	₱7,213,502

For determination of the retirement benefit obligation, the following actuarial assumptions were used:

	2019	2018
Discount rates used	**5.54%**	7.70%
Expected rate of salary increases	**4.00%**	5.00%

Assumptions regarding future mortality and disability are based on the 2001 CSO table-Generational and The Disability Study, Period 2, Benefit 5, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumptions on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant.

	December 31, 2019	
		Effect
100 bps increase in discount rate	**2.3% decrease**	**(₱1,193,192)**
100 bps decrease in discount rate	**2.6% increase**	**1,305,255**
100 bps increase in salary rate	**2.6% increase**	**1,312,276**
100 bps decrease in salary rate	**2.4% decrease**	**(1,221,312)**
Increase in DBO, no attrition rates	**2.1% increase**	**1,065,391**

	December 31, 2018	
		Effect
100 bps increase in discount rate	3.7% decrease	(₱1,274,668)
100 bps decrease in discount rate	4.1% increase	1,396,313
100 bps increase in salary rate	4.1% increase	1,419,787
100 bps decrease in salary rate	3.8% decrease	(1,317,968)
Increase in DBO, no attrition rates	2.0% increase	695,779

The average duration of the defined benefit obligation at the end of the reporting date is 2.4 years. Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2019.

Year ending:	
2020	₱30,277,398
2021	4,854,535
2022	4,124,475
2023	5,457,960
2024	3,118,836
2025 - 2029	18,166,539

20. Income Taxes

Provision for income tax pertains to regular corporate income tax (RCIT) amounting to ₱35.7 million and ₱23.9 million in 2019 and 2018, respectively.

The reconciliation of statutory income to provision for income tax follows:

	2019	2018
Income tax computed at statutory rate	**₱118,199,308**	₱50,459,219
Additions to (reduction in) income tax resulting from:		
Tax-exempt dividend income	**(21,661,830)**	(3,901,626)
Nondeductible (non-taxable) unrealized loss (gain) on EIFVPL	**13,054,169**	(5,001,770)
Nondeductible (non-taxable) loss (gain) on sale of EIFVPL	**9,628,444**	(3,029,773)
Nondeductible expense	**863,238**	2,793,061
Interest income already subjected to final tax	**(41,292)**	(20,106)
	₱120,042,037	₱41,299,005

The components of the Parent Company's deferred tax assets and deferred tax liabilities are as follows:

	2019	2018
Recognized in profit or loss:		
Deferred income tax assets on		
Retirement benefit obligation	**₱6,428,485**	₱5,386,520
Unamortized past service costs	**213,518**	634,673
Allowance for expected credit losses	**126,439**	126,439
Unrealized foreign exchange loss	**3,281**	–
	6,771,723	6,147,632
Deferred income tax liabilities on		
Excess of real estate sales based on POC over real estate sales based on tax rules	**(158,601,755)**	(74,664,970)
Prepaid commission	**(4,906,577)**	(3,665,278)
Unrealized foreign exchange gain	**–**	(179,518)
	(163,508,332)	(78,509,766)
	(156,736,609)	(72,362,134)
Recognized directly in equity:		
Deferred tax liability on remeasurement loss on retirement benefit plan	**₱7,887,205**	₱3,596,829
	(₱148,849,404)	(₱68,765,305)

21. **Lease Agreements**

Parent Company as a Lessor
The Parent Company leased its various properties under operating lease with various lessees. The term of the lease agreements is for one year and is renewable upon mutual agreement of both parties. The agreements provide that the lessees shall pay for all major and minor repairs, business taxes, and charges for water, light, telephone and other utilities expense. There is no escalation clause and the leases are classified as operating leases.

Rental income from non-related parties under these operating leases amounted to ₱0.9 million in 2018 (see Note 11).

Parent Company as a Lessee
In 2019 and 2018, the Parent Company has lease agreements for its office spaces in Cagayan de Oro City and Metro Manila and on certain transportation equipment which have lease terms of 12 months or less and are renewable upon the agreement of both parties. The Parent Company applies the 'short-term lease' recognition exemption for these leases.

22. **Financial Risk Management Objectives and Policies**

The Parent Company is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities in relation to its financial instruments which include financial assets comprising cash, receivables, receivables from related parties, EIFVPL, EIFVOCI, and refundable deposits included under "Other assets". This also includes financial liabilities comprising accounts and other payables and short and long-term debt. The main types of risks are market risk (mainly interest rate and equity price risks), credit risk and liquidity risk which arise in the normal course of the Parent Company's business activities.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Parent Company's results and financial position. The Parent Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle. The management takes charge of the Parent Company's overall risk management strategies and for approval of risk strategies and policies under the direction of the Parent Company's BOD.

The Parent Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Parent Company's financial performance.

There were no changes in the Parent Company's financial risk management objectives and policies in 2019 and 2018.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and interest rate risk. The Parent Company's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Parent Company trades only with recognized, creditworthy third parties. The Parent Company's receivables are monitored on an ongoing basis to manage exposure to bad debts and to ensure timely execution of necessary intervention efforts. The Parent Company's debt financial assets are not subject to collateral and other credit enhancement except for real estate receivables. Real estate buyers are subject to standard credit check procedures, which are calibrated based on payment scheme offered. The Parent Company's respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish creditworthiness.

In addition, the credit risk for ICRs is mitigated as the Parent Company has the right to cancel the sales contract without need for any court action and take possession of the subject real estate property in case of refusal by the buyer to pay on time the due ICR. This risk is further mitigated because the corresponding title to the real estate units sold under this arrangement is transferred to the buyers only upon full payment of the contract price. In case of default, after enforcement activities, the Parent Company has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Parent Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%).

With respect to credit risk arising from the other debt financial assets of the Parent Company, which comprise cash, receivables from related parties and refundable deposits, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Parent Company transacts only with institutions or banks which have demonstrated financial soundness for the past 5 years.

The Parent Company's maximum exposure to credit risk is equal to the carrying values of its debt financial assets except for ICRs as discussed above. The table below shows the credit quality and aging analysis of the Parent Company's financial assets:

	2019	2018
Financial assets:		
Cash in banks[1]	**₱71,987,574**	₱37,060,878
Receivables[2]	**752,458,466**	126,538,740
Receivables from related parties	**123,799,462**	123,703,212
Refundable deposits	**36,618,477**	28,264,588
	₱984,863,979	₱315,567,418

[1]*Excluding cash on hand amounting to ₱889,008 and ₱629,738 in 2019 and 2018, respectively.*
[2]*Excluding advances to officers and employees amounting to ₱1,306,933 and ₱2,880,114 in 2019 and 2018, respectively.*

The aging analysis of debt financial assets as of December 31, 2019 and 2018 are as follows:

	2019						
			Past Due But not Impaired				
	Total	**Neither Past Due nor Impaired**	**Less than 30 Days**	**30-60 Days**	**61-90 Days**	**More than 90 Days**	**Impaired**
Financial assets:							
Cash in banks[1]	**₱71,987,574**	**₱71,987,574**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables[2]	**752,879,929**	**400,620,439**	**4,681,944**	**1,997,786**	**1,135,236**	**344,023,061**	**421,463**
Receivables from related parties	**123,799,462**	–	–	–	–	**123,799,462**	–
Refundable deposits	**36,618,477**	**36,067,010**	–	–	–	**551,467**	–
	₱985,285,442	**₱508,675,023**	**₱4,681,944**	**₱1,997,786**	**₱1,135,236**	**₱468,373,990**	**₱421,463**

[1]*Excluding cash on hand amounting to ₱889,008.*
[2]*Excluding advances to officers and employees amounting to ₱1,306,933.*

	2018						
			Past Due But not Impaired				
	Total	Neither Past Due nor Impaired	Less than 30 Days	30-60 Days	61-90 Days	More than 90 Days	Impaired
Financial assets:							
Cash in banks[1]	₱37,060,878	₱37,060,878	₱–	₱–	₱–	₱–	₱–
Receivables[2]	126,960,203	74,571,325	11,601,701	4,950,446	2,813,076	32,602,192	421,463
Receivables from related parties	123,703,212	–	–	–	–	123,703,212	–
Refundable deposits	28,264,588	28,264,588	–	–	–	–	–
	₱315,988,881	₱139,896,791	₱11,601,701	₱4,950,446	₱2,813,076	₱156,305,404	₱421,463

[1]*Excluding cash on hand amounting to ₱629,738.*
[2]*Excluding advances to officers and employees amounting to ₱2,880,114.*

Credit quality per class of Parent Company's financial assets are as follows:

	2019					
	Neither Past Due nor Impaired					
	High	**Medium**	**Low**	**Past Due but Not Impaired**	**Overdue and Impaired**	**Total**
Financial assets:						
Cash in banks[1]	**₱71,987,574**	**₱–**	**₱–**	**₱–**	**₱–**	**₱71,987,574**
Receivables[2]	**246,817,877**	**153,802,562**	–	**351,838,027**	**421,463**	**752,879,929**
Receivables from related parties	–	–	–	**123,799,462**	–	**123,799,462**
Refundable deposits	–	**36,067,010**	–	**551,467**	–	**36,618,477**
	₱318,805,451	**₱189,869,572**	**₱–**	**₱476,188,956**	**₱421,463**	**₱985,285,442**

[1]*Excluding cash on hand amounting to ₱889,008.*
[2]*Excluding advances to officers and employees amounting to ₱1,306,933.*

	2018					
	Neither Past Due nor Impaired			Past Due but	Overdue and	
	High	Medium	Low	Not Impaired	Impaired	Total
Financial assets:						
Cash in banks[1]	₱37,060,878	₱–	₱–	₱–	₱–	₱37,060,878
Receivables	50,121,625	24,449,700	–	51,967,415	421,463	126,960,203
Receivables from related parties	–	–	–	123,703,212	–	123,703,212
Refundable deposits	–	28,264,588	–	–	–	28,264,588
	₱87,182,503	₱52,714,288	₱–	₱175,670,627	₱421,463	₱315,988,881

[1]*Excluding cash on hand amounting to ₱629,738.*
[2]*Excluding advances to officers and employees amounting to ₱2,880,114.*

The credit quality of the financial assets was determined as follows:

- High quality financial assets include cash in banks which are entered into with highly reputable counterparties and receivables with no default in payments.
- Medium quality financial assets are accounts which are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Parent Company's receivables with up to 3 defaults in payment, receivables from related parties and refundable deposits are classified under this because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.
- Low quality financial assets are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms. This includes receivables with up to 3 defaults in payment.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties. The Parent Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Parent Company maintains a level of cash deemed adequate by management to finance its operations and capital requirements and to mitigate the effects of fluctuations in cash flows. The Parent Company considers its available funds and its liquidity in managing its long-term financial requirements. It matches its projected cash flows to the projected amortization of long-term borrowings. For its short-term funding, the Parent Company's policy is to ensure that there are sufficient operating inflows to match repayments of short-term debt. As part of its liquidity risk management, it regularly evaluates its projected and actual cash flows.

The tables below summarize the Parent Company's financial assets that can be used to manage its liquidity risk and the maturity profile of its financial liabilities as of December 31, 2019 and 2018 based on contractual undiscounted payments:

	2019			
	On Demand	**One Year and Below**	**More than One Year**	**Total**
Financial Assets				
Cash	**₱72,876,582**	**₱–**	**₱–**	**₱72,876,582**
Receivables[1]	**249,203,906**	**357,027,400**	**146,227,160**	**752,458,466**
Receivables from related parties	**123,799,462**	**–**	**–**	**123,799,462**
EIFVPL	**–**	**63,484,441**	**–**	**63,484,441**
EIFVOCI	**–**	**–**	**167,561,453**	**167,561,453**
Refundable deposits	**551,467**	**–**	**36,067,010**	**36,618,477**
	₱446,431,417	**₱420,511,841**	**₱349,855,623**	**₱1,216,798,881**
Financial Liabilities				
Accounts and other payables[2]	**₱165,313,569**	**₱317,285,623**	**₱–**	**₱482,599,192**
Short-term debt				
Principal	**–**	**370,100,000**	**–**	**370,100,000**
Interest	**–**	**11,835,904**	**–**	**11,835,904**
Long-term debt				
Principal	**–**	**167,402,746**	**584,292,221**	**751,694,967**
Interest	**–**	**44,096,575**	**34,770,088**	**78,866,663**
	₱165,313,569	**₱910,720,848**	**₱619,062,309**	**₱1,695,096,726**
Net Inflow (Outflow)	**₱281,117,848**	**(₱490,209,007)**	**(₱269,206,686)**	**(₱478,297,845)**

[1] *Excluding advances to officers and employees amounting to ₱1,306,933.*
[2] *Excluding statutory payables of ₱4,131,045.*

	2018			
	On Demand	**One Year and Below**	**More than One Year**	**Total**
Financial Assets				
Cash	₱37,690,616	₱–	₱–	₱37,690,616
Receivables[1]	32,687,071	14,311,964	79,539,705	126,538,740
Receivables from related parties	123,703,212	–	–	123,703,212
EIFVPL	–	233,170,738	–	233,170,738
EIFVOCI	–	–	168,647,685	168,647,685
Refundable deposits	–	551,467	36,067,010	36,618,477
	₱194,080,899	₱248,034,169	₱284,254,400	₱726,369,468
Financial Liabilities				
Accounts and other payables[2]	₱69,662,899	₱338,372,659	₱–	₱408,035,558
Short-term debt				
Principal	–	679,048,719	–	679,048,719
Interest	–	21,716,173	–	21,716,173
Long-term debt				
Principal	–	288,725,831	202,126,906	490,852,737
Interest	–	28,792,579	22,702,909	51,495,488
	₱69,662,899	₱1,356,655,961	₱224,829,815	₱1,651,148,675
Net Inflow (Outflow)	₱124,418,000	(₱1,108,621,792)	₱59,424,585	(₱924,779,207)

[1] *Excluding advances to officers and employees amounting to ₱2,880,114.*
[2] *Excluding statutory payables of ₱5,130,892.*

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of the Parent Company's financial instruments will fluctuate because of changes in market interest rates. The Parent Company's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Parent Company's interest-bearing debt obligations with floating interest rates or rates subject to repricing as it can cause a change in the amount of interest payments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Parent Company's income before tax and equity, through the impact on floating rate borrowings:

2019		2018	
Increase (decrease) in basis points	**Effect on profit before tax**	Increase (decrease) in basis points	Effect on profit before tax
300	**(₱3,123,787)**	300	(₱3,126,287)
200	**(2,082,524)**	200	(2,085,024)
100	**(1,041,262)**	100	(1,043,762)
(100)	**1,041,262**	(100)	1,043,762
(200)	**2,082,524**	(200)	2,085,024
(300)	**3,123,787**	(300)	3,126,287

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to 100 to 300 basis points upward or downward fluctuation in both 2019 and 2018. There is no other impact on the Parent Company's total comprehensive income other than those already affecting the net income.

Equity Price Risk. The Parent Company's equity investments listed in the PSE and golf and club shares are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Parent Company is exposed to equity price risk with respect to EIFVOCI.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Parent Company's equity as of December 31, 2019 (and as of December 31, 2018).

	Effect on net income		Effect on equity	
Change in index	**2019**	2018	**2019**	2018
+5%	**₱3,174,222**	₱11,658,537	**₱7,739,022**	₱7,793,333
-5%	**(₱3,174,222)**	(₱11,658,537)	**(₱7,739,022)**	(₱7,793,333)

The following table presents a comparison by category of carrying values and estimated fair values of the Parent Company's financial instruments as at December 31:

	2019		2018	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Cash	**₱72,876,582**	**₱72,876,582**	₱37,690,616	₱37,690,616
Receivables[1]	**752,458,466**	**754,621,924**	126,538,740	126,794,041
Receivables from related parties	**123,799,462**	**123,799,462**	123,703,212	123,703,212
EIFVPL	**63,484,441**	**63,484,441**	233,170,738	233,170,738
EIFVOCI	**109,761,453**	**109,761,453**	110,847,685	110,847,685
Refundable deposits	**36,618,477**	**36,618,477**	28,264,588	28,264,588
	₱1,158,998,881	**₱1,161,162,339**	₱660,215,579	₱660,470,880
Financial Liabilities				
Accounts and other payables[2]	**₱482,599,192**	**₱482,599,192**	₱408,035,558	₱408,035,558
Short-term debt	**370,100,000**	**370,100,000**	679,048,719	679,048,719
Long-term debt	**751,694,967**	**903,019,072**	490,852,737	475,379,922
	₱1,604,394,159	**₱1,755,718,264**	₱1,577,937,014	₱1,562,464,199

[1] *Excluding advances to officers and employees amounting to ₱1,306,933 and ₱2,880,114 in 2019 and 2018, respectively.*
[2] *Excluding statutory payables of ₱4,131,045 and ₱5,130,892 in 2019 and 2018, respectively.*

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

- *Cash, receivables (except ICR)*, *refundable deposits*, *accounts and other payables and short term-debt*. The fair values approximate their carrying amounts as of reporting dates due to the short-term maturity of these financial instruments.

- *ICR*. The fair value of ICR due within one year approximates its carrying amount. Noncurrent portion of ICR are discounted using the applicable discount rates for similar types of instruments (Level 3 input).

- *Receivables from related parties*. Carrying amounts of receivables from related parties which are collectible on demand approximate their fair values. Receivables from related parties are unsecured and have no foreseeable terms of repayments.

- *EIFVPL*. The carrying value is equivalent to its fair value. The fair values have been determined directly by reference to published prices in an active market (Level 1 input).

- *EIFVOCI*. For publicly traded equity securities, fair values are based on quoted prices. For unquoted equity securities, the fair value is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end each of reporting period. The fair values are determined based on average selling price of price per share of similar or identical assets traded in an active market (Level 2 input).

- *Long-term debt*. The fair value of borrowings with fixed interest rate is based on the discounted net present value of cash flows using the PH BVAL. Discount rates used range from 5.4% and 7.5% in 2019 and 5.5% to 7.2% in 2018. The Parent Company classifies the fair value of its long-term debt under Level 3.

Fair Value Hierarchy
The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value, are observable, either directly or indirectly; and,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23. Revenue from Contracts with Customers

Revenue Disaggregation
The Parent Company derives revenue from the transfer of services and goods over time and at a point in time, respectively, in different product types. The Parent Company's disaggregation of each sources of revenue from contracts with customers are presented below:

	2019	2018
Type of product:		
Real estate sales		
House and lot units	**₱480,756,219**	₱382,108,546
Lot-only units	**461,979,547**	357,952,543
Water service	**21,349,825**	20,441,816
	₱964,085,591	₱760,502,905

The real estate sales are revenue from contracts with customers that are recognized over time while revenue from water service are recognized at a point in time.

Contract Balances

	2019	2018
ICR (Note 5)	**₱598,655,904**	₱82,723,817
Contract assets (Note 14)	**135,230,676**	310,834,348
Costs to obtain contracts (Note 8)	**16,355,255**	12,217,593
Contract liabilities (Note 14)	**139,504,435**	65,873,402

ICR are from real estate sales which are collectible in equal monthly installments with over a period of 2 to 15 years, and bear interest ranging from 10% to 18% in 2019 and 2018. The transfer certificates of title remain in the possession of the Parent Company until full payment has been made by the customers

Contract assets represent the right to consideration that was already delivered by the Parent Company in excess of the amount recognized as ICR. This is reclassified as ICR when the monthly amortization of the customer is already due for collection. The movement in contract asset is mainly due to new real estate sales contract recognized during the period and increase in percentage of completion, less reclassification to ICR.

Costs to obtain contracts
Costs to obtain contracts are derecognized if sales are subsequently cancelled. The balances below pertain to the costs to obtain contracts:

	2019	2018
Balance at January 1	**₱12,217,593**	₱11,394,554
Additions	**32,697,831**	36,666,711
Amortization	**(28,560,169)**	(35,843,672)
Balance at end of the year	**₱16,355,255**	₱12,217,593

The amortization of prepaid commissions which are expensed as the related revenue is recognized totaling ₱28.6 million and ₱35.8 million in 2019 and 2018, respectively, are recognized as marketing expenses presented under "General, administrative and selling expenses" account in the statements of comprehensive income (see Note 18).

Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred by the Parent Company based on percentage of completion. The movement in contract liability is mainly due to sales reservations and advance payments of buyers less real estate sales recognized upon reaching the buyer's equity and from increase in percentage of completion.

Performance Obligation
Information about the Parent Company's significant performance obligation is summarized below:

Real estate sales
The Parent Company entered into contracts to sell with one identified performance obligation, which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration. The sale of real estate unit may cover the contract for either the (i) serviced lot; (ii), and service lot and house and the Parent Company concluded that there is one performance obligation in each of these contracts. The Parent Company recognizes revenue from the sale of these real estate projects under pre-completed contract over time during the course of the construction.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under various financing schemes entered with the customer. The financing scheme would include payment of 10% to 25% of the contract price spread over a certain period (e.g., three months to four years) at a fixed monthly payment with the remaining balance payable (a) in full at the end of the period either through cash or external financing; or (b) through in-house financing which ranges from two (2) to fifteen (15) years with fixed monthly payment. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction, which results to either a contract asset or contract liability.

The remaining performance obligation is expected to be recognized within one year which relate to the continuous development of the Parent Company's real estate projects. The Parent Company's real estate projects are completed within 6 months to 12 months, from start of construction.

Upon the adoption of PFRS 15 as at January 1, 2018, the Parent Company's retained earnings decreased by ₱17.1 million, decreased receivables by ₱47.8 million, decreased inventories by ₱23.6 million, decreased deferred tax liabilities by ₱7.2 million, increased contract assets by ₱292.8 million, increased contract liabilities by ₱57.2 million and increased costs to obtain contracts by ₱2.1 million as of January 1, 2018.

24. Notes to Statement of Cash Flows

Changes in liabilities arising from financing activities

2019

	Beginning Balance	Availments	Payments	Others	Ending Balance
Short-term debt	**₱679,048,719**	**₱245,805,000**	**(₱185,780,200)**	**(₱368,973,519)**	**₱370,100,000**
Current portion of long-term debt	**288,725,831**	–	**(373,807,989)**	**252,484,904**	**167,402,746**
Noncurrent portion of long-term debt	**202,126,906**	**265,676,700**	–	**116,488,615**	**584,292,221**
Interest (Note 13)	**9,964,349**	–	**(59,403,848)**	**53,590,091**	**4,150,592**
	₱1,179,865,805	**₱511,481,700**	**(₱618,992,037)**	**₱53,590,091**	**₱1,125,945,559**

2018

	Beginning Balance	Availments	Payments	Others	Ending Balance
Short-term debt	₱557,345,275	₱548,653,519	(₱426,950,075)	₱–	₱679,048,719
Current portion of long-term debt	358,541,006	–	(366,666,596)	296,851,421	288,725,831
Noncurrent portion of long-term debt	390,163,029	108,815,298	–	(296,851,421)	202,126,906
Interest (Note 13)	7,073,137	–	(74,904,712)	77,795,924	9,964,349
	₱1,313,122,447	₱657,468,817	(₱868,521,383)	₱77,795,924	₱1,179,865,805

Others include reclassification of loan from shareholder from short-term debt to long-term debt in 2019 (see Notes 15 and 16), interest expense and capitalized borrowing costs.

25. Subsequent Event - COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. On April 23, 2020, the President further extended the enhanced community quarantine in Metro Manila, Central Luzon, Calabarzon, and several provinces and islands in Luzon until May 15, 2020. On May 28, 2020, the President approved the transition to general community quarantine starting June 1, 2020 in Metro Manila, Region 2, Region 3, Region 4-A, Albay, Pangasinan and Davao City until further notice. Meanwhile, the rest of the country were placed under modified general community quarantine.

It also enjoined all government agencies and local government units (LGUs) to render full assistance and cooperation to mobilize the necessary resources, undertake critical, urgent, and appropriate responses and measures in a timely manner. Since the issuance of the proclamation, various LGUs throughout the country have issued their own quarantine and travel restrictions.

On March 16, 2020, the local government of Cagayan de Oro City issued an Executive Order to impose stringent social distancing measures in the city effective immediately. On March 19, 2020, Executive Order No. 049-2020 was issued, imposing a community quarantine throughout the city until further notice.

These measures have significantly impacted the Parent Company's business due to travel restrictions/ban and temporary suspension of business operations and/or measures imposed by the authorities or companies. The impact of COVID-19 on the Parent Company's business and operations continue to evolve.

The Parent Company considers the events surrounding the pandemic as non-adjusting subsequent events, accordingly, no adjustments have been made to the financial statements as of and for the year ended December 31, 2019 for the impact of COVID-19. However, the pandemic could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Parent Company cannot determine at this time the impact to its financial position, performance and cash flows. The Parent Company will continue to monitor the situation.

26. Supplementary Tax Information Required under RR 15-2010

RR No. 15-2010 are promulgated to amend certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying tax returns. In addition to the disclosures mandated under PFRS, RR No. 15-2010 requires disclosures regarding information on taxes, duties and license fees paid or accrued during the taxable year. The Parent Company also reported and/or paid the following types of taxes for 2019:

Value Added Tax (VAT)
Details of the Parent Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Net sales/receipts and output VAT declared in the Parent Company's VAT returns filed for 2019

	Net Sales	Output VAT
Vatable sales/receipt at 12%	₱481,213,367	₱57,745,604
Sale to government	607,950	72,954
Exempt sales	113,973,344	–

b. *The rollforward of Input VAT for 2019 follows*:

	Input VAT	Deferred Input VAT
Balance at January 1	₱–	₱1,298,597
Current year's domestic purchases/payments or importations for:		
Goods for resale/manufacture or further processing	25,651,410	–
Goods other than for resale or manufacture	47,474	–
Capital goods subject to amortization	323,841	(323,841)
Services lodged under cost of goods sold	28,582,287	–
Total	54,605,012	974,756
Less: applied against output VAT	(46,055,908)	–
Input VAT allocable to exempt sales	(5,981,284)	–
Input tax charged to expense	(3,448)	–
Creditable VAT	5,825	–
VAT payments during the year	1,980,421	–
VAT withheld on sales to government	13,818	–
Balance at December 31	₱4,564,436	₱974,756

The Parent Company's sales of services are based on actual collections received, hence, may not be the same as amounts accrued in the statement of comprehensive income.

Taxes and Licenses
Taxes and licenses, local and national, include real estate taxes, licenses and permit fees included in operating expenses for 2019:

Business permit	₱12,523,323
Documentary stamp tax	4,530,569
Real property tax	2,180,623
Registration and license fee	71,113
Others	576,550
December 31, 2019	₱19,882,178

Withholding Taxes
Details of withholding taxes for the year are as follows:

Withholding tax on compensation and benefits	₱2,123,462
Expanded withholding taxes	1,076,372
Final tax	34,410
December 31, 2019	₱3,234,244